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8 Project and Natural Resources Defense Council

9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 JEFF HATCH-MILLER, CHARIMAN
11 MARC SPITZER
12 WILLIAM A. MUNDELL
13 MIKE GLEASON
14 KRISTIN K. MAYES

15 IN THE MATTER OF THE APPLICATION OF
16 SOUTHWEST GAS CORPORATION FOR THE
17 ESTABLISHMENT OF JUST AND
18 REASONABLE RATES AND CHARGES
19 DESIGNED TO REALIZE A REASONABLE
20 RATE OF RETURN ON THE FAIR VALUE OF
21 THE PROPERTIES OF SOUTHWEST GAS
22 CORPORATION DEVOTED TO ITS
23 OPERATIONS THROUGHOUT THE STATE
24 OF ARIZONA

Docket No. G-01551A-04-0876

**SWEEP/NRDC EXCEPTIONS TO
RECOMMENDED OPINION AND
ORDER**

25 Southwest Energy Efficiency Project and Natural Resources Defense Council, through
their undersigned counsel, hereby submit the following exceptions to the recommended opinion
and order in connection with the above-captioned matter.

- 1. **Adequate Funding for the Energy Star Homes Program is Necessary to Expand the Program Throughout the Southwest Gas Service Territory.**

SWEEP/NRDC proposed that funding for the Energy Star Homes Certification program be increased by \$750,000 to ensure that the program is available throughout the Southwest Gas service territory, to capture the cost-effective opportunities in residential new construction. The

1 \$750,000 increase (to \$1 million total) is necessary to provide adequate funding for the Energy
2 Star Homes Program throughout the Southwest Gas system in Arizona, otherwise the program
3 will be limited solely to the Tucson area. Previously the Commission approved the program for
4 the Tucson area (Decision No. 67878). The proposed increase is for expanding the Commission-
5 approved program to other geographic areas, not for providing increased incentives or any other
6 revisions to the approved program. All Southwest Gas customers are paying for the program,
7 regardless of whether they live in the Tucson area versus the Phoenix area. The Commission's
8 approval of the program for the Tucson area should result in the Commission supporting the
9 same program for customers and builders in the Phoenix metropolitan area. The additional
10 funding is necessary for the program to be viable and effective in the additional geographic area.
11

12 **2. A Positive Performance Incentive is in the Public Interest, and the Commission**
13 **Would Have the Opportunity to Review the Details in its Review of the Final**
14 **DSM Plan.**

15 SWEEP/NRDC support a positive performance incentive that Southwest Gas would earn if
16 it implements effective DSM programs that meet program goals. A performance incentive
17 mechanism, with a cap, based largely on a portion of the net economic benefits of the DSM
18 programs, would encourage Southwest Gas to achieve such net benefits for customers. The
19 Commission would have the opportunity to review the final proposed incentive mechanism, with
20 the details, in its review of the Final DSM Plan to be submitted by Southwest Gas for
21 Commission review and approval within 120 days of the Decision.
22

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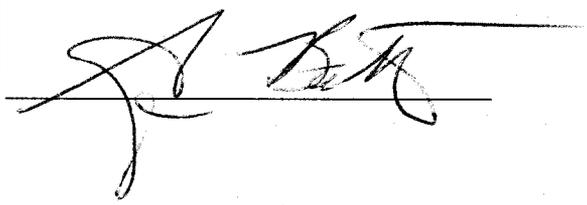
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