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DEPARTMENT OF THE ARMY  
UNITED STATES ARMY LEGAL SERVICES AGENCY  
901 NORTH STUART STREET  
ARLINGTON VA 22203-1837



October 28, 2005

REPLY TO  
ATTENTION OF  
Regulatory Law Office  
U 4136

Subject: In The Matter Of The Application Of Southwest Gas Corporation For A Rate Increase,  
Arizona Corporation Commission, Docket No. G-01551-04-0876.

A

Arizona Corporation Commission  
Docket Control  
1200 West Washington Street  
Phoenix, Arizona 85007

Enclosed for filing with the Arizona Corporation Commission are the original and thirteen copies of the Initial Brief of the Department of Defense in the subject proceeding.

Copies of this Initial Brief have been sent in accordance with the attached Certificate of Service. Inquiries concerning this matter may be directed to the undersigned at (703) 696-1644.

Sincerely,

Peter Q. Nyce Jr.  
General Attorney  
Regulatory Law Office

Enclosure

AZ CORP COMMISSION  
DOCUMENT CONTROL

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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER

Chairman

WILLIAM A. MUNDELL

Commissioner

MARC SPITZER

Commissioner

MIKE GLEASON

Commissioner

KRISTIN K. MAYES

Commissioner

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. G-01551A-04-0876  
SOUTHWEST GAS CORPORATION FOR A )  
RATE INCREASE )

**INITIAL BRIEF OF THE DEPARTMENT OF DEFENSE**

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by

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General Attorney

Dated: November 4, 2005

BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
MARC SPITZER  
Commissioner  
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KRISTIN K. MAYES  
Commissioner

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. G-01551A-04-0876  
SOUTHWEST GAS CORPORATION FOR A )  
RATE INCREASE )

**INITIAL BRIEF OF THE DEPARTMENT OF DEFENSE (“DOD”)**

In accordance with instructions from Assistant Chief Administrative Law Judge Dwight D. Nodes at the conclusion of hearings in the subject docket, the DOD hereby submits its opening brief.

**I. INTRODUCTION**

There are four major DOD installations in Arizona served by Southwest Gas Corporation (SWG or Company): Davis-Monthan Air Force Base, Luke Air Force Base, the Yuma Marine Air Station and Fort Huachuca. The gas usage by these military bases is significant; combined annual consumption exceeds 6,580,000 therms. The primary purpose of DOD’s intervention in this case is to support the Company’s proposal to eliminate Armed Forces Rate Schedule G-35 and transfer the military customers currently served under this rate to Rate Schedule G-25.

## **II. ARMED FORCES RATE G-35 IS UNECESSARY AND SHOULD BE ELIMINATED**

The reclassification of DOD customers to large general service customers under Rate Schedule G-25 is long overdue. The Armed Forces Rate G-35 was established many years ago. The ratemaking rationale for segregating DOD customers at that time is unknown. However, at this time, there is no economic justification supporting the continued segregation, for ratemaking purposes, of DOD customers from the other large gas customers on the Company's system.

## **III. POSITIONS OF THE PARTIES ON THE RATE RECLASSIFICATION ISSUE**

The direct testimonies of Company witnesses Edward Giesecking (Exhibit A-19) and A. Brooks Congdon (Exhibit A-16) discussed the need to consolidate G-35 with G-25. RUCO witness Rodney Moore (Exhibit RUCO-5) agreed with the Company's proposal and designed proposed rates based on consolidated billing factors. In his direct testimony (Exhibit S-13), Staff witness Bob Gray recommended keeping the current G-35 with the provision that DOD customers could elect to take service under G-25.

In his Surrebuttal testimony (Exhibit DOD-1), Dan L. Neidlinger provided support for the Company's position and stated that Staff's proposed rate-switching option is not a viable option since Staff's proposed G-25 rates would increase the bills to DOD customers by a much greater percentage than that experienced under Staff's proposed G-35 rates. Further, Mr. Neidlinger recommended that the G-25 rates for large, transportation eligible customers proposed by RUCO witness Moore be adopted in this case. He concluded that Mr. Moore's rates better reflect cost of service than the rate proposals of the Company or Staff.

#### **IV. MEASUREMENT OF BILLING DEMAND**

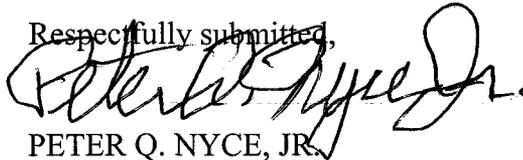
Large gas customers are currently billed a demand charge in addition to a customer charge and a commodity charge. The demand charge is based on the customer's monthly demand during the month of SWG'S system peak demand and ratcheted at 100% for a 12-month period. The Company is proposing in this case to change the measurement of the billing demand to a noncoincident peak method whereby the customer is ratcheted based on the customer's peak month rather than the system peak month. RUCO supported this change but Staff witness Gray objected to the change alleging that some customers might experience large bill increases due solely to the change in the method of measuring peak demand. Mr. Neidlinger recommended a modified noncoincident peak whereby a customer's billing demand would be based on the highest monthly demand experienced during the winter months of October through April. In his view, it would be unfair, from a cost of service standpoint, to ratchet peak demands occurring during the summer months.

**V. CONCLUSION**

In conclusion, the DOD recommends the following:

- 1) Consolidate Rate 35 customers with large Rate 25 customers thereby eliminating Rate 35;
- 2) Adopt RUCO's rate proposals for large, transportation eligible customers under Rate 25; and
- 3) Revise the measurement of peak demand from a system peak method to a customer noncoincident peak method with the measurement of peak limited to the winter months.

Respectfully submitted,



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For

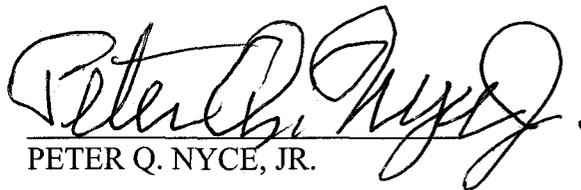
THE DEPARTMENT OF DEFENSE

Dated: Arlington, Virginia this  
4th day of November 2005.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Initial Brief of the Department of Defense was sent to the parties on the attached service list either by United Parcel Service Next Day Air or by first class mail, postage prepaid on October 28, 2005.

Dated at Arlington County, Virginia, this 28th day of October 2005.

  
PETER Q. NYCE, JR.

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