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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Docket No. G-01551A-10-0458

NOTICE OF FILING RUCO'S COMMENTS

RUCO is concerned with SW Gas's request to increase its EE budget to \$16.5 million. This is a 300% increase over current spending levels.

SW Gas's EE program budget has grown steadily over the last several years.¹

2009	\$1.4 million
2010	\$1.4 million
2011	\$2.8 million
2012	\$4.7 million ²
2013	\$16.5 million (requested) ³

(SW Gas originally asked for an \$8.4 million budget but increased its request to \$16.5 million as a condition of its rate case Settlement Agreement.)

¹ Data taken from SW Gas Application to Revise its EE and LIRA Rates p. 4. (Docket No. G-01551A-12-0037)

² RUCO understands that the Commission approved an increase of the total EE budget to \$4.7 million but did not authorize in increase in the DSMAC rate to fund this budget.

³ Of the \$16.5 million budget, only \$650,000 is dedicated for low income programs. (April 10, 2012 Staff Report, p. 4)

1 SW Gas will spend \$4.7 million this year to reduce sales by 1.20% and is requesting
2 \$16.5 million to meet the 2013 goal to reduce sales by 1.80%.⁴ RUCO is acutely
3 concerned with what budget SW Gas will propose to meet the 2014 standard of 2.40%.

4 RUCO asks the Commission to consider whether it is necessary to approve such a
5 large EE budget to reduce consumption when SW Gas has testified that per customer
6 consumption has been steadily falling for reasons outside of the Commission's 2010
7 Energy Efficiency Goals and the utility's efforts to comply with that standard.

8 SW Gas acknowledges that over the last 24 years, August per customer
9 consumption has declined by 46.4%.⁵ On average, that is 1.93% a year. For most of
10 those 24 years, there was no DSMAC surcharge and no EE standard. This reduction is a
11 result of improved technology and normal competitive marketplace pressures to make
12 appliances more efficient. New construction housing became better, and consumption
13 levels dropped.

14 By SW Gas's own testimony, per customer consumption levels will continue to fall
15 outside of any additional efforts pursuant to Commission EE standard.

16
17 "Between Southwest Gas's 1986 rate case and the current case, August
18 consumption per customer has declined from 16.4 therms to 8.8 therms,
19 respectively. This is a decline of 7.6 therms or 46.4%. The month of August
is the ideal month to isolate the trend in baseload consumption..."

20 "The significant long term decline in residential consumption per customer
21 occurred primarily because of continued improvements in the dwelling and
22 appliance efficiencies. Improvements in energy efficiencies over the past 24
years are reflected in both new customer growth and the replacement by
existing customers of older appliances with newer more efficient appliances.

23
24 ⁴ See R14-2-2504. RUCO applauds Staff's recommendation to deny measures submitted by SW Gas that are not cost effective and that fell far below the minimum threshold calculation of 1.0 to reduce the budget to \$13.4 million.

⁵ SW Gas Application to Increase Rates, Direct Testimony of Witness Cattanaach, p. 9

1 Thus, the improved energy efficiencies of natural gas appliances and
2 dwellings for both new customer additions and existing customers
3 contributed to the overall decline in residential consumption per customer.

4 "I expect that residential consumption per customer will continue to decline.
5 The continued emphasis on energy conservation to reduce energy
6 expenditures and greenhouse gas emissions makes this a plausible
7 scenario. Indeed the Commission's recently approved gas energy efficiency
8 standard will be **another factor** putting increased downward pressure on
9 consumption per customer in the future."

10 "Southwest Gas has requested implementation of a revenue decoupling
11 proposal to mitigate the adverse impact on its margin recovery due to the
12 expected continued decline on consumption per customer **and the**
13 **additional** downward pressure on consumption per customer resulting from
14 the Company's efforts to achieve the Commission's recently approved gas
15 energy efficiency standard." (emphasis added)

16 Direct Testimony of Mr. Cattnach, pp. 9-10
17 SW Gas Rate Case (Docket No. G-01551A-10-0458)

18 Replacement of old or broken appliances with newer, more efficient appliances
19 occurs as a normal matter of course and will happen with or without ratepayer funded
20 rebates. With that said, RUCO finds that is a good thing to encourage people to buy the
21 most energy efficient products available. And perhaps a rebate will help a customer
22 choose an even more efficient model or buy it a bit sooner than he would otherwise.
23 RUCO also believes the rebates as well as the weatherization program are particularly
24 important for low income customers. For these reasons, RUCO supports the existing policy
to provide some level of ratepayer funded financial incentive to purchase newer
appliances.

RUCO does not intend for these comments to be critical of the EE Standard.
However, RUCO questions whether ratepayer funds are being used to achieve results that
are happening independently from that Standard. And to go from \$4.7 million to \$16.5
million to do this concerns us.

1 RUCO believes the issue of whether a \$16.5 million budget paid by ratepayers to
2 promote an already existing decline in natural gas sales deserves further debate prior to
3 the funding of any expansion of SW Gas's EE programs. Until then, SW Gas's DSMAC
4 should not be increased beyond that which is needed to fund its currently approved budget
5 of \$4.7 million.

6 Alternatively, RUCO respectfully contends that the Commission should not approve
7 programs that do not meet the Commission's minimum threshold for cost effectiveness.

8 Both the September 30, 2011 Staff Report for SW Gas's "Modified Plan" and the
9 April 10, 2012 Staff Report for SW Gas's "New Revised Plan" recommend approval of
10 measures that are not cost effective. The Commission should reject the following
11 programs:

12
13 **September 30, 2011 Staff Report (P. 6)**

	Benefit-cost ratio
15 Tankless Water Heater	0.94
16 Attic Insulation	0.97

17 **April 10, 2012 Staff Report (P. 8)**

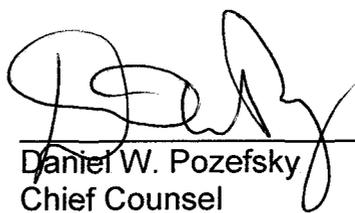
	Benefit-cost ratio
19 Lavatory Aerator	0.95

21 While these are "very close", they are still not cost effective. Ratepayer funds
22 deserve to pay for programs that are cost effective and that reduce consumption outside of
23

24

1 existing downward pressures that has reduced demand for natural gas over the last few
2 decades.

3 RESPECTFULLY SUBMITTED this 23rd day of April, 2012.
4

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6 _____
7 Daniel W. Pozefsky
8 Chief Counsel
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11 AN ORIGINAL AND THIRTEEN COPIES
12 of the foregoing filed this 23rd day
13 of April, 2012 with:

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