

ARKANSAS · GAS UTILITIES · CAPITAL BRIEFING

Arkansas gas utilities are rebuilding trust and pipe at the same time. That collision lands in the capital plan.

A \$2.15 billion ownership change, a billing-system meltdown, and a 23% rate increase have put Arkansas gas utilities under a microscope — while decades of bare-steel and cast-iron main still have to come out of the ground. Every dollar now has to be safety-justified and affordability-defensible at the same time. Invizion helps gas utilities re-sequence a capital portfolio in a click — and defend every decision.

\$2.15B¹	23.4%²	47,014³	355 Bcf⁴
Summit Utilities' 2022 purchase of CenterPoint's Arkansas & Oklahoma gas systems — the largest LDC ownership change in the state.	Base-rate increase the APSC approved for Summit in November 2024, at a 9.85% ROE.	Summit accounts that faced disconnection after its 2022 billing-system transition (43,302 residential).	Arkansas marketed gas production in 2024, down from 481 Bcf in 2020 as the Fayetteville Shale winds down.

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THE ARKANSAS LANDSCAPE

Four forces are moving your project list at once

None of these is theoretical in Arkansas, and none of them waits for your next budget cycle. Together they mean the capital plan you approved last year may already be the wrong plan.

SYSTEM INTEGRITY & AGING PIPE

Old pipe, new owner, deferred work

Summit inherited a roughly 17,000-mile main network spanning Arkansas, Oklahoma and Texarkana when it bought CenterPoint's gas systems — and the Attorney General's office argued CenterPoint had deferred on the order of \$300 million in maintenance before the sale.¹⁵ Summit says it has since invested more than \$300 million in Arkansas to upgrade and make the system safer.²

Black Hills Energy is on the same treadmill, spending about \$130 million in Arkansas since 2021 to replace pipe with lower-emission materials across roughly 7,200 miles of line.⁸ Under PHMSA's distribution integrity (DIMP) framework, that bare-steel and cast-iron replacement is not optional — only its sequencing is.⁷

DECARBONIZATION PRESSURE

Less mandate risk, more throughput risk

Arkansas is a gas-producing state with no gas-ban law and no formal "future of gas" docket, so the electrification pressure that reshapes plans in the Northeast and California is muted here. The sharper long-horizon risk is throughput: in-state production has fallen to 355 Bcf in 2024 from 481 Bcf in 2020.⁴

The Fayetteville Shale that once drove Arkansas gas — pioneered by Southwestern Energy in 2004 and once estimated to hold ~13,240 Bcf recoverable — saw new drilling largely cease by 2018.⁸ A distribution system whose customer base is stable but whose regional supply is thinning still has to plan capital for decades of service.

SUPPLY & PRICE VOLATILITY

Winter is where the bills — and the anger — land

Winter Storm Uri in February 2021 was expensive enough that \$425 million of unrecovered storm costs were folded into Summit's \$2.15 billion acquisition price.³ Gas costs pass through to customers with no markup and reset twice a year, so a cold snap or a price spike flows straight onto the bills.⁶

The result is stark seasonality: under the 2024 order, a typical Summit residential bill was projected to move from about \$66 in November to roughly \$174 in January.⁹ Design-day and storage planning is a capital question, not just a procurement one.

CAPITAL RECOVERY & REGULATION

Every dollar has to survive an affordability fight

Summit's base rates had not changed since 2015 before it filed for a \$104.7 million increase in January 2024; that settled at a 23.4% average residential increase with the ROE cut from a requested 11% to 9.85%.^{5,102} Even so, Attorney General Tim Griffin fought the settlement and a state senator ordered the APSC to probe the acquisition's due diligence.⁵

Arkansas gives utilities a Formula Rate Review option (Act 725 of 2015) to trim regulatory lag between cases — but as Summit and Black Hills both found, recovery is granted only against a documented, prioritized case.¹¹

WHO RUNS ARKANSAS'S GAS SYSTEM

Two holding companies, three regulated LDCs, almost no municipal gas

Arkansas's gas distribution is unusually concentrated: it is served almost entirely by investor-owned utilities under two corporate parents, with roughly 640,000 gas customers statewide in 2024¹² and very little city-owned or cooperative gas.

Investor-owned gas LDCs

Rates & capital recovery regulated by the APSC

Summit Utilities ~415,000–420,000 customers · former
Arkansas CenterPoint / Arkla²

Black Hills Energy 184,000+ customers · ~100 communities ·
Arkansas ~7,200 mi⁶

Arkansas Oklahoma Fort Smith area · Summit subsidiary
Gas (AOG) since 2017¹

Summit reports investing more than \$300 million in Arkansas
infrastructure since the 2022 acquisition²

Owners & the public-gas picture

Corporate parents — and the near-absence of municipal gas

Summit Utilities, Inc. Colorado-based, privately held ·
625,000+ customers in six states³

Black Hills Corporation 1.37M gas & electric customers, eight
(NYSE: BKH) states¹⁴

Black Hills – All-stock combination announced Aug.
NorthWestern merger 2025, pending approvals¹⁵

Unlike many states, Arkansas has essentially no large city-owned or
cooperative gas systems — distribution capital planning is
concentrated in the investor-owned LDCs above.

Every capital dollar has to be defensible

Whether the question comes from the Arkansas Public Service Commission, the Attorney General, or the legislature, it is the same: why this project, why now, why at this cost?

Arkansas Public Service Commission (APSC) — a three-member body (Chair Doyle Webb, Katie Anderson and Justin Tate) sets rates and approves capital recovery for the state's gas LDCs⁵¹¹

Formula Rate Review (Act 725 of 2015) — Arkansas's alternative to a standalone infrastructure surcharge, letting a utility file annual adjustments to reduce regulatory lag between full base-rate cases.¹¹

Summit's 2024 base-rate case — a \$104.7M request (rates unchanged since 2015) settled November 21, 2024 at a 23.4% average residential increase, ROE 9.85%; AG Tim Griffin contested it and Sen. Jimmy Hickey ordered an acquisition-diligence probe¹⁰²⁵

Black Hills Energy's 2023 case — a \$44 million request (about \$15/month for a typical residential customer) to recover Arkansas infrastructure investment.⁶

Billing-system oversight — after Summit's 2022 CIS transition, the APSC kept disconnections and late fees suspended from fall 2022 into 2023 and ordered minimum 18-month payment plans; it later found no rule violation³

Where the capital comes from

Arkansas leans on rate-based recovery rather than a rich stack of federal grants, so the capital constraint is less “which award do we win” and more “which projects can we justify to regulators and ratepayers, and in what order.”

Summit: \$300M+ invested since 2022 — upgrades, safety and system work in Arkansas, recovered through the 2024 base-rate case.²

The ~\$300M deferred-maintenance overhang — the AG's office argued CenterPoint deferred roughly that much before the sale, work that now competes for the same capitals⁵

Black Hills: ~\$130M invested since 2021 — pipe replacement with lower-emission materials plus advanced metering across its Arkansas territory.⁶

\$425M of Winter Storm Uri costs — unrecovered February 2021 storm gas costs folded into Summit's \$2.15B acquisition price, a reminder that a single cold event can reshape a balance sheet¹

Federal safety grants (PHMSA NGDISM) — the 2021 infrastructure law made competitive dollars available to modernize distribution mains, but Arkansas LDCs' primary capital recovery remains rate-based.⁷

ARKANSAS GAS, IN BRIEF

Questions Arkansas gas-utility leaders are asking

Short, sourced answers — the same facts we dig into with utilities looking at their capital programs.

Who is the largest natural gas utility in Arkansas?

Summit Utilities Arkansas — the former CenterPoint/Arkla system — serving roughly 415,000–420,000 customers after Summit bought CenterPoint's Arkansas and Oklahoma gas businesses for \$2.15 billion in a deal that closed in early 2022¹²

Why did Summit customers see such large bills?

Two things stacked up: a troubled 2022 billing-system transition that left tens of thousands of accounts past due, and then a 23.4% base-rate increase approved in November 2024 — landing on top of naturally high winter gas bills³²⁹

Who regulates gas rates in Arkansas, and how?

The Arkansas Public Service Commission sets rates and approves capital recovery for investor-owned LDCs through base-rate cases and an optional Formula Rate Review mechanism (Act 725 of 2015) that trims regulatory lag between cases⁵¹¹

What's happening with Arkansas gas production and the Fayetteville Shale?

In-state marketed production fell to 355 Bcf in 2024 from 481 Bcf in 2020, as the Fayetteville Shale — where new drilling had largely ceased by 2018 — winds down; distribution utilities increasingly rely on interstate supply⁴⁸

How is Arkansas's aging gas pipe being replaced?

Through utility capital programs recovered in rates: Summit reports \$300 million-plus invested since 2022 and Black Hills about \$130 million since 2021, replacing bare-steel and cast-iron main with modern materials under PHMSA's distribution-integrity rules²⁶⁷

How does Invizion help Arkansas gas utilities plan capital?

Invizion is scenario-based capital portfolio optimization for utilities. It lets you model how a rate-case outcome, a deferred-maintenance backlog, a mandated main-replacement pace, or a winter gas-cost spike reshuffles your whole project list, re-sequence the portfolio automatically against your constraints, and keep a defensible record of every trade-off for the APSC, the Attorney General, or your board.

REFERENCES

Sources

Every figure in this briefing is tied to a primary or authoritative source.

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ABOUT INVIZION

Capital program optimization for utilities

Invizion is a purpose-built capital lifecycle management platform for utilities. It integrates budgeting, CIP, scenario analysis, and funding-source tracking in one system — so utilities can re-sequence a capital portfolio in a click and demonstrate audit-ready, defensible decisions to regulators, boards, and rating agencies.

See how utilities keep capital plans current and defensible with Invizion.

Explore Invizion →