

ORIGINAL

OPEN MEETING



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**MEMORANDUM
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TO: THE COMMISSION 2007 JUN 12 P 3: 03

Arizona Corporation Commission

DOCKETED

FROM: Utilities Division AZ CORP COMMISSION
DOCKET CONTROL

JUN 12 2007

DATE: June 12, 2007

DOCKETED BY KK

RE: SOUTHWEST GAS CORPORATION – APPLICATION FOR APPROVAL OF ITS TECHNOLOGY INFORMATION CENTER PROGRAM (A DEMAND SIDE MANAGEMENT PROGRAM) (DOCKET NO. G-01551A-04-0876)

On June 26, 2006, Southwest Gas Corporation (“Southwest”) filed an application for approval of its Technology Information Center (“TIC”) program, as required by Decision No. 68487. Decision No. 68487 required that the Company file detailed descriptions of its demand-side management (“DSM”) programs within 120 days of the Commission’s February 23, 2006 Order approving rate changes effective March 1, 2006.

The TIC program is one of seven DSM programs included in Southwest’s 2006 Arizona Demand Side Management Program Plan (“Plan”). As described by the Plan, the TIC program consists of a monthly newsletter intended primarily for Southwest’s industrial customers and customers averaging greater than 15,000 therms per month (“transportation-eligible customers”). Although Southwest has made the *Gas Line* newsletter available to its customers since September 2004, it now proposes to produce and distribute an edition of the newsletter specifically geared to conveying information on DSM and energy-efficiency to large end-users.

Program Description

Topics covered in the newsletter will include information on energy-efficient technologies, energy-saving DSM ideas, conservation, and environmental issues. The newsletter will also include links to an “Ask an Expert” hotline and an electronic research library.

A natural gas newsletter provider will produce the TIC DSM-related newsletter, with additional, local articles provided by Southwest. In addition to providing articles, Southwest can recommend topics and tailor standard articles to enhance their DSM content. More general information on the natural gas industry will be minimized or eliminated.¹

Staff recommends that Southwest maximize the DSM and energy-efficiency content in the edition of *Gas Line* sent to its industrial and transportation-eligible customers under this program. Staff also recommends that the TIC newsletter include information about any Commission-approved Southwest commercial or industrial DSM programs.

¹ Examples of previous DSM-related articles include the following: “Understanding the Basics of Insulation,” “Lowering Energy Bills with Gas Microturbines,” “Going Green: Natural Gas and LEED Certification” and “Calculating Payback on Energy Efficiency Improvements.”

Delivery Strategy and Marketing

The TIC newsletter will be delivered via email. Southwest indicates that its Key Account Management engineers will market the newsletter to industrial and transportation-eligible customers. The newsletter will also be provided to customers using the following Southwest tariffs: Optional Gas Service, Gas Air Conditioning, Compressed Natural Gas, Electric Generation, and Natural Gas Engine Service. Eligible customers would include schools, hospitals and other healthcare facilities, prisons, office buildings, warehouses, restaurants, retail, lodgings and manufacturers. Southwest estimates that there will be 200 newsletter recipients in the first year, increasing to as many as 300 recipients in the following two years. (There are a total of 509 customers covered by the eligible tariffs; 242 of these are transportation-eligible customers using 180,000 or more therms each year.) In addition, the newsletter may be supplied to architects or engineers who express an interest, to allow them to make their clients aware of the newsletter.

Monitoring and Evaluation

Southwest proposes to evaluate the TIC program based on the number of email recipients, website hits, and hotline calls. The topics reviewed and the nature of the questions will also be taken into account in evaluating the program.

Staff recommends that a survey be conducted to determine the effectiveness of this program in promoting DSM and energy efficiency. The survey should include questions regarding what concrete steps have been taken by recipients to improve energy efficiency as a result of information obtained from the newsletter. Southwest should use the results of the survey to estimate the cost-effectiveness of the TIC program.

The survey questions and design should be submitted to Staff for review before the survey is distributed to Southwest customers receiving the TIC newsletter.

Staff recommends that the results of the survey should be filed with Southwest's March 31, 2008 semi-annual DSM report.

Staff has serious concerns about the ability of the TIC program to achieve actual DSM benefits. For this reason, Staff proposes that the program be approved only as a one-year pilot. If the results of the Staff-recommended survey demonstrate concrete DSM benefits, Southwest can apply for approval to continue the program. Legitimate arguments exist as to whether this program is DSM.

Program Budget

The proposed budget for the TIC newsletter is \$35,000, annually, to be paid to a contracted newsletter provider. This amount will be derived from the Demand Side Management

Adjustor Mechanism paid by all full-margin customer classes. Southwest proposes that the budget be continued at \$35,000 annually until further action by the Commission.

As stated above, Southwest personnel will contribute articles for publication to the TIC newsletter. Time spent by Southwest staff preparing articles will not be included as part of the budget.

Cost-Benefit Analysis

Southwest states that there is no way to establish objective benefits for this educational program, but believes that, as companies replace equipment, or remodel, they will begin utilizing the high-efficiency equipment and DSM measures promoted in the TIC newsletter. Southwest also notes that the customer classes targeted by the TIC newsletter could, potentially, have a large impact on conservation. As stated above, Southwest should use the results of the survey recommended by Staff to estimate the cost-effectiveness of the program.

Reporting Requirements

Staff recommends that information on the TIC program be reported in Southwest's semi-annual DSM reports, and that this information should include (i) the number and type of newsletter recipients, website hits, and hotline calls; (ii) sample copies of the newsletter; and (iii) the results of any survey, including any concrete measures undertaken by recipients in response to information in the TIC newsletter and estimates of the program's cost-effectiveness. (The Staff-recommended survey, as stated above, should be filed with the March 31, 2008 semi-annual report.)

Other Information

Currently, Southwest has a low-income weatherization program in California which is run through community action agencies. This weatherization program is the only approved energy efficiency program conducted by Southwest in another state. In past years, Southwest conducted a number of conservation/DSM programs in Nevada, but there are no approved DSM programs in Nevada at this time.

Summary of Staff Recommendations

Staff recommends approval of the TIC program with the following requirements:

- Staff recommends that Southwest maximize the DSM and energy-efficiency content in the edition of *Gas Line* sent to industrial and transportation-eligible customers under this program. Staff also recommends that the TIC newsletter include information about any Commission-approved Southwest commercial or industrial DSM programs.

THE COMMISSION

June 12, 2007

Page 4

- Staff recommends that a survey be conducted to determine the effectiveness of this program in promoting DSM and energy efficiency. The survey should include questions regarding what concrete steps have been taken by recipients to improve energy efficiency as a result of information obtained from the newsletter. Southwest should use the results of the survey to estimate the cost-effectiveness of the TIC program.
- The survey questions and design should be submitted to Staff for review before the survey is distributed to Southwest customers receiving the TIC newsletter.
- Staff recommends that the results of the survey should be filed with Southwest's March 31, 2008 semi-annual DSM report.
- Staff proposes that the program be approved only as a one-year pilot. If the results of the Staff-recommended survey demonstrate concrete DSM benefits, Southwest can apply for approval to continue the program.
- Staff recommends that information on the TIC program be included in Southwest's semi-annual DSM reports, and that this information should include (i) the number and type of newsletter recipients, website hits, and hotline calls; (ii) sample copies of the newsletter; and (iii) the results of any survey, including any concrete measures undertaken by recipients in response to information in the TIC newsletter and estimates of the program's cost-effectiveness. (The Staff-recommended survey, as stated above, should be filed with the March 31, 2008 semi-annual report.)

Staff recommends that the TIC newsletter include information about any Commission-approved Southwest commercial or industrial DSM programs.



Ernest G. Johnson
Director
Utilities Division

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ORIGINATOR: Julie McNeely-Kirwan

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BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTEN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION)
OF SOUTHWEST GAS CORPORATION --)
FILING FOR APPROVAL OF ITS)
TECHNOLOGY INFORMATION CENTER)
PROGRAM)

DOCKET NO. G-01551A-04-0876

DECISION NO. _____

ORDER

Open Meeting
June 26 and 27, 2007
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

2. On June 26, 2006, Southwest filed an application for approval of its Technology Information Center ("TIC") program, as required by Decision No. 68487. Decision No. 68487 required that the Company file detailed descriptions of its demand-side management ("DSM") programs within 120 days of the Commission's February 23, 2006 Order approving rate changes effective March 1, 2006.

3. The Technology Information Center ("TIC") program is one of seven DSM programs included in Southwest's 2006 Arizona Demand Side Management Program Plan ("Plan"). As described by the Plan, the TIC program consists of a monthly newsletter intended primarily for Southwest's industrial customers and customers averaging greater than 15,000 therms per month ("transportation-eligible customers"). Although Southwest has made the Gas

1 Line newsletter available to its customers since September 2004, it now proposes to produce and
2 distribute an edition of the newsletter specifically geared to conveying information on DSM and
3 energy-efficiency to large end-users.

4 4. Topics covered in the newsletter will include information on energy-efficient
5 technologies, energy-saving DSM ideas, conservation, and environmental issues. The newsletter
6 will also include links to an "Ask an Expert" hotline and an electronic research library.

7 5. A natural gas newsletter provider will produce the TIC DSM-related newsletter,
8 with additional, local articles provided by Southwest. In addition to providing articles, Southwest
9 can recommend topics and tailor standard articles to enhance their DSM content. More general
10 information on the natural gas industry will be minimized or eliminated.¹

11 6. Staff has recommended that Southwest maximize the DSM and energy-efficiency
12 content in the edition of Gas Line sent to its industrial and transportation-eligible customers under
13 this program. Staff has also recommended that the TIC newsletter include information about any
14 Commission-approved Southwest commercial or industrial DSM programs.

15 7. The Technology Information Center newsletter will be delivered via email.
16 Southwest indicates that its Key Account Management engineers will market the newsletter to
17 industrial and transportation-eligible customers. The newsletter will also be provided to customers
18 using the following Southwest tariffs: Optional Gas Service, Gas Air Conditioning, Compressed
19 Natural Gas, Electric Generation, and Natural Gas Engine Service. Eligible customers would
20 include schools, hospitals and other healthcare facilities, prisons, office buildings, warehouses,
21 restaurants, retail, lodgings and manufacturers. Southwest estimates that there will be 200
22 newsletter recipients in the first year, increasing to as many as 300 recipients in the following two
23 years. (There are a total of 509 customers covered by the eligible tariffs; 242 of these are
24 transportation-eligible customers using 180,000 or more therms each year.) In addition, the
25 newsletter may be supplied to architects or engineers who express an interest, to allow them to
26 make their clients aware of the newsletter.

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28 ¹ Examples of previous DSM-related articles include the following: "Understanding the Basics of Insulation," "Lowering Energy Bills with Gas Microturbines," "Going Green: Natural Gas and LEED Certification" and "Calculating Payback on Energy Efficiency Improvements."

1 8. Southwest proposes to evaluate the TIC program based on the number of email
2 recipients, website hits, and hotline calls. The topics reviewed and the nature of the questions will
3 also be taken into account in evaluating the program.

4 9. Staff has recommended that a survey be conducted to determine the effectiveness of
5 this program in promoting DSM and energy efficiency. The survey should include questions
6 regarding what concrete steps have been taken by recipients to improve energy efficiency as a
7 result of information obtained from the newsletter.

8 10. Staff has recommended that the survey questions and design should be submitted to
9 Staff for review before the survey is distributed to Southwest customers receiving the TIC
10 newsletter.

11 11. Staff has recommended that the results of the survey should be filed with
12 Southwest's semi-annual DSM report due on March 31, 2008.

13 12. Staff has serious concerns about the ability of the TIC program to achieve actual
14 DSM benefits. For this reason, Staff proposes that the program be approved only as a one-year
15 pilot. If the results of the Staff-recommended survey demonstrate concrete DSM benefits,
16 Southwest can apply for approval to continue the program. Legitimate arguments exist as to
17 whether this program is DSM.

18 13. The proposed budget for the TIC newsletter is \$35,000, annually, to be paid to a
19 contracted newsletter provider. This amount will be derived from the Demand Side Management
20 Adjustor Mechanism paid by all full-margin customer classes. Southwest proposes that the budget
21 be continued at \$35,000 annually until further action by the Commission.

22 14. As stated above, Southwest personnel will contribute articles for publication to the
23 TIC newsletter. Time spent by Southwest staff preparing articles will not be included as part of
24 the budget.

25 15. Southwest states that there is no way to establish objective benefits for this
26 educational program, but believes that, as companies replace equipment, or remodel, they will
27 begin utilizing the high-efficiency equipment and DSM measures promoted in the TIC newsletter.
28 Southwest also notes that the customer classes targeted by the TIC newsletter could, potentially,

1 have a large impact on conservation. As stated above, Southwest should use the results of the
2 survey recommended by Staff to estimate the cost-effectiveness of the TIC program.

3 16. Staff has recommended that information on the TIC program be reported in
4 Southwest's semi-annual DSM reports, and that this information should include (i) the number and
5 type of newsletter recipients, website hits, and hotline calls; (ii) sample copies of the newsletter;
6 and (iii) the results of any survey, including any concrete measures undertaken by recipients in
7 response to information in the TIC newsletter and estimates of the program's cost-effectiveness.
8 (The Staff-recommended survey, as stated above, should be filed with Southwest's semi-annual
9 DSM report due on March 31, 2008.)

10 17. Currently, Southwest has a low-income weatherization program in California which
11 is run through community action agencies. This weatherization program is the only approved
12 energy efficiency program conducted by Southwest in another state. In past years, Southwest
13 conducted a number of conservation/DSM programs in Nevada, but there are no approved DSM
14 programs in Nevada at this time.

15 18. Staff has recommended that Southwest maximize the DSM and energy-efficiency
16 content in the edition of Gas Line sent to industrial and transportation-eligible customers under this
17 program. Staff also has recommended that the TIC newsletter include information about any
18 Commission-approved Southwest commercial or industrial DSM programs.

19 19. Staff has recommended that a survey be conducted to determine the effectiveness of
20 this program in promoting DSM and energy efficiency. The survey should include questions
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22 result of information obtained from the newsletter. Southwest should use the results of the survey
23 to estimate the cost-effectiveness of the TIC program.

24 20. Staff has recommended that the survey questions and design should be submitted to
25 Staff for review before the survey is distributed to Southwest customers receiving the TIC
26 newsletter.

27 21. Staff has recommended that the results of the survey should be filed with
28 Southwest's semi-annual DSM report due on March 31, 2008.

1 IT IS FURTHER ORDERED that a survey be conducted to determine the effectiveness of
2 this program in promoting DSM and energy efficiency. The survey should include questions
3 regarding what concrete steps have been taken by recipients to improve energy efficiency as a
4 result of information obtained from the newsletter.

5 IT IS FURTHER ORDERED that Southwest use the results of the survey to estimate the
6 cost-effectiveness of the TIC program.

7 IT IS FURTHER ORDERED that the survey questions and design be submitted to Staff for
8 review before the survey is distributed to Southwest customers receiving the TIC newsletter.

9 IT IS FURTHER ORDERED that the results of the survey should be filed with
10 Southwest's semi-annual DSM report due on March 31, 2008.

11 IT IS FURTHER ORDERED that the program be approved only as a one-year pilot. If the
12 results of the Staff-recommended survey demonstrate concrete DSM benefits, Southwest can apply
13 for approval to continue the program.

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 2 Southwest's semi-annual DSM reports, and that this information should include (i) the number and
 3 type of newsletter recipients, website hits, and hotline calls; (ii) sample copies of the newsletter;
 4 and (iii) the results of any survey, including any concrete measures undertaken by recipients in
 5 response to information in the TIC newsletter and estimates of the program's cost-effectiveness. .
 6 (The Staff-recommended survey, as stated above, should be filed with its semi-annual DSM report
 7 due on March 31, 2008.)

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

9
10 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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13 CHAIRMAN

COMMISSIONER

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16 COMMISSIONER

COMMISSIONER

COMMISSIONER

17 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
 18 Director of the Arizona Corporation Commission, have
 19 hereunto, set my hand and caused the official seal of this
 20 Commission to be affixed at the Capitol, in the City of
 21 Phoenix, this _____ day of _____, 2007.

22 _____
 23 BRIAN C. McNEIL
 24 Executive Director

25 DISSENT: _____

26
27 DISSENT: _____

28 EGJ:JMK:lhm\JFW

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