



BEFORE THE ARIZONA CORPORATION CC

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

2006 FEB -7 P 2:49

AZ CORP COMMISSION
DOCUMENT CONTROL

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IN THE MATTER OF THE APPLICATION OF
SOUTHWEST GAS CORPORATION FOR THE
ESTABLISHMENT OF JUST AND REASONABLE
RATES AND CHARGES DESIGNED TO REALIZE
A REASONABLE RATE OF RETURN ON THE
FAIR VALUE OF THE PROPERTIES OF
SOUTHWEST GAS CORPORATION DEVOTED
TO ITS OPERATIONS THROUGHOUT THE
STATE OF ARIZONA.

Docket No. G-01551A-04-0876

STAFF'S EXCEPTIONS

Arizona Corporation Commission Staff ("Staff") hereby files exceptions to the Proposed Order in this docket issued January 24, 2006, regarding the rate application from Southwest Gas Corporation ("Southwest"). Staff takes no issue with the vast majority of the findings in the Proposed Order. But Staff believes further clarity is needed regarding some of the rates, specifically commodity charges, for certain customer classes. For instance, Staff is unclear what the Proposed Order recommends for commodity rates for G-25 customers.

Attached to these exceptions, as Exhibit A, is a three-page spreadsheet detailing what Staff believes to be the rates (Basic Service Charges and Commodity Charges) the Proposed Order recommends for all rate classes. Staff believes that this spreadsheet should be incorporated as part of the Order, to provide further clarity. This exhibit also includes the "Other Service Charges". Staff believes the Proposed Order recommends Staff's proposed "Other Service Charges," so that the recommended revenue requirement can be attained.

But, as explained below, Staff will also be recommending adjustments to some of the rate schedules in Exhibit A. Staff will be recommending adjustments to the commodity rates for the G-5, G-10, G-15 and G-25 Rate Schedules, while recommending eliminating Rate Schedule G-6.

Staff also believes that clarity is also needed on a couple of the customer service issues in this

1 case. For instance, Staff is unclear whether the Proposed Order recommends maintaining the 12-
2 month customer deposit period, as Staff recommends, or whether the Proposed Order adopts
3 Southwest's request for a 24-month customer deposit period. Staff also recommends that the back of
4 Arizona customer bills provide Arizona-specific information only, versus providing information only
5 useful to Southwest's customers in Nevada and/or Southern California. Staff recommends inclusion
6 of explanations for two billing line items, "Base Tariff Rate" and "Rate Adjustment" on the back of
7 the bill. Finally, Staff further recommends that anytime Southwest initiates participation in a new
8 natural gas docket at FERC which relates to its service in Arizona, Southwest be required to provide
9 Staff with a copy of their initial filing in that docket. These issues were all discussed in Staff's Initial
10 Closing Brief.

11 In addition, Staff would simply note that William Gehlen, along with Bob Gray, conducted the
12 detailed review of Southwest's procurement practices.

13 Staff also believes that the Commission should consider the following changes to certain rate
14 schedules from what Staff believes the Proposed Order recommends and from Exhibit A.

15 Staff opposes splitting multi-family residential customers from single residential customers
16 and creation of the G-6 Rate Schedule. There are a relatively small number of multi-family
17 residential customers within this customer class. Staff still does not see any compelling reasons to
18 split the existing residential customer classes into subclasses. Staff does not agree that the reasons
19 put forth by Southwest justify balkanization into a separate rate class for multi-family residential
20 customers. Staff proposes that the Commission keep multi-family residential customers within the
21 same class as single residential customers. Attached is Exhibit B that makes adjustments to the
22 commodity rates to the G-5 Residential Gas Service Class, the G-10 Low-Income Residential Gas
23 Service, and the G-15 Special Residential Gas Service for Air Conditioning. These adjustments in
24 Exhibit B are only to the commodity rates for the above rate classes. The break-over points for each
25 rate class and the monthly service basic service charges remain constant with the Proposed Order.
26 The purpose of the adjustments made in Exhibit B is to accommodate the recommended revenue
27 requirement in the Proposed Order, if Rate Schedule G-6 is eliminated.

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1 Finally, Staff believes that the commodity rates for G-25 customers should be adjusted from
2 what Staff believes were the intent of the Proposed Order. Under what Staff believes to be the
3 recommended commodity charges, Small General Gas Service customers on the G-25 Rate Schedule
4 will face a proportionally larger increase compared to other customers. Staff proposes that the
5 Commission change the commodity rates to certain G-25 customers as follows:

- 6 • General Gas Service, Small Customers: \$0.45000 per therm (instead of
7 \$0.66352 per therm)
- 8 • General Gas Service, Large Customers: \$0.27780 per therm (instead of
9 \$0.27211 per therm)

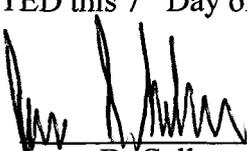
10 This will smooth out the increase so that small general service customers will receive an
11 increase more in-line with other customers. Staff's proposed rate schedules for all G-25 customers are
12 attached as Exhibit C.

13 In summary Staff recommends.

- 14 • That the Commission incorporate the Rate Schedules attached as Exhibit A to
15 the Order, except for G-5 Residential Gas Service Customers, G-10 Low
16 Income Residential Gas Service Customers, G-15 Special Residential Gas
17 Service for Air Conditioning and the G-25 General Gas Service Customers.
- 18 • That the Commission not separate multi-family residential gas service
19 customers from residential gas service customers, and cancel creation of the
20 G-6 Rate Schedule. Instead, Staff recommends that the rates in Staff's Exhibit
21 B be adopted, which will meet the revenue requirement recommended in the
22 Proposed Order. Staff recommends adjustments to the commodity rates for
23 the G-5, G-10 and G-15 Rate Schedules as illustrated in Exhibit B.
- 24 • That page 39, lines 6 through 14 and footnote 8, be deleted. That, in its place,
25 the following language be added after page 39, line 5: "We agree with Staff
26 that there is no compelling reason to separate out Multi-Family Residential Gas
27 Service Customers from Residential Gas Service Customers. Therefore, we
28 deny creation of a separate rate schedule for Multi-Family Residential Gas
Service Customers."
- That, on page 38, the following conforming changes be made:
 - At line 11, "\$0.54060" replace "\$0.54200"
 - At line 12, "\$0.50000" replace "\$0.50100"
 - At line 15, "8.8 percent, from \$38.96 to \$42.38"
replace "8.9 percent, from \$38.96 to \$42.42."
 - At line 16, "8.1 percent, from \$39.71 to \$42.95"
replace "8.3 percent, from \$39.71 to \$42.99."

- 1 • That, in footnote 7 on the bottom of page 38, for an August bill, it should
2 reference an 11.8 percent increase, from \$18.94 to \$21.17. For a January bill, it
3 should reference an 8.0 percent increase, from \$84.04 to \$90.75.
- 4 • That for G-25 General Gas Service customers, the Commission adopt and
5 incorporate the rate schedules attached as Exhibit C to the Order, so that small
6 general gas service customers receive an increase more in-line with other
7 customers.
- 8 • Add "and William Gehlen" to page 56 at line 15 after "Gray."
- 9 • Add to the Order, on line 5 of page 58 "We also agree with Staff that
10 maintaining the 12-month customer deposit period is appropriate."
- 11 • Add to the Order at Finding of Fact 33, on page 66 at line 6, "The 12-month
12 customer deposit period should also be maintained."
- 13 • Add to the Order a new Finding of Fact 38 on page 66 "Arizona customer bills
14 should contain information relevant to Arizona customers. Information specific
15 only to Nevada and/or California customers should be removed from the back of
16 Arizona customer bills. Furthermore, the back of Arizona customer bills should
17 contain explanations for two billing line items 'Base Tariff Rate' and 'Rate
18 Adjustment'."
- 19 • Add to the Order a new Finding of Fact 39 on Page 66 "We also agree that
20 anytime Southwest initiates participation in a new natural gas docket at FERC
21 which relates to its service in Arizona, Southwest be required to provide Staff of
22 this Commission with a copy of their initial filing in that docket."

23 RESPECTFULLY SUBMITTED this 7th Day of February, 2006.

24 
25 _____
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24 The original and thirteen (13) copies
25 of the foregoing were filed this 7th day
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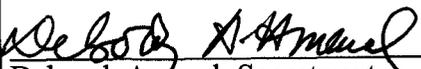
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Exhibit A

Staff's Understanding of ALJ Proposed Rates for Southwest Gas

Rate Schedule G-5, Single Family Residential Gas Service

Basic Service Charge				\$9.70	
Summer	First	15	Therms	\$0.54200	per therm
Summer	Over	15	Therms	\$0.50100	per therm
Winter	First	35	Therms	\$0.54200	per therm
Winter	Over	35	Therms	\$0.50100	per therm

Rate Schedule G-6, Multi Family Residential Gas Service

Basic Service Charge				\$8.70	
Summer	First	7	Therms	\$0.54200	per therm
Summer	Over	7	Therms	\$0.50100	per therm
Winter	First	18	Therms	\$0.54200	per therm
Winter	Over	18	Therms	\$0.50100	per therm

Rate Schedule G-10, Low income Residential Gas Service

Basic Service Charge				\$7.00	
Summer	First	15	Therms	\$0.54200	per therm
Summer	Over	15	Therms	\$0.50100	per therm
Winter	First	35	Therms	\$0.54200	per therm
Winter	Next	115	Therms	\$0.50100	per therm
Winter	Over	150	Therms	\$0.50100	per therm

Rate Schedule G-15, Special Residential Gas Service for Air Conditioning

Basic Service Charge				\$9.70	
Summer	First	15	Therms	\$0.54200	per therm
Summer	Over	15	Therms	\$0.28200	per therm
Winter	First	35	Therms	\$0.54200	per therm
Winter	Over	35	Therms	\$0.50100	per therm

Exhibit A (con't)

Rate Schedule G-20, Master-Metered Mobile Home Park Service

Basic Service Charge	\$60.00	
Commodity Charge, All Therms	\$0.38400	per therm

Rate Schedule G-25, General Gas Service, Small

Basic Service Charge	\$25.00	
Commodity Charge, All therms	\$0.66352	per therm

Rate Schedule G-25, General Gas Service, Medium

Basic Service Charge	\$33.00	
Commodity Charge, All therms	\$0.39613	per therm

Rate Schedule G-25, General Gas Service, Large

Basic Service Charge	\$145.00	
Commodity Charge, All therms	\$0.27211	per therm

Rate Schedule G-25, General Gas Service, Transport Eligible

Basic Service Charge	\$720.00	
Commodity Charge, All therms	\$0.09217	per therm
Demand Charge	\$0.06234	per therm

Rate Schedule G-40, Air-Conditioning Gas Service

Basic Service Charge, General Service - Small	\$25.00	
Basic Service Charge, General Service - Medium	\$33.00	
Basic Service Charge, General Service - Large	\$145.00	
Basic Service Charge, General Service - Transport El.	\$720.00	
Basic Service Charge, Essential Agriculture	\$90.00	
Commodity Charge, All therms	\$0.09900	per therm

Rate Schedule G-45, Street Lighting Gas Service

Commodity Charge, All therms	\$0.54600	per therm
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Exhibit A (con't)

Rate Schedule G-55, Gas Service for Compression on Customer's Premises

Basic Service Charge, General Service - Small	\$25.00	
Basic Service Charge, General Service - Large	\$190.00	
Basic Service Charge, General Service - Residential	\$9.70	
Commodity Charge, All therms	\$0.17000	per therm

Rate Schedule G-60, Cogeneration Gas Service

Basic Service Charge, General Service - Small	\$25.00	
Basic Service Charge, General Service - Medium	\$33.00	
Basic Service Charge, General Service - Large	\$145.00	
Basic Service Charge, General Service - Transport El.	\$720.00	
Basic Service Charge, Essential Agriculture	\$90.00	
Commodity Charge, All therms	\$0.11400	per therm

Rate Schedule G-75, Small Essential Agriculture User Gas Service

Basic Service Charge	\$90.00	
Commodity Charge, All therms	\$0.22300	per therm

Rate Schedule G-80, Natural Gas Engine Gas Service

Basic Service Charge, Off-Peak Season (Oct. - Mar)	\$0.00	
Basic Service Charge, On-Peak Season (Apr - Sep)	\$95.00	
Commodity Charge, All therms	\$0.17700	per therm
Cost of Gas	\$0.55840	per therm

Other Service Charges

	Charge	
Schedule G-10, Normal Service	\$24.00	
Schedule G-10, Expedited Service	\$32.00	
Other Residential Schedules, Normal Service	\$34.00	
Other Residential Schedules, Expedited Service	\$48.00	
Nonresidential Schedules, Normal Service	\$60.00	
Nonresidential Schedules, Expedited Service	\$85.00	
Customer Requested Meter Tests, per Test	\$25.00	
Returned Item Charge, per item	\$14.00	
Re-Read Charge, per read	\$10.00	
Late Charge, Each Delinquent Bill	1.50%	of the delinquent amount
Field Collection Fee, each field collection	\$20.00	

Exhibit B

Staff Alternate Proposal G-5, Residential Gas Service G-10, Low Income Residential Gas Service G-15, Special Residential Gas Service for Air Conditioning (Elimination of the G-6 Rate Schedule)

Rate Schedule G-5, Residential Gas Service

Basic Service Charge				\$9.70	
Summer	First	15	therms	\$0.54060	per therm
Summer	Over	15	therms	\$0.50000	per therm
Winter	First	35	therms	\$0.54060	per therm
Winter	Over	35	therms	\$0.50000	per therm

Rate Schedule G-10, Low income Residential Gas Service

Basic Service Charge				\$7.00	
Summer	First	15	therms	\$0.54060	per therm
Summer	Over	15	therms	\$0.50000	per therm
Winter	First	35	therms	\$0.54060	per therm
Winter	Next	115	therms	\$0.50000	per therm
Winter	Over	150	therms	\$0.50000	per therm

Rate Schedule G-15, Special Residential Gas Service for Air Conditioning

Basic Service Charge				\$9.70	
Summer	First	15	therms	\$0.54060	per therm
Summer	Over	15	therms	\$0.28200	per therm
Winter	First	35	therms	\$0.54060	per therm
Winter	Over	35	therms	\$0.50000	per therm

Exhibit C

Staff Alternate Proposal G-25, General Gas Service Rate Schedules

Rate Schedule G-25, General Gas Service, Small

Basic Service Charge	\$25.00	
Commodity Charge, All therms	\$0.45000	per therm

Rate Schedule G-25, General Gas Service, Medium

Basic Service Charge	\$33.00	
Commodity Charge, All therms	\$0.39613	per therm

Rate Schedule G-25, General Gas Service, Large

Basic Service Charge	\$145.00	
Commodity Charge, All therms	\$0.27780	per therm

Rate Schedule G-25, General Gas Service, Transport Eligible

Basic Service Charge	\$720.00	
Commodity Charge, All therms	\$0.09217	per therm
Demand Charge	\$0.06234	per therm