

ORIGINAL

OPEN MEETING



0000088565

MEMORANDUM
RECEIVED

TO: THE COMMISSION

2008 SEP 10 P 4: 40

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: September 10, 2008

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

On July 31, 2008, Southwest Gas Corporation (“Southwest” or “the Company”) filed an application for approval of a three-year continuation of its Technology Information Center (“TIC”) program. The TIC program was originally approved as a one-year pilot in June 2007, in Decision No. 69667.

Program Description

The TIC program consists of a monthly electronic newsletter intended primarily for Southwest’s Large General, Transportation-eligible, Optional, Gas Air-Conditioning, Electric Generation and Natural Gas Engine Gas Service customers.¹ The TIC program newsletter, *Energy Line*, is designed to convey technical information on energy-saving equipment and processes to large end-users.² Examples of stories appearing during the pilot program year include the following:

- *Is Anybody There? Saving Energy with Occupancy Sensors*
- *LED Lighting: A Sign of Things to Come?*
- *Benefits of Purchasing ENERGY STAR Products*
- *Get Cooking: High Efficiency Equipment Saves Energy*
- *COMBINED HEAT and POWER: The Southwest Gas Incentive Program Increases Affordability*

Arizona Corporation Commission

DOCKETED

SEP 10 2008

DOCKETED BY	<i>MA</i>
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Other topics covered include energy accounting, winter fuels outlook, heating conservation, boiler load management, and controlling energy costs in manufacturing facilities.

¹ The newsletter may also be provided to architects and engineers who express an interest in receiving it.

² Southwest has been offering an energy-related newsletter since 2004. Southwest changed the name from *Gas Line* to *Energy Line* and changed the content to promote demand-side management.

The newsletter also features an "Ask an Expert" hotline and access to an electronic research library.

Staff reviewed a sample of the newsletters. In addition to providing information on the above topics, some articles include data on the specific monetary or energy savings available from conservation efforts and new energy efficient technologies. Another of the reviewed articles contained a detailed description of the Southwest Gas combined heat and power DSM program, providing additional marketing for this existing program. The Company also plans to refer to other Commission-approved Southwest DSM programs in the upcoming months.

If the TIC program is approved for continuance, Staff recommends that Southwest continue to focus the content of the newsletter on energy-saving equipment and processes for large end-users. Staff also recommends that the newsletter continue to promote Southwest DSM programs designed for commercial and industrial customers, and that contact information be provided for potential DSM program participants.

Delivery

The *Energy Line* newsletter is delivered via email. *Energy Line* is written and delivered by Questline, a company that produces customized informational email newsletters. Southwest selects articles for the newsletter that are designed to focus on energy efficiency, conservation and related topics of interest to its larger customers.

Participation of Participants

Ten DSM *Energy Line* newsletters have been sent out to 140 Southwest customers. The Company anticipates increasing the number of recipients to 150 in 2008 and to 300 in 2009. Southwest proposes expanding the subscription base in 2009, to include more large commercial customers.

Survey

Decision No. 69667 approving the TIC program ordered that a survey be conducted to determine its effectiveness in promoting DSM and energy efficiency. The survey was to include questions regarding what concrete steps were taken by recipients to improve energy efficiency as a result of information obtained from the newsletter.

Participation. Surveys were emailed twice in 2008, to a total of 120 customers. Twenty completed surveys were returned within two weeks.

Staff recommends that Southwest work to improve the level of response to future surveys; this may include follow-up with non-responding recipients.

Results. The responses to the survey include the following:

- 73.68 percent opened the *Energy Line* email every month, 21.05 percent whenever they saw a topic of interest and 5.26 percent opened the email occasionally;
- All respondents found *Energy Line* somewhat or very valuable;
- 89 percent found *Energy Line* somewhat or very helpful in making energy decisions; and
- 31.25 percent of respondents reported taking steps to improve energy efficiency as a result of information provided in *Energy Line* (the measures taken included better maintenance, new equipment and hiring a full time Energy Manager); and
- 74 percent of the respondents requested a free energy consultation from Southwest. (For details, see below.)

Energy Consultations. The survey included a question asking whether respondents were interested in a free energy consultation with Southwest Gas. The energy consultations include reviews of current energy practices and equipment, along with identification of potential energy savings and preliminary assessment of eligibility for Combined Heat and Power (“CHP”). To date 10 energy consultations have taken place and five more are in the process of being scheduled. Southwest states that at least two of the consultations have had a direct effect on customer energy decisions.

Given their potential for creating concrete energy savings, Staff recommends that Southwest’s free energy consultations be promoted on an ongoing basis in *Energy Line*. Contact information should be included for customers wishing to schedule energy consultations.

Budget

The annual budget and spending to-date are listed in the table below:

Technology Information Center Requested Budget and Spending in 2007

Description	Budget	2007 Expenses	(Over)/Under
Implementation	\$33,000	\$15,000	\$18,000
Administration	\$2,000	\$479	\$1,520
Total	\$35,000	\$15,479	\$19,521

Southwest is requesting continuance of the program at \$35,000 per year for three years. Staff has recommended that the TIC program be approved to continue for an additional year, with modifications as discussed herein, and that the Company file with the Commission to renew the program on October 1, 2009, if the data supports such a renewal. If the data does not support renewal of the TIC program the Company must notify the Commission by October 1, 2009, that it is terminating the program.

If renewal is requested, Staff has recommended that the Company include three months of sample newsletters with its application, along with the results of the most recent annual survey on program effectiveness.

Staff recommends that Southwest's semi-annual DSM reports include an attestation from a Company officer that costs charged to the TIC program are not being recovered in base rates.

Benefit-Cost Analysis

The TIC program is designed to educate a difficult-to-reach segment of customers on the benefits of DSM, and on opportunities for energy conservation and efficiency. Although the program is educational in nature, some concrete results have been reported from the pilot year. The survey indicates that 31.25 percent of recipients indicated that their companies had taken steps to improve energy efficiency as a result of information provided in *Energy Line*, and that 74 percent of responding companies requested energy consultations designed to increase energy efficiency at their facilities.

Southwest's application for continuation states that because the program is educational it does not have the data necessary to demonstrate cost-effectiveness. Staff's position is that such programs must still be evaluated to determine their effectiveness and that quantifiable data should be gathered to assist in that evaluation. In order to verify the program's effects on an ongoing basis, Staff recommends that the TIC program: (i) keep the annual surveys in place, with a focus on questions concerning the actual energy savings experienced by newsletter recipients (see the sectioned entitled "Survey"); and (ii) perform bill comparisons to establish whether the customers receiving the newsletters have been able to decrease usage

Monitoring and Evaluation

If approved, Staff recommends that the status of the TIC program be reported in Southwest's semi-annual DSM reports. At a minimum, the reporting should include the attestation referred to in the Budget section, and the following information: (i) the number of email recipients; (ii) the number of website hits; (iii) a copy of the most recent survey (only required for the semi-annual report following the survey); (iv) a sample copy of the newsletter, with all articles attached; (v) a description of the types of customers receiving the newsletter; (vi) a listing of the articles featuring or referring to Commission-approved Southwest DSM programs; and (vii) any issues significantly affecting the program, along with information on how Southwest plans to address the issue(s).

Summary of Staff Recommendations

- Staff recommends that the TIC program be approved to continue for an additional year, with modifications as discussed herein, and that the Company file with the Commission to renew the program on October 1, 2009, if the data supports such a

renewal. If the data does not support renewal of the TIC program the Company must notify the Commission by October 1, 2009, that it is terminating the program.

- If renewal is requested, Staff has recommended that the Company include three months of sample newsletters with its application, along with the results of the most recent annual survey on program effectiveness.
- Staff recommends that Southwest continue to focus the content of the newsletter on energy-saving equipment and processes for large end-users.
- Staff also recommends that the newsletter continue to promote Southwest DSM programs designed for commercial and industrial customers, also providing contact information for potential DSM program participants.
- Staff recommends that Southwest work to improve the level of response to future surveys; this may include follow-up with non-responding recipients.
- Staff recommends that Southwest's free energy consultations be promoted on an ongoing basis in *Energy Line*. Contact information should be included for customers wishing to schedule energy consultations.
- Staff recommends that Southwest's semi-annual DSM reports include an attestation from a Company officer that costs charged to the TIC program are not being recovered in base rates.
- Staff recommends that the TIC program: (i) keep the annual surveys in place, with a focus on questions concerning the actual energy savings experienced by newsletter recipients (see the sectioned entitled "Survey"); and (ii) perform bill comparisons to establish whether the customers receiving the newsletters have been able to decrease usage.
- Staff recommends that the status of the TIC program be reported in Southwest's semi-annual DSM reports. At a minimum, the reporting should include the attestation referred to in the Budget section, and the following information: (i) the number of email recipients; (ii) the number of website hits; (iii) a copy of the most recent survey (only required for the semi-annual report following the survey); (iv) a sample copy of the newsletter, with all articles attached; (v) a description of the types of customers

THE COMMISSION

September 10, 2008

Page 6

receiving the newsletter; (vi) a listing of the articles featuring or referring to Commission-approved Southwest DSM programs; and (vii) any issues significantly affecting the program, along with information on how Southwest plans to address the issue(s).



for

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
- KRISTIN K. MAYES
Commissioner
- GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION)
 OF SOUTHWEST GAS CORPORATION –)
 FILING FOR APPROVAL OF ITS)
 REQUEST FOR A THREE-YEAR)
 CONTINUATION OF ITS TECHNOLOGY)
 INFORMATION CENTER DEMAND-SIDE)
 MANAGEMENT PROGRAM)

DOCKET NO. G-01551A-04-0876
 DECISION NO. _____
ORDER

Open Meeting
 September 23 and 24, 2008
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

2. On July 31, 2008, Southwest filed an application for approval of a three-year continuation of its Technology Information Center (“TIC”) program. The TIC program was originally approved as a one-year pilot in June 2007, in Decision No. 69667.

Program Description

3. The TIC program consists of a monthly electronic newsletter intended primarily for Southwest’s Large General, Transportation-eligible, Optional, Gas Air-Conditioning, Electric

...
 ...

1 Generation and Natural Gas Engine Gas Service customers.¹ The TIC program newsletter, *Energy*
2 *Line*, is designed to convey technical information on energy-saving equipment and processes to
3 large end-users.² Examples of stories appearing during the pilot program year include the
4 following:

- 5 • *Is Anybody There? Saving Energy with Occupancy Sensors*
- 6 • *LED Lighting: A Sign of Things to Come?*
- 7 • *Benefits of Purchasing ENERGY STAR Products*
- 8 • *Get Cooking: High Efficiency Equipment Saves Energy*
- 9 • *COMBINED HEAT and POWER: The Southwest Gas Incentive Program Increases*
10 *Affordability*

11
12 4. Other topics covered include energy accounting, winter fuels outlook, heating
13 conservation, boiler load management, and controlling energy costs in manufacturing facilities.
14 The newsletter also features an "Ask an Expert" hotline and access to an electronic research
15 library.

16 5. Staff reviewed a sample of the newsletters. In addition to providing information on
17 the above topics, some articles include data on the specific monetary or energy savings available
18 from conservation efforts and new energy efficient technologies. Another of the reviewed articles
19 contained a detailed description of the Southwest Gas combined heat and power DSM program,
20 providing additional marketing for this existing program. The Company also plans to refer to
21 other Commission-approved Southwest DSM programs in the upcoming months.

22 6. If the TIC program is approved for continuance, Staff has recommended that
23 Southwest continue to focus the content of the newsletter on energy-saving equipment and
24 processes for large end-users. Staff also has recommended that the newsletter continue to promote
25 Southwest DSM programs designed for commercial and industrial customers, and that contact
26 information be provided for potential DSM program participants.

27 ¹The newsletter may also be provided to architects and engineers who express an interest in receiving it.

28 ²Southwest has been offering an energy-related newsletter since 2004. Southwest changed the name from *Gas Line* to
Energy Line and changed the content to promote demand-side management.

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7. The *Energy Line* newsletter is delivered via email. *Energy Line* is written and delivered by Questline, a company that produces customized informational email newsletters. Southwest selects articles for the newsletter that are designed to focus on energy efficiency, conservation and related topics of interest to its larger customers.

Participation

8. Ten DSM *Energy Line* newsletters have been sent out to 140 Southwest customers. The Company anticipates increasing the number of recipients to 150 in 2008 and to 300 in 2009. Southwest proposes expanding the subscription base in 2009, to include more large commercial customers.

Survey of Participants

9. Decision No. 69667 approving the TIC program ordered that a survey be conducted to determine its effectiveness in promoting DSM and energy efficiency. The survey was to include questions regarding what concrete steps were taken by recipients to improve energy efficiency as a result of information obtained from the newsletter.

10. Participation. Surveys were emailed twice in 2008, to a total of 120 customers. Twenty completed surveys were returned within two weeks.

11. Staff has recommended that Southwest work to improve the level of response to future surveys; this may include follow-up with non-responding recipients.

12. Results. The responses to the survey include the following:

- 73.68 percent opened the *Energy Line* email every month, 21.05 percent whenever they saw a topic of interest and 5.26 percent opened the email occasionally;
- All respondents found *Energy Line* somewhat or very valuable;
- 89 percent found *Energy Line* somewhat or very helpful in making energy decisions; and
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- 74 percent of the respondents requested a free energy consultation from Southwest. (For details, see below.)

13. Energy Consultations. The survey included a question asking whether respondents were interested in a free energy consultation with Southwest Gas. The energy consultations include reviews of current energy practices and equipment, along with identification of potential energy savings and preliminary assessment of eligibility for Combined Heat and Power ("CHP"). To date, 10 energy consultations have taken place and five more are in the process of being scheduled. Southwest states that at least two of the consultations have had a direct effect on customer energy decisions.

14. Given their potential for creating concrete energy savings, Staff has recommended that Southwest's free energy consultations be promoted on an ongoing basis in *Energy Line*. Contact information should be included for customers wishing to schedule energy consultations.

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16. If renewal is requested, Staff has recommended that the Company include three months of sample newsletters with its application, along with the results of the most recent annual survey on program effectiveness.

...

1 17. Staff has recommended that Southwest's semi-annual DSM reports include an
2 attestation from a Company officer that costs charged to the TIC program are not being recovered
3 in base rates.

4 **Benefit-Cost Analysis**

5 18. The TIC program is designed to educate a difficult-to-reach segment of customers
6 on the benefits of DSM, and on opportunities for energy conservation and efficiency. Although
7 the program is educational in nature, some concrete results have been reported from the pilot year.
8 The survey indicates that 31.25 percent of recipients indicated that their companies had taken steps
9 to improve energy efficiency as a result of information provided in Energy Line, and that 74
10 percent of responding companies requested energy consultations designed to increase energy
11 efficiency at their facilities.

12 19. Southwest's application for continuation states that because the program is
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18 (see the sectioned entitled "Survey"); and (ii) perform bill comparisons to establish whether the
19 customers receiving the newsletters have been able to decrease usage

20 **Monitoring and Evaluation**

21 20. If approved, Staff has recommended that the status of the TIC program be reported
22 in Southwest's semi-annual DSM reports. At a minimum the reporting should include the
23 attestation discussed in the Budget section, along with the following: (i) the number of email
24 recipients; (ii) the number of website hits; (iii) a copy of the most recent survey (only required for
25 the semi-annual report following the survey); (iv) a sample copy of the newsletter, with all articles
26 attached; (v) a description of the types of customers receiving the newsletter; (vi) a listing of the
27 articles featuring or referring to Commission-approved Southwest DSM programs; and (vii) any
28 . . .

1 issues significantly affecting the program, along with information on how Southwest plans to
2 address the issue(s).

3 **Summary of Staff Recommendations**

4 21. Staff has recommended that the TIC program be approved to continue for an
5 additional year, with modifications as discussed herein, and that the Company file with the
6 Commission to renew the program by October 1, 2009, if the data supports such a renewal. If the
7 data does not support renewal of the TIC program the Company must notify the Commission by
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10 months of sample newsletters with its application, along with the results of the most recent annual
11 survey on program effectiveness.

12 23. Staff has recommended that Southwest continue to focus the content of the
13 newsletter on energy-saving equipment and processes for large end-users.

14 24. Staff also has recommended that the newsletter continue to promote Southwest
15 DSM programs designed for commercial and industrial customers, also providing contact
16 information for potential DSM program participants.

17 25. Staff has recommended that Southwest work to improve the level of response to
18 future surveys; this may include follow-up with non-responding recipients.

19 26. Staff has recommended that Southwest's free energy consultations be promoted on
20 an ongoing basis in *Energy Line*. Contact information should be included for customers wishing to
21 schedule energy consultations.

22 27. Staff has recommended that Southwest's semi-annual DSM reports include an
23 attestation from a Company officer that costs charged to the TIC program are not being recovered
24 in base rates.

25 28. Staff has recommended that the TIC program: (i) keep the annual surveys in place,
26 with a focus on questions concerning the actual energy savings experienced by newsletter
27 recipients (see the sectioned entitled "Survey"); and (ii) perform bill comparisons to establish
28 whether the customers receiving the newsletters have been able to decrease usage

1 IT IS FURTHER ORDERED that the newsletter continue to promote Southwest DSM
2 programs designed for commercial and industrial customers, also providing contact information
3 for potential DSM program participants.

4 IT IS FURTHER ORDERED that Southwest Gas Corporation work to improve the level of
5 response to future surveys; this may include follow-up with non-responding recipients.

6 IT IS FURTHER ORDERED that Southwest Gas Corporation's free energy consultations
7 be promoted on an ongoing basis in *Energy Line*. Contact information should be included for
8 customers wishing to schedule energy consultations.

9 IT IS FURTHER ORDERED that Southwest Gas Corporation's semi-annual DSM reports
10 include an attestation from a Company officer that costs charged to the TIC program are not being
11 recovered in base rates.

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14 recipients (see the sectioned entitled "Survey"); and (ii) perform bill comparisons to establish
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1 report following the survey); (iv) a sample copy of the newsletter, with all articles attached; (v) a
 2 description of the types of customers receiving the newsletter; (vi) a listing of the articles featuring
 3 or referring to Commission-approved Southwest DSM programs; and (vii) any issues significantly
 4 affecting the program, along with information on how Southwest plans to address the issue(s).

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

6
 7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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 10 CHAIRMAN

COMMISSIONER

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 12 COMMISSIONER

COMMISSIONER

COMMISSIONER

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 14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
 15 Director of the Arizona Corporation Commission, have
 16 hereunto, set my hand and caused the official seal of this
 Commission to be affixed at the Capitol, in the City of
 Phoenix, this _____ day of _____, 2008.

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 19 _____
 BRIAN C. McNEIL
 EXECUTIVE DIRECTOR

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 21 DISSENT: _____

22
 23 DISSENT: _____

24 EGJ:JKM:lhm\JFW

1 SERVICE LIST FOR: Southwest Gas Corporation
2 DOCKET NO. G-01551A-04-0876

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17 Arizona Corporation Commission
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20 Ms. Janice M. Alward
21 Chief Counsel, Legal Division
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