

ORIGINAL

OPEN MEETING AGENDA ITEM



0000133812



SOUTHWEST GAS CORPORATION RECEIVED

2012 JAN 31 P 2:09

Donald L. Soderberg, Vice President/Pricing

AZ CORP COMMISSION
DOCKET CONTROL

January 30, 2012

Arizona Corporation Commission
DOCKETED

JAN 31 2012

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007-2996

DOCKETED BY

Re: **Docket No. G-01551A-10-0458; Decision No. 72723**

Southwest Gas Corporation (Southwest) has modified its ICM model in compliance with the Commission's Opinion and Order in the above referenced docket. The Commission ordered Southwest to revise its ICM model within 30 days of the effective date of the Decision. An electronic working copy of the ICM model is being provided to Commission Staff.

The goal of the ICM model is to ensure that service to new customers can be provided with incremental investment and expenses that are supported by the expected incremental margin from the new customers. The incremental cost of providing service to new customers should not place a burden on existing customers or the shareholders who provide the capital to serve these new customers. Southwest Gas has revised its ICM in compliance with Decision No. 72723, as described below, to more accurately meet these objectives.

The ICM model was revised to prevent the collection of contributions in aid of construction (CIAC) that results in an expected ROE, as generated through the ICM model, that is more than 50 basis points above the return on common equity authorized by the Arizona Corporation Commission. In fact, the revised ICM model solves for the authorized return on common equity. In addition, a mechanical change was made to the ICM model to prevent the sum of CIAC and refundable advances from exceeding the sum of the up-front investment when both a CIAC and refundable advance are used in the projected results.



Docket No. G-01551A-10-0458

Page 2

January 30, 2012

The revised ICM model uses the cost of capital and billing rates that took effect on January 1, 2012. The revised ICM model also provides calculations for the new G-25 Large-1 and G-25 Large-2 rate schedules.

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By: _____

Donald L. Soderberg

- c Steve Olea, ACC
- Bob Gray, ACC
- Brian Bozzo, ACC Compliance
- Jodi Jerich, RUCO