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SOUTHWEST GAS CORPORATION

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DOCKET CONTROL

May 24, 2007

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

Subject: Docket No. E-000000-05-0431

Please accept for filing an original and thirteen (13) copies of Southwest Gas Corporation's Comments on the workshop to investigate all resource planning issues other than competitive procurement in accordance with the Arizona Corporation Commission Utilities Division Staff's letter, dated April 26, 2007.

If you have any questions or comments, please do not hesitate to contact me at 702-876-7163.

Respectfully submitted,

Debra S. Jacobson, Director
Government & State Regulatory Affairs

Enclosures

Arizona Corporation Commission
DOCKETED
MAY 25 2007

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BEFORE THE ARIZONA CORPORATION COMMISSION

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In the Matter of the Notice of)
Resource Planning Workshop)
(Except Competitive)
Procurement Issues)

2007 MAY 25 A 11: 02

Docket No. E-00000E-05-0431

AZ CORP COMMISSION
DOCKET CONTROL

**COMMENTS OF SOUTHWEST GAS CORPORATION ON
THE WORKSHOP TO INVESTIGATE ALL RESOURCE PLANNING
ISSUES OTHER THAN COMPETITIVE PROCUREMENT**

Southwest Gas Corporation (Southwest or Company) herewith respectfully submits its comments on the workshop to investigate all resource planning issues other than competitive procurement in accordance with the Arizona Corporation Commission (Commission) Utilities Division Staff's (Staff) letter, dated April 26, 2007.

Introduction and Summary

In its April 26, 2007 Notice of Workshop (Notice) on remaining resource planning issues, the Commission Staff requested that parties to Docket No. E-00000E-05-0431 respond to a series of "Questions Related to Resource Planning." Most of these questions are clearly aimed at electric utility resource planning. No delineation was made between electric and gas resource planning with the exception of Question B.1, which asked which utilities, if any, should be required to file resource plans.

Southwest is limiting its response to the issue of resource planning for natural gas utilities. In Southwest's view, the existing reports and regulatory processes related to natural gas resource planning are sufficient and provide the Commission with relevant and timely information. A new and potentially burdensome and/or costly process is not required. However, should the Commission wish to pursue an integrated

resource planning process for gas utilities, it should be done as a separate effort from electric resource planning. Owing to the very different attributes of electric and gas utilities, the specification of resource plan requirements differs as well.

Existing Reports and Processes

Annual Gas Procurement Plan: Each December, Southwest files its Annual Gas Procurement Plan (Plan) for Arizona. The Plan includes discussions of Southwest's system supply gas acquisition policies and procedures. A discussion of recent developments regarding interstate transportation is also a part of the Plan. In addition, the Plan provides historic cost information for the preceding year and a forecast of gas costs for the upcoming year.

2006 Arizona Gas Procurement Review: In 2006, the Commission ordered Staff to file a report regarding, among other items, the gas procurement practices of Southwest. To assist the Staff in preparing its report, Southwest undertook and provided a procurement review of its practices and processes. This review included a Procurement Practices and Benchmarking Study prepared by an independent consultant. It also included an overview of Southwest's financial hedging policy and practices.

2006 Arizona Demand Side Management Program Plan: In 2006, as required by the Commission in Southwest's general rate case order (Decision No. 68487, dated February 23, 2006), Southwest filed a demand side management (DSM) portfolio program plan (DSM Plan). The DSM Plan described and evaluated seven potential DSM programs for implementation by Southwest in its Arizona service areas. As new opportunities for DSM programs are developed and/or changes to existing DSM

programs become necessary, Southwest is required to seek Staff review and Commission approval for any new programs or modifications to existing programs.

Semi-Annual Demand Side Management Report: In accordance with the approvals received from the Commission in Docket Nos. U-1551-93-272 (Decision No. 58693), U-1551-96-189 (Decision No. 59685), U-1551-96-596 (Decision No. 60352), G-01551A-99-0288 (Decision No. 61853), G-01551A-05-0249 (Decision No. 67878), and G-01551A-04-0876 (Decision 68467), Southwest submits a Semi-Annual DSM Report (DSM Report) on March 31st and September 30th of each year. DSM activities discussed in this Report have included the Energy Advantage Plus program, the Low-Income Energy Conservation program, and the Demand Side Management Adjuster Mechanism. Similar details for DSM programs pending approval by the Commission in the near future will also be added to the DSM Report. As such, Southwest provides the Commission with updated information regarding its DSM programs twice yearly.

Resource Pre-approval Process: Pursuant to the Commission's on-going Notice of Inquiry on Natural Gas Infrastructure, initiated in 2003, Southwest (and other Arizona energy utilities) may file for pre-approval of cost recovery for various gas supply and infrastructure projects. The pre-approval process involves a detailed examination and justification of any necessary supply infrastructure project undertaken in or for Arizona. In addition, once approved, the utility must file periodic status reports with the Commission and its Staff providing updates on any significant issues, changes or milestones affecting the infrastructure project. As an example, in 2006, Southwest filed for and received approval for its participation in the Phoenix Lateral Project on Transwestern Pipeline. As a result of this process, the Commission is generally fully

informed of any major gas supply infrastructure projects affecting Arizona prior to their implementation or operation.

Adequacy of Existing Reports and Processes

The reports and processes described above cover a broad range of resource options, both on the supply side and on the demand side. Information is provided regularly and periodically through the Annual Gas Procurement Plan and the Semi-Annual DSM Report. Processes further exist which allow for the approval by the Commission of both supply side and demand side gas utility resources. As a result, in consideration of the substantial and regular gas utility resource reporting currently provided to Commission, Southwest believes no additional resource planning requirements are necessary for gas utilities.

Need to Consider Electric and Gas Resource Planning Separately

As noted above, Southwest believes the existing reports and processes regarding resource planning for gas utilities are sufficient. If, however, the Commission determines that gas utilities should be subject to additional resource planning reporting requirements, it may wish to establish the reporting requirements for electric and gas utilities separately and sequentially. Generally, the resource planning issues for gas utilities are narrower in scope than the issues facing electric utilities. While both Arizona gas and electric utilities need to plan for adequate upstream natural gas interstate transmission capacity and production area supply availability, electric utilities must also, for example, regularly address the significant planning and capital requirements associated with electric generation and high voltage transmission needs. As such, while the resource planning issues facing gas utilities are not a strict subset of the issues

facing electric utilities, it may be efficient to first address the planning requirements for electric utilities in the instant proceeding and subsequently identify any incremental resource planning requirements for gas utilities in a separate proceeding.

Conclusion

Southwest appreciates the opportunity to comment on the issue of resource planning in Arizona. As previously stated, Southwest does not believe a formal resource planning process is necessary for gas utilities in the State of Arizona, as the Commission currently reviews and/or approves natural gas utilities' supply side and demand side resources and programs. However, should the Commission wish to pursue such a resource planning process for all Arizona energy utilities, gas utility resource planning should be developed separate from, and subsequent to, establishment of resource planning requirements for the state's electric utilities.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing COMMENTS OF **SOUTHWEST GAS CORPORATION** by mailing a copy, properly addressed, with postage prepaid, to each of the following individuals:

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Dated at this _____ day of May, 2007.

An employee of SOUTHWEST GAS CORPORATION