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SOUTHWEST GAS CORPORATION

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December 14, 2012

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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

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

Southwest Gas Corporation (Southwest Gas) hereby submits to the Arizona Corporation Commission (Commission) an original and 13 copies of its initial report on its Customer Owned Yard Line (COYL) program. Pursuant to the Settlement Agreement approved by the Commission in Docket No. G-01551A-10-0458 (Decision No. 72723), Southwest Gas was authorized to establish a program to leak survey the COYLs in its Arizona service territories and to provide customers the opportunity to have leaking COYLs replaced with facilities owned and maintained by Southwest Gas. Southwest Gas was also required to file a report after the first six months of leak surveying, to inform the Commission and all interested parties of its findings and any recommendations regarding the COYL program.

If you have any questions, please contact me at (702) 876-7163.

Respectfully,

Debra S. Gallo

Debra S. Gallo, Director
Government & State Regulatory Affairs

Enclosures

Arizona Corporation Commission

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



SOUTHWEST GAS CORPORATION

**CUSTOMER OWNED
YARD LINE
PROGRAM**

December 17, 2012

1. Introduction

Southwest Gas Corporation (Southwest Gas or Company) hereby submits to the Arizona Corporation Commission (Commission) its initial report on its Customer Owned Yard Line (COYL) program. Pursuant to the Settlement Agreement approved by the Commission in Docket No. G-01551A-10-0458 (Decision No. 72723), Southwest Gas was authorized to establish a program to leak survey the COYLs in its Arizona service territories and to provide customers the opportunity to have leaking COYLs replaced with facilities owned and maintained by Southwest Gas.¹ Southwest Gas was also required to file a report after the first six months of leak surveying, to inform the Commission and all interested parties of its findings and any recommendations regarding the COYL program.²

The first six months of Southwest Gas' COYL program were very successful. As shown on Exhibit A to this report, and as detailed more fully below, in the period from January 1, 2012 through June 30, 2012, Southwest Gas discovered 874 leaking COYLs. Of the affected customers, 675 took advantage of the Company's COYL program and only 59 customers declined, resulting in a 91.9% customer acceptance rate for the first six months of the program.³

¹ Settlement Agreement, §§ 5.13-5.19.

² Id. at §5.18. In February 2013, and annually thereafter, Southwest Gas will submit an annual report to the Commission containing the information set forth in §5.18 of the Settlement Agreement.

³ As of June 30, 2012, 140 affected customers remained undecided.

2. Overview of the COYL Program

COYL Groups

For the purposes of its program, Southwest Gas defines a COYL as the customer-owned exterior gas piping that connects at the meter and continues to where the gas piping enters the customer's premise. A diagram depicting a typical COYL installation is attached hereto as Exhibit B. As of June 30, 2012, Southwest Gas estimated approximately 118,500 active COYL customers in Arizona. In developing a strategy for the COYL program, the Company separated its COYL accounts into three groups:

- Group 1 – Customers for whom a leak inspection is conducted as part of the regular course of Southwest Gas' service (i.e. service turn-ons, odor complaints, and unusual usage investigations), and customers whose leaking COYLs might be identified through routine maintenance leak surveys on Southwest Gas facilities.
- Group 2 – Customers impacted by the Company's scheduled pipe replacement projects, whose COYLs could be surveyed while additional Company or contractor resources are available nearby.
- Group 3 – All remaining COYL customers, who will be contacted by the Company regarding a COYL leak inspection. In determining the leak survey schedule for COYL customers in Group 3, the Company considers both the year the COYL was installed and any leak history that the Company is aware of.

In the period from January 1, 2012 through June 30, 2012, many of the Company's leak surveys involved COYL accounts in Groups 1 and 2. As the Company

continues to refine and roll out its COYL program, it anticipates conducting a greater number of leak surveys on accounts in Group 3.

Communications with Customers

Southwest Gas implemented a comprehensive communications process to explain the COYL program to customers and obtain their permission, where necessary, to conduct the COYL leak surveys. Southwest Gas' communication efforts are summarized as follows:

- Field coordinators knock on doors to explain the program, give customers literature about the program, and obtain permission to leak survey the COYL. They also verify that the customer is in fact the property owner (as opposed to a tenant or family member).
- If there is no response to the door knock, field coordinators leave door hanger bags containing literature about the program, including a toll-free phone number. Upon calling the toll-free number, customers are able to grant the permission necessary for Southwest Gas to leak survey the COYL.
- If there is no response to the door hanger bag after two days, the same materials are sent via U.S. Mail, along with a letter requesting a response. If there is no response to the letter within 14 days, a final reminder letter is mailed. Southwest Gas makes every effort to ascertain correct mailing addresses, and updates its records when new contact information is identified.
- If there is still no response, the contact is considered complete. However, if the customer responds to the Company's communications at a later date, the Company will add the customer to its COYL leak survey rotation.

3. Remote Methane Leak Detection (RMLD) Technology

Pursuant to the Settlement Agreement⁴, Southwest Gas purchased RMLD leak detection devices and worked with Heath Consultants (Heath), the device's manufacturer, to evaluate and test the unit. The Company consulted with Heath in developing written procedures and training for the RMLD, and has also been communicating with Commission Staff regarding its utilization of RMLD devices.

RMLD devices are effective up to 100 feet from the user and require an unobstructed view and a surface for the beam to reflect back to the unit in order to successfully detect methane. As such, Southwest Gas cannot use RMLD to conduct all of its COYL leak surveys. When the Company is unable to use RMLD, COYL leak surveys are accomplished using traditional leak detection methodologies, including pressure testing.

4. Program Results

The overall results of Southwest Gas' COYL program from January 1, 2012 through June 30, 2012 are reflected on Exhibit C to this report. In the first six months of the program, Southwest Gas inspected 14,506 yard lines, of which 2,708 were determined not to be COYLs. Among the remaining COYLs, Southwest Gas discovered 874 leaks, resulting in an overall COYL leak rate of approximately 7.4%. As mentioned above and detailed in Exhibit A, only 59 of the 874 affected customers declined to participate in the Company's program. Those who declined typically did so for aesthetic reasons, wishing to keep the meter away from the residence. In cases where the leaking COYL was replaced under the Company's program, the average construction

⁴ Settlement Agreement, at §5.14.

period was five days (from the date the contract was signed by the property owner to the date natural gas service was restored).

Consistent with the terms of the Settlement Agreement, Southwest Gas charges the capital investment associated with the COYL program to a capital account, for recovery through the COYL cost recovery mechanism (CCRM)⁵. The capital costs associated with COYL replacements average between \$1,700 and \$2,000 per COYL.

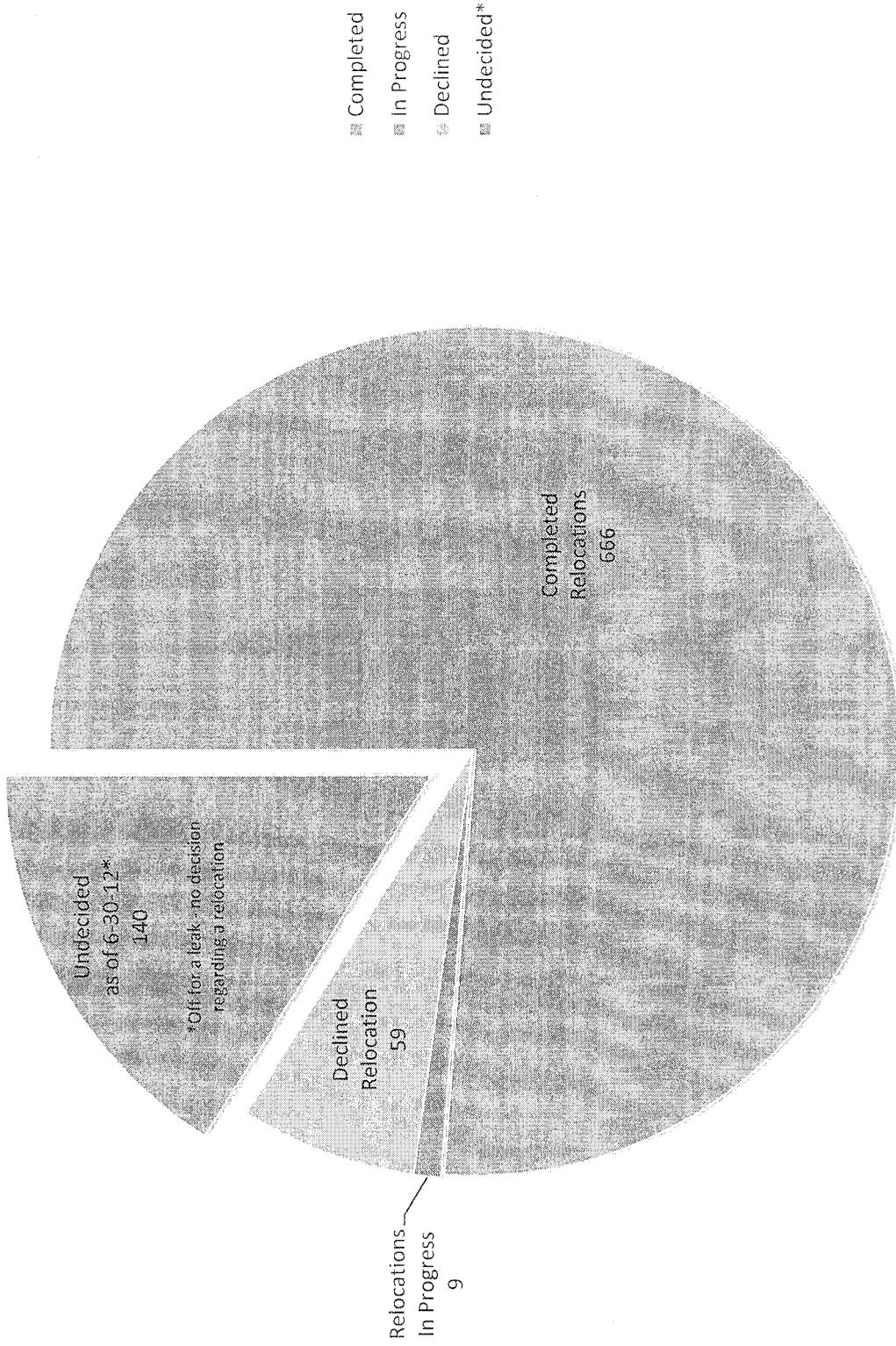
5. Conclusion

Although Southwest Gas' COYL program is still in its infancy, the results of the first six months of leak surveying indicate that the program is assisting COYL customers in the manner contemplated by the Settlement Agreement. The program therefore remains in the public interest. The Company will continue to monitor and evaluate the program, and will make any necessary program recommendations to the Commission as part of its annual COYL filings.

⁵ Id. at §5.15.

Exhibit A

COYL Meter Relocations January thru June 2012



- Customers Decided: 666 Completed + 9 In Progress + 59 Declined = 734
- 91.9 % Customer Acceptance Rate: 675 of 734 chose a relocation

Exhibit B

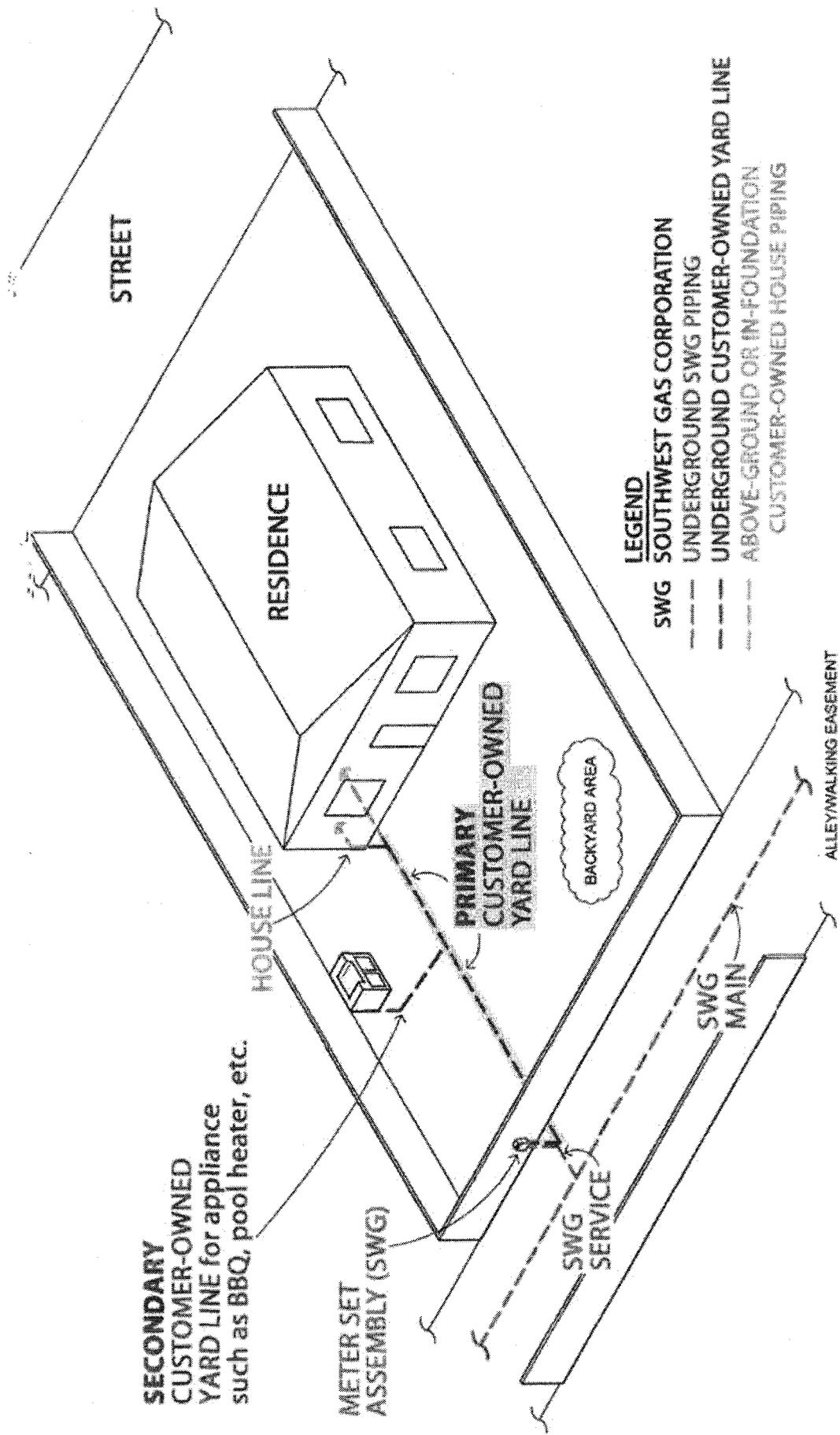


Exhibit C

COYL Activity

January 1, 2012 -
June 30, 2012

- Leak Survey Passed
- No response
- Refused permission
- Leaks

