

ORIGINAL

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

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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

JAN 25 2012

DOCKETED BY	
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13 **RUCO'S APPLICATION FOR**
14 **REHEARING OF DECISION NO. 72723**

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16 Pursuant to A.R.S. § 40-253, the Residential Utility Consumer Office ("RUCO") requests
17 that the Arizona Corporation Commission ("Commission") rehear Decision No. 72723, decided
18 December 13, 2011 and docketed January 6, 2012. Decision No. 72723 approved the
19 Recommended Opinion and Order ("ROO") on Southwest Gas Corporation's ("Southwest Gas"
20 or "Company") application for a rate increase. The Commission approved Option B, the full
21 revenue decoupling mechanism. The Decision also approved a revenue increase of
22 \$52,607,414 with a return on equity of 9.50 percent, and a fair value return of 6.92 percent.
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1 RUCO respectfully requests reconsideration of the Decision as it pertains to full revenue
2 decoupling.¹

3
4 **NEW INFORMATION REGARDING ALTERNATIVE SOLUTIONS TO DECOUPLING MAKE
A §40-253 APPLICATION APPROPRIATE.**

5 RUCO's filing of its Application for Rehearing is on the grounds that information that
6 was not before the Commission when it approved Decision No. 72723 at the December 13,
7 2011 Open Meeting now exists which RUCO believes shows that the Commission made a
8 mistake. For this reason, RUCO believes its Application is appropriate and proper.

9 RUCO calls to the Commission's attention the proposed Settlement Agreement filed in
10 the pending APS rate case on January 6, 2012.² The proposed Settlement Agreement
11 addresses the issues of lost revenues due to energy efficiency in a creative manner. That
12 proposed Settlement Agreement is signed and supported by RUCO, AARP, the Company,
13 Commission Staff and several other parties.³ RUCO asks that Decision No. 72723 be
14 reopened for consideration of a Lost Fixed Cost Recovery (LFCR) mechanism with a
15 residential "opt-out" rate similar to that recommended in the APS Proposed Settlement.

16 The LFCR is a narrowly tailored mechanism that allows the utility to recover lost
17 revenues associated with the utility's energy efficiency programs. The residential "opt-out" rate
18 involves a small increase to the basic service charge. The purpose of the opt-out rate is to
19
20

21 ¹ RUCO does not object to the approved revenue increase or the cost of capital findings. RUCO's request is
22 solely addressed to the Commission's decision to approve full revenue decoupling. RUCO further incorporates
23 the record and any argument made on the record in opposition to the Commission's approval of full revenue
24 decoupling in this Application.

² Docket No. E-01345A-11-0224

³ 22 parties support the LFCR and opt-out rate including: APS, Commission Staff, RUCO, AARP, Walmart/Sam's
Club, Cynthia Zwick, AAR, FEA, Kroger, Freeport-McMoRan, AECC, IBEW, AzAG, AzCPA, Barbara Wyllie-
Pecora, AIC, SWPG, Bowie, Noble, Constellation, Direct, and Shell.

1 replicate, on average, the effects of the LFCR.⁴ The combination of LFCR with an opt-out
2 rate addresses the concerns of both the utility and the ratepayer.

3 APS is an electric generation utility subject to the Commission's energy efficiency
4 standards which requires cumulative annual energy savings of at least 22% by 2020.⁵ APS
5 believes that it can achieve the required standard through the use of the LFCR and opt-out
6 alternative. According to Jeff Guldner, APS's Vice President of Regulatory Affairs:

7 Lost fixed cost recovery can accommodate whatever energy efficiency
8 you authorize in the process. It may not be the most robust, but it's a
workable mechanism that we can live with⁶.

9 By comparison, Southwest Gas, a distribution company requires a cumulative annual energy
10 savings of 6% by 2020.⁷ It is counterintuitive, and a mistake to reward a full revenue
11 decoupling mechanism to Southwest Gas when APS (and 21 other parties to that docket) can
12 support the LFCR with a corresponding opt-out rate.

13
14 **IMPLEMENTING FULL REVENUE DECOUPLING UNDER THE CIRCUMSTANCES OF**
15 **THIS CASE IS A MISTAKE**

16 There are numerous reasons why the Commission should not implement full revenue
17 decoupling now:

- 18
- 19 • The depressed state of the economy.
 - 20 • Allows utility to recover lost revenues not associated with energy efficiency programs
21 such as reduced sales from home foreclosures, businesses shutting their doors, the
poor economy, weather and other factors not associated with energy efficiency
programs.

22 ⁴ See paragraph 9.8 of the proposed APS Settlement docketed on January 6, 2012. Neither SWEEP nor the
NRDC are signatories to the APS Settlement.

23 ⁵ A.A.C. 14-2-2004(B).

24 ⁶ Comments of Jeffrey Guldner at the Commission's special open meeting held on December 16, 2011 regarding
the filing of the APS Settlement Agreement. Transcript of Open Meeting at 78.

⁷ A.A.C. 14-2-2504(B).

- 1 • Certain customers must pay the decoupling rate but won't benefit from EE programs;
- 2 ○ Renters must pay for decoupling but cannot take advantage of EE programs.
- 3 ○ Low usage customers already have such low usage rates that participating in
- 4 EE programs are not cost effective.
- 5 ○ Limited income customers cannot afford to
- 6 ○ Pro-active customers who have already implemented as many EE measures
- 7 as practicable.
- 8 • Will not delay the need to build additional infrastructure since Southwest is a gas
- 9 distribution company.

10 **CONCLUSION**

11 Based on the foregoing reasons, RUCO respectfully requests the Commission rehear

12 the above-referenced case for the purpose of considering a Lost Fixed Cost Recovery

13 mechanism and residential opt-out rate similar to that recommended by 22 signatory parties in

14 the proposed APS Settlement Agreement.

15 RESPECTFULLY SUBMITTED this 25th day of January, 2012.

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17 Daniel W. Pozefsky
18 Chief Counsel

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2 of January, 2012 with:

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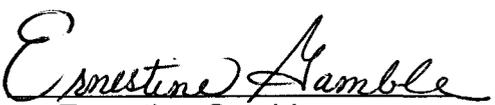
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