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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

MAR 20 2008

DOCKETED BY [signature]

IN THE MATTER OF THE APPLICATION)
OF SOUTHWEST GAS CORPORATION TO)
RESET THE DEMAND-SIDE)
MANAGEMENT ADJUSTOR RATE FOR)
APRIL 2008 THROUGH MARCH 2009)

DOCKET NO. G-01551A-08-0056
DECISION NO. 70198
ORDER

Open Meeting
March 11 and 12, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

2. Commission Decision No. 60352 (August 29, 1997) created the demand-side management ("DSM") adjustor mechanism, whereby Southwest Gas files by the end of January each year with Staff to reset the DSM adjustor rate on April 1st of each year.

3. Pursuant to the DSM adjustor mechanism, Southwest filed on January 30, 2008, to reset the DSM adjustor rate to \$0.00493 per therm, effective for the April 2008 through March 2009 billing cycles.

4. The current DSM adjustor rate is \$0.00176 per therm, effective through March 2008.

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1 5. In Decision No. 68487 (February 23, 2006), the Commission approved increasing
2 Southwest's DSM spending level to \$4,385,000 annually. In this Decision, the Commission also
3 ordered that the DSM adjustor rate be applied to all full margin customers.

4 6. Since June 2006, Southwest has filed a number of DSM programs with the
5 Commission for approval. Southwest's DSM programs are in various stages of processing at the
6 Commission.

7 7. One input to the calculation of the new DSM adjustor rate is to include an estimate
8 of Southwest's DSM spending in the upcoming calendar year, in this case 2008. Because this
9 mechanism is tried up annually, any over or underestimation of Southwest's DSM spending in a
10 given year is captured when the DSM adjustor rate is reset the following year.

11 8. Traditionally, Staff and Southwest have discussed the level of DSM spending
12 projected for the coming year and have reached a mutually agreeable spending estimate,
13 recognizing that actual spending may vary due to a variety of factors.

14 9. Southwest's filing reflects an estimated DSM spending level of \$3,360,000 in 2008
15 for the purpose of resetting the DSM adjustor mechanism. By comparison, during the 2007 reset
16 of Southwest's DSM adjustor rate, Southwest had projected spending of \$1,210,000 for 2007, and
17 actual 2007 DSM spending was \$1,028,519. As of the end of December 2007, Southwest's DSM
18 adjustor bank balance was over-collected by \$105,041.

19 10. Staff has reviewed Southwest's DSM spending projections for 2008. Southwest
20 projects spending in 2008 for the following DSM programs: Low Income Energy Conservation,
21 Energy Star, Technology Information Center, Distributed Generation, Commercial Spray Valve,
22 Commercial Equipment, Consumer Products, and Multi-family.

23 11. Staff's review of Southwest's 2008 DSM spending reduced projected levels for the
24 Distributed Generation, Commercial Equipment, Consumer Products, and Multi-Family programs
25 to reflect the phase-in or lack of pre-approval for these programs.

26 12. Staff's estimates 2008 DSM spending of \$2,910,000 for Southwest. It is Staff's
27 understanding that Southwest does not object to this funding level for DSM spending in 2008, for
28 the purpose of resetting the DSM adjustor rate.

1 13. To the extent Southwest's actual DSM spending in 2008 is higher or lower than this
2 estimate, such higher or lower spending would be reflected when the DSM adjustor rate is reset in
3 2009.

4 14. Staff has reviewed Southwest's January 30, 2008 filing requesting the DSM
5 adjustor rate to be reset at \$0.00493 per therm. Staff has also reviewed supporting materials and
6 has had discussions with Southwest regarding its proposed new DSM adjustor rate.

7 15. Based on the projected 2008 DSM spending level of \$2,910,000, Staff believes that
8 the appropriate level for the DSM adjustor rate is \$0.00423 per therm for the April 2008 through
9 March 2009 billing cycles.

10 16. For a residential customer using the February 2007 average of 78 therms, the
11 proposed DSM adjustor would increase their monthly bill by approximately \$0.34.

12 17. Staff has recommended approval of a DSM adjustor rate of \$0.00423 per therm for
13 Southwest, applicable to the April 2008 through March 2009 billing cycles.

14 CONCLUSIONS OF LAW

15 1. Southwest is an Arizona public service corporation within the meaning of Article
16 XV, Section 2, of the Arizona Constitution.

17 2. The Commission has jurisdiction over Southwest and over the subject matter of the
18 application.

19 3. The Commission, having reviewed the application and Staff's Memorandum dated
20 February 25, 2008, concludes that it is in the public interest to approve a DSM adjustor rate of
21 \$0.00423 per therm for Southwest for the April 2008 through March 2009 billing cycles.

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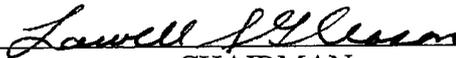
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ORDER

IT IS THEREFORE ORDERED that Southwest's DSM adjustor rate be reset to \$0.423 per therm for the April 2008 through March 2009 billing cycles as discussed herein.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN


COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I DEAN S. MILLER, Interim Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 20th day of March, 2008.


DEAN S. MILLER
Interim Executive Director

DISSENT: _____

DISSENT: _____

EGJ:RGG:lhk\KT

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