

G-01551A-10-0458

ORIGINAL



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ARIZONA CORPORATION COMMISS
UTILITY COMPLAINT FORM

Investigator: Brad Morton

Phone: [REDACTED]

Fax: [REDACTED]

Priority: Respond Within Five Days

Opinion No. 2011 - 93849

Date: 3/14/2011

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: First: Jim Last: Mettler

Account Name: Jim Mettler Home: [REDACTED]

Street: [REDACTED] Work:

City: Tucson CBR:

State: AZ Zip: 85749 is:

Utility Company: Southwest Gas Corporation

Division: Gas

Contact Name: [REDACTED] Contact Phone: [REDACTED]

Nature of Complaint:

3/14 ***** Received through Executive Director's office (and Director's Ofc)

From: Jim Mettler [REDACTED]
Sent: Saturday, March 12, 2011 9:45 AM
To: Ernest Johnson
Subject: Docket No. G-01551A-10-0320

Attached are several comments regarding the proposed by Soutwest Gas Corporation (SGC) rate increase from the Tucson area. It is clear that SGC customers will be substantially harmed by the proposed rate increase.

Also attached is a copy of an article taken from a recent issue of the Wall Street Journal that points out the market price of natural gas in the coming years be flat to down due to the abundance of supply. This article gives further support to the argument that the Arizona Corporation should mandate SGC maintain or decrease customer rates.

Jim Mettler
[REDACTED]
Tucson, AZ 85749

Arizona Corporation Commission
DOCKETED

MAR 16 2011

RECEIVED
2011 MAR 16 PM 2:04
ARIZONA CORPORATION
DOCKET CONTROL

Proposed rate increase made by
Southwest Gas Corporation
Impacting the greater Tucson Area
Docket No. G-01551A-10-0458

DOCKETED BY [Signature]

Comment
The proposed rate increase by Southwest Gas Corporation by any measure should not be granted by the

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Arizona Corporation Commission for the following reasons:

• New commercial and residential development has been minimal in the greater Tucson area since the burst of the real estate bubble in 2006 - 2007. This condition has reduced the need for new gas distribution and infrastructure investment by SWGC. Going forward, there is no reason to assume the economy will return to the pre 2005 growth levels in the next 3 to 5 years thus the need for capital investment should be minimal.

• SWGC has indicated they need to offset revenue loss due to the gradual adoption of solar heating technology by residential and commercial customers. This is an occurrence that should have been foreseen by SWGC and the industry for many years. Provisions should have been made by SWGC management to offset this slow market driven technology shift and SWGC customers should not be expected to offset this revenue loss via higher gas rates.

• The Commission knows the price of natural gas is driven by market supply and demand. The Department of Energy tracks energy prices and projects prices to the year 2015. Noted below is a summary of natural gas prices by major user segments; note the out year trend declines in most categories.

2009 \$/Million BTU

Sector 2008 2009 2010 2011 2012 2013 2014 2015

Residential 13.6 11.9 11.1 10.4 10.3 10.3 10.2 10.3

Commercial 12.0 9.7 9.0 9.2 9.0 8.8 8.6 8.6

Industrial 9.1 5.2 4.9 4.9 4.9 4.9 4.9 5.0

Source: <http://www.eia.doe.gov/oiaf/aeo/tablebrowser/#release=AEO2011&subject=0-AEO2011&table=3-AEO2011®ion=1-0&cases=ref2011-d120810c>

• Many customers have carefully conserved natural gas as a result of the economic downturn. These efforts have resulted in modestly lower annual demand for SWGC. Customers should not be penalized with price increases in order to offset the resulting decline in SWGC revenue. Many low and moderate income families do not have the ability to pay such a large increase as proposed by SWGC. Such a rate increase would entrench the SWGC strategy of seeking revenue increase via price hikes. The Arizona Corporation Commission needs to end this vicious cycle which leaves many SWGC residential customers deeper in debt.

• Southwest Gas Corporation is a financially healthy company. A substantial rate increase should not be the answer to meet internal SWGC financial objectives. Management should focus on achieving desired improvements like other corporations by adding new services, driving productivity deploying new technologies.

2010 2009

Operating Income (Loss) -

Gas Operations \$ 222,207

\$ 186,056

□

Contribution to Net Income (Loss) - Gas Operations \$ 96,074 \$ 64,748

Contribution to Net Income - Construction Services \$ 9,210

7,574

□

Net Income (Loss) \$ 105,284

\$ 72,322

□

Basic Earnings (Loss) Per Share \$ 2.33

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\$ 1.63

□
Diluted Earnings (loss) Per Share □ \$ 2.31

\$ 1.61

□
□ Source: 2009 Southwest Gas Corporation Annual Report
• □ Stock holders as per the increase in the stock value for the past 12 months must be happy with the company's financial results:

□ Source: Bloomberg.com

Conclusion

When the key facts are reviewed it is clear a 9.26% rate increase is not justified. As a six year SWGC customer I encourage the Arizona Corporation Commission to reject their latest rate increase request and seriously review the possibility of having them implement a rate reduction.

Submitted By

James C. Mettler [REDACTED]
February 27, 2011

Attachment: News Article

Wednesday 3/2/2011 appeared in the Wall Street Journal

New York- by Matt Day

The U.S. is inundated with natural gas, and the glut may not ease any time soon.

Domestic production last year hit it's highest level in almost 40 years, and 2011 will likely see another year of strong production. That means another year of subdued electricity prices and pressure on drillers' bottom lines as well as a powerful incentive for companies and other consumers to switch to the heating fuel.

Production of natural gas in the U.S. grew for the fifth consecutive year in 2010, and was the highest since 1973, the Energy Information Administration said Monday. Rising output from newly profitable shale-rock formations across the U.S. produces 21.57 trillion cubic feet of consumer-grade natural gas during the year, just short of the 1973 record of 21.73 tcf.

With no way to export large quantities of gas and a drilling boom fueled by easy availability of credit and widespread international interest in U.S. gas assets, the glut is seen continuing through 2011.

"Rising production will once again overwhelm demand, leading to yet another year of low prices", Credit Suisse analyst Stefan Revielle said in a research note.

In its latest outlook, the EIA saw U.S. production increasing by 0.8% this year, while deliveries to consumers are expected to rise by 0.3%.

For consumers, that means cheaper electricity prices and inexpensive gas for heating and cooking in homes and businesses.

"there's a double benefit on the consumer side, both in their gas rates and their electric bills," said Branko Terzic, executive director of the Deloitte Center for Energy Solutions, a consultancy.

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But for wholesale power producers and gas drillers, whose profits can be closely tied to commodity prices, a gas glut that stretches well into 2011 could pressure their margins.

While cheap prices for commodities such as crude oil or wheat might lead to immediate increased demand as consumers become more likely to take long trips to vacation spots or increase purchases of food staples, drillers can't count on a similarly quick response to consume the excess gas.

Residential demand for the fuel has been stagnant for years with increasing efficiency of gas heating systems, while demand from energy-intensive industries such as chemicals and metals manufacturing was hit by the recession and declines in the U.S. manufacturing base.

End of Complaint

Utilities' Response:

Opinion docketed

End of Response

Investigator's Comments and Disposition:

I called consumer and identified myself and confirmed that we have received his opinion and will have it docketed in the case. He thanked me .

End of Comments

Date Completed: 3/14/2011

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