

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
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COMMISSIONER

7  
8 IN THE MATTER OF THE APPLICATION OF  
9 SOUTHWEST GAS CORPORATION FOR  
10 THE ESTABLISHMENT OF JUST AND  
11 REASONABLE RATES AND CHARGES  
12 DESIGNED TO REALIZE A REASONABLE  
13 RATE OF RETURN ON THE FAIR VALUE  
14 OF ITS PROPERTIES THROUGHOUT  
15 ARIZONA

Docket No. G-01551A-10-0458

Arizona Corporation Commission  
**DOCKETED**

AUG 10 2011

DOCKETED BY	
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**NOTICE OF FILING**

16 The Residential Utility Consumer Office ("RUCO") hereby files its revised schedules  
17 in the above-referenced matter. Attached please find the revised revenue schedules of Dr.  
18 Ben Johnson, and revised testimony of Dr. Johnson and Jodi Jerich, incorporating the  
19 changes.

20 RESPECTFULLY SUBMITTED this 10<sup>th</sup> day of August, 2011.

21  
22   
23 Daniel W. Pozefsky  
24 Chief Counsel

1 AN ORIGINAL AND THIRTEEN COPIES  
of the foregoing filed this 10<sup>th</sup> day  
2 of August, 2011 with:

3 Docket Control  
Arizona Corporation Commission  
1200 West Washington  
4 Phoenix, Arizona 85007

5 COPIES of the foregoing hand delivered/  
mailed or emailed this 10<sup>th</sup> day of August, 2011 to:

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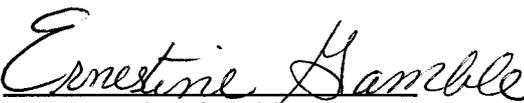
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24

Test Year Ended June 30, 2010

Line No.	Description	Reference	SWG Proposed		Staff Proposed			Difference
			Original Cost (A)	Fair Value (B)	Original Cost (C)	Fair Value (Alt. 1) (D1)	Fair Value (Alt. 2) (D2)	Fair Value (E) = D2 - B
1	Adjusted Rate Base	Sch. B	\$ 1,073,700,633	\$ 1,456,517,468	\$ 1,070,116,558	\$ 1,452,933,391	\$ 1,452,933,391	\$ (3,584,077)
2	Rate of Return	Sch. D	9.73%	7.50%	9.08%	6.69%	6.85%	
3	Operating Income Required		\$ 104,483,741	\$ 109,211,529	\$ 97,139,081	\$ 97,139,081	\$ 99,525,937	\$ (9,685,592)
4	Net Operating Income Available	Sch. C	\$ 67,105,572	\$ 67,105,572	\$ 70,833,429	\$ 70,833,429	\$ 70,833,429	\$ 3,727,857
5	Operating Income Excess/Deficiency		\$ 37,378,169	\$ 42,105,957	\$ 26,305,652	\$ 26,305,652	\$ 28,692,508	\$ (13,413,449)
6	Gross Revenue Conversion Factor	Sch. A-1	1.6579	1.6579	1.6579	1.6579	1.6579	1.6579
7	Overall Revenue Requirement		\$ 61,969,266	\$ 69,807,465	\$ 43,612,140	\$ 43,612,140	\$ 47,569,309	\$ (22,238,156)
8	Additional revenue requirement on Fair Value	Line 7		\$ 7,838,200 (B - A)		\$ - (D1 - C)	\$ 3,957,169 (D2 - C)	

Notes and Source

Cols. A & B taken from SWG filing, Schedule A-1

SWG Schedule A-1 does not carry the Company's Original Cost calculations in its Schedule A-1, column c, through to a revenue requirement amount.

Test Year Ended June 30, 2010

Incorporating 30 Year Normal Weather Data

Line No.	Description	As Adjusted by Company (A)	Staff Adjustments (B)	As Adjusted by Staff (C)
<b>Operating Revenues</b>				
1	Revenues	\$ 414,285,202	\$ -	\$ 414,285,202
2	Gas Cost	\$ -	\$ -	\$ -
3	Total Margin	\$ 414,285,202	\$ -	\$ 414,285,202
<b>Operating Expenses</b>				
4	Other Gas Supply	\$ 1,138,145	\$ -	\$ 1,138,145
5	Distribution	\$ 100,579,868	\$ 625,094	\$ 101,204,963
6	Customer Accounts	\$ 33,881,272	\$ -	\$ 33,881,272
7	Customer Information	\$ 1,205,135	\$ -	\$ 1,205,135
8	Sales	\$ -	\$ -	\$ -
Administrative and General				
9	Direct	\$ 6,339,402	\$ (4,160,309)	\$ 2,179,093
10	System Allocable	\$ 58,786,097	\$ (2,451,994)	\$ 56,334,103
Depreciation and Amortization				
11	Direct	\$ 93,057,028	\$ (17,099)	\$ 93,039,929
12	System Allocable	\$ 6,244,982	\$ (115,257)	\$ 6,129,725
13	Regulatory Amortizations	\$ 284,581	\$ -	\$ 284,581
14	Other Taxes	\$ 27,203,877	\$ (138,360)	\$ 27,065,517
15	Interest on Customer Deposits	\$ 2,908,517	\$ -	\$ 2,908,517
16	Income Taxes	\$ 15,550,726	\$ 2,530,068	\$ 18,080,794
17	Total Operating Expenses	\$ 347,179,630	\$ (3,727,857)	\$ 343,451,773
18	Net Operating Income	\$ 67,105,572	\$ 3,727,857	\$ 70,833,429

Notes and Source

Col. A: SWG filing, Schedule C-1, page 1 of 18, column e

Col. B: Staff Schedule C.1

1    **Q.    Have you estimated the impact of changing the revenue requirements in the Settlement to**  
2        **reflect the use of a more appropriate FVROR methodology, and the use of the 30 year**  
3        **average for “normal” weather?**

4    A.    Yes. I was not provided with a copy of the workpapers underlying the Settlement, so I instead  
5        used a copy of the workpapers filed with Staff's direct testimony to estimate these impacts.  
6        More specifically, using a Return on Equity of 9.50% but a FVROR of 6.85% based on RUCO's  
7        methodology, and replacing the inappropriately adjusted 10 year average weather data with the  
8        unadjusted 30 year average weather data, I estimate the \$52.6 million revenue requirement set  
9        forth in the Settlement would be reduced to approximately \$47.6 million.

10  
11   **Q.    In summary, what is RUCO's proposed resolution of the issues in this case?**

12   A.    In the spirit of compromise, and in recognition of the efforts by other parties to resolve the  
13        issues through the proposed Settlement, RUCO is willing to accept all elements of the  
14        Settlement except for the three issues I've discussed in this testimony: decoupling, fair value  
15        methodology, and weather normalization. Accordingly, RUCO recommends the Commission  
16        reject the Settlement as filed, but resolve the issues in this proceeding in accordance with the  
17        provisions of the Settlement with these exceptions: reject decoupling, calculate the FVROR  
18        using the methodology adopted in Docket No. E-04204A-09-0206, and normalize weather  
19        based upon the unadjusted 30 year average. I estimate this will result in a revenue requirement  
20        of approximately \$47.6 million. Finally, in an effort to alleviate to some degree the financial  
21        concerns which underly the Company's preference for decoupling, I recommend increasing  
22        SWG's flat monthly customer charges to \$11.85 per month, notwithstanding the fact that this  
23        would push this rate further above a cost-justified level.

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1           The details of RUCO's third option is addressed in greater detail in Dr.  
2           Johnson's testimony in response to the proposed Settlement Agreement.

3

	<b>Option A</b>	<b>Option B</b>	<b>RUCO Option</b>
ROE	9.75%	9.50%	9.50%
Revenue Increase	\$54.9M	\$52.6M	<del>\$44.6M</del> <b>\$47.6 M</b>
FVROR	7.02%	6.92%	6.85%
Mechanism to compensate utility for lost fixed costs	Almost full decoupling with no cap	Full decoupling with 5% cap	No decoupling  Shift more revenue into fixed monthly rate
Weather normalization period	10 years	10 years	30 years
Low Income programs	Yes	Yes	Agrees with Settlement
Commitment to energy efficiency	Yes	Yes	Agrees with Settlement
Rate Case moratorium	None	5 years	None

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6   **Q.   Does that conclude your testimony?**

7   **A.   Yes.**

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