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OPEN MEETING AGENDA ITEM
SOUTHWEST GAS CORPORATION

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AZ CORP COMMISSION
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Jeffrey W. Shaw, Chief Executive Officer

February 24, 2011

**VIA ELECTRONIC MAIL
AND REGULAR MAIL**

Arizona Corporation Commission
DOCKETED

FEB 28 2011

Commissioner Brenda Burns
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007
Email address: bburns@azcc.gov

DOCKETED BY *[Signature]*

Re: *Southwest Gas Service Outages in Southern Arizona*

Dear Commissioner Burns:

I am in receipt of your letter dated February 11, 2011, to your fellow colleagues, outlining your concerns regarding the natural gas outage experienced in Southern Arizona earlier this month. We sincerely regret the inconvenience experienced by our customers during the service outage. While the outage was precipitated by a severe regional weather event, Southwest Gas is focused on how we can use "lessons learned" during the outage to improve service to our customers prospectively. Southwest Gas looks forward to discussing the service outage in further detail at the Arizona Corporation Commission's upcoming March 2nd open meeting. In addition, I'd like to briefly provide some additional information on the issues identified in your February 11 letter, as follows.

Operational Conditions

The natural gas outage that occurred February 3 in Tucson and Sierra Vista was a culmination of multiple weather-related factors. The delivery of natural gas to Southwest Gas' distribution system was impaired due to extreme weather conditions and rolling power outages in Texas, which impacted Southwest Gas' access to natural gas supplies for its Arizona customers. Interstate pipelines transporting natural gas to Arizona experienced significant supply losses, while, at the same time, extremely cold weather lead to peak natural gas demand. These factors resulted in pressure and deliverability issues across the southern portion of the western interstate pipeline systems in Arizona, Texas and New Mexico.

Reverse 911 Usage

One of the communication methods Southwest Gas implemented during the outage was the use of "reverse 911" phone calls. Southwest Gas collaborated with the Pima County Office of



Commissioner Brenda Burns
Page 2
February 24, 2011

Emergency Management to call 18,000 residents. While the use of "reverse 911" calls in Cochise County was investigated, it could not be used to communicate detailed information to customers since the system is limited to only a 15-second message. Southwest Gas is currently exploring additional communication measures to use in the future to better communicate effectively and more immediately with its customers.

PURPA Customers

During adverse weather conditions when natural gas is unavailable to customers, Southwest Gas follows the Public Utility Regulatory Policy Act of 1978 (PURPA), in which Southwest Gas provides, when possible, advance notice of service disruptions to customers who have indicated they have health concerns, are disabled, or are of 62 years of age or older. Southwest Gas certainly shares your concern regarding the importance of service to its elderly, disabled and homebound customers. The Company is investigating additional methods to encourage identification of PURPA customer residences and maximize ongoing accuracy of this critical customer information.

Natural Gas Storage

In regards to bringing natural gas storage to Arizona, Southwest Gas is an active member of the Arizona Storage Coalition (Coalition) that was formed in December 2007 to evaluate and pursue natural gas storage opportunities in Arizona. The Coalition has worked with several storage developers proposing salt cavern storage development in the Picacho Basin area. All available storage proposals have been reviewed by the Coalition. Certain projects have been deemed to be very expensive in relationship to the benefits they may provide customers. Even more problematic, however, is that, to date, all projects have experienced difficulties in overcoming environmental issues pertaining to the disposal of mined salt/brine.

Safety and reliability of natural gas service to our customers is of utmost importance at Southwest Gas. I appreciate the opportunity to address some of the service outage issues you have identified, and offer to meet individually with you to further address remaining concerns you may have. Again, Southwest Gas looks forward to participating in the open meeting the Commission has scheduled for March 2, 2011.

Sincerely,

Jeffrey W. Shaw, Chief Executive Officer

cc via electronic mail and/or regular mail:

- Gary Pierce, Chairman
- Bob Stump, Commissioner
- Paul Newman, Commissioner
- Sandra D. Kennedy, Commissioner
- Ernest Johnson, Executive Director