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Arizona Propane LLC
200 W. Longhorn
Payson, AZ 85541
(928) 474-2294

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

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Subject: Decision No. 68249 (October 25, 2005)
Docket Nos. G-01551A-02-0425 and G-01970A-02-0425

Action: Interim Recommendation for One-Year Extension in LIRA Pilot Program and Request to Defer Final Recommendation

SemStream Arizona Propane L.L.C. ("SSA") submits this filing in compliance with Decision No. 68249 (issued in Docket Nos. G-01551A-02-0425 and G-01970A-02-0425 on October 25, 2005). At the time of the 2005 Decision, the Black Mountain Gas - Page Division regulated propane system ("Page Division") to which the Decision pertained was owned by Southwest Gas Company ("Southwest"). On May 21, 2007, in Decision No. 69579 (issued in Docket Nos. G-03703A-06-0694 and G-20471A-06-0694), the Commission approved the sale of the Page Division from Southwest to SSA. The transfer of assets authorized by the 2007 Decision was completed on June 1, 2007. This filing is therefore made by SSA in its capacity as the current owner of the Page Division.

In its Decision No. 68249, the Commission ordered, among other things, that Southwest implement a Low Income Ratepayer Assistance ("LIRA") Discount Pilot Program for eligible customers of the Page Division for a period of two years. The Decision also required that Southwest docket, as a compliance matter to be filed 20 months after initiation of the two-year Pilot Program, an application making a recommendation as to whether the LIRA program should be continued, modified, or eliminated.

The LIRA Pilot Program provides discounted rates during the winter months (November through April) for regulated propane service to income-qualifying customers who apply for coverage under the program. Customers are

eligible for the LIRA program if their household income does not exceed 150 percent of the Federal Poverty Level set by the U.S. Department of Health and Human Services. The maximum monthly customer discount during the winter is \$12.10, with an annual program budget cap of \$12,500.00.

The LIRA Pilot Program was initiated upon the Commission's Order on October 25, 2005, and is scheduled to sunset on October 25, 2007. This compliance filing dated June 25, 2007 is timely.

On May 30, 2007 -- after the transfer of assets from Southwest to SSA was approved by the Commission but before such transfer was effected -- Southwest filed its Annual LIRA Report for the Pilot Program in Page, Arizona (filed in Docket Nos. G-01551A-02-0245 and G-01970A-02-0425). In its filing, Southwest reported that, as of April 2007, it had 46 customers in the Page service area participating in the LIRA Pilot Program. Southwest further reported that, after two years, the balance in the deferral account for costs incurred under the Pilot Program totaled \$6,552.67. Southwest also observed that the Page LIRA program is scheduled to sunset in October 2007, and if it is not extended, participating customers will be returned to their otherwise applicable non-discounted rate schedules.

As noted, SSA took over operation of the Page Division on June 1, 2007, when the transfer of assets from Southwest was effected. SSA has access to the information reported by Southwest as to the number of participants in the LIRA Pilot Program and the amount of discounts provided to those participants. However, SSA has not operated the Page Division through a winter season and has had no first-hand experience with the winter-only Pilot Program.

As described in Decision No. 68249, Finding of Fact ¶ 9, the LIRA program was set up as a pilot so that "a more informed decision can be made regarding whether a LIRA benefit that is calculated as a percentage of commodity cost should be implemented in the Page Division." SSA believes alternatives to the LIRA Pilot Program may exist that could improve low income ratepayer assistance but, as noted, has not had the opportunity to gain practical experience with the LIRA Pilot Program or with the customer base of the Page Division as needed to develop a more informed recommendation for how or whether the program should be carried forward.

Extending the LIRA Pilot Program by one year will permit SSA to gain experience with the Pilot Program and customer base so that it is in position at the end of the one-year extension period to make a more informed recommendation as to whether the LIRA program should be continued, modified, or eliminated.

As another consideration that SSA believes is important given its recent purchase of the Page Division, extending the LIRA Pilot Program by one year,

through the 2007-2008 winter supply season, will allow those customers participating in the program to continue to benefit from the ratepayer assistance provided thereunder without interruption through the coming winter season.

For these reasons, SSA recommends in this compliance filing that:

- 1) The LIRA Pilot Program for the Page Division be extended for one year, subject to the applicable terms and conditions set forth in the Commission's Decision No. 68249, including the inclusion of the costs of the LIRA Pilot Program in a deferral account; and
- 2) A compliance filing deadline of June 25, 2008 be established for SSA to docket, as a compliance matter, an application making a final recommendation as to whether the LIRA program should be continued for a longer term, modified, or eliminated.

Respectfully submitted,

SEMSTREAM ARIZONA PROPANE LLC



Douglas R. Mann
President

Original and 13 Copies filed with Docket Control.

Courtesy copies provided to:

Ernest Johnson, ACC
Robert Gray, ACC
Stephen Ahern, RUCO
Randy Sable, Southwest Gas
Kevin Quigley, Q&B