



BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN  
Commissioner - Chairman  
RENZ D. JENNINGS  
Commissioner  
CARL J. KUNASEK  
Commissioner

IN THE MATTER OF THE APPLICATION )  
OF SOUTHWEST GAS CORPORATION - )  
FILING FOR APPROVAL OF THE LOW )  
INCOME ENERGY CONSERVATION )  
PROGRAM )

DOCKET NO. G-01551A-98-0216

DECISION NO. 60976

ORDER

Arizona Corporation Commission

DOCKETED

JUN 19 1998

DOCKETED BY *gail*

Open Meeting  
June 17 and 18, 1998  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation (Southwest) is engaged in providing natural gas within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission (Commission).

2. On November 4, 1997, Southwest filed for Commission pre-approval of the Low Income Energy Conservation (LIEC) program.

3. Following this filing, Staff, Southwest, and other interested parties held a number of meetings, and revised the proposed program a number of times, to address various concerns with the original and subsequent program design proposals.

4. On April 24, 1998, Southwest filed a revised LIEC program for Commission pre-approval.

5. Decision No. 60352 (dated August 29, 1997) ordered Southwest to work with interested parties to "develop a cost effective, low income plan and present it to the Commission within sixty (60) days of the effective date of this Decision". This Decision further ordered that Southwest "shall commit no more than 23.6 percent of its residential Demand Side Management programs to low-income customers".

1           6.       The LIEC program being proposed by Southwest in this filing is a new program.  
2 The proposed LIEC program would be administered through the Arizona Department of  
3 Commerce - Energy Office (Energy Office).

4           7.       The Energy Office currently conducts a statewide low income weatherization  
5 program as part of a broader low income assistance program, using federal and other low income  
6 funding sources. The Energy Office contracts with local community agencies to assist in the  
7 delivery of weatherization and other low income assistance activities.

8           8.       The LIEC program would be treated as an additional source of funding within the  
9 existing Energy Office weatherization program. Piggybacking on the existing Energy Office  
10 program avoids the time and expense of creating and administering a separate Southwest Gas  
11 weatherization program.

12           9.       The program would be available to Southwest customers whose annual income is  
13 less than 125 percent of federal poverty guidelines and customers over the age of 60 whose  
14 income is under 150 percent of federal poverty guidelines. The program would be available for  
15 owner occupied and rental units.

16           10.      Typical measures that would be installed under the LIEC program would include  
17 caulking, insulation, weatherstripping, ductwork repairs, set back thermostats, storm windows,  
18 water heater wraps and other measures.

19           11.      Southwest has proposed a budget of \$236,000 for the LIEC program from July 1,  
20 1998 to June 30, 1999. The funding will be allocated by county according to the number of  
21 potential low income Southwest Gas customers in each county.

22           12.      Up to 15 percent of the funding in each area may go to administrative costs  
23 (5 percent for the Energy Office and 10 percent for the community agencies).

24           13.      Spending on any individual house is limited to \$1,500 under the proposed LIEC  
25 program.

26           14.      LIEC program costs would be recovered through Southwest's demand side  
27 management adjustor mechanism. Following the initial installation of weatherization measures,  
28 follow-up inspections will be done on ten percent of the homes.

1           15.     The Energy Office's weatherization program requires that the measures installed  
2 be cost-effective. The Energy Office has divided the state into six regions and has identified  
3 measures that are cost-effective in each region. In cases where the cost-effectiveness of some  
4 measures is uncertain, a computerized audit is undertaken to rank the cost-effectiveness of these  
5 measures. The Energy Office uses the REM/Rate and REM/Design computer models to evaluate  
6 the cost-effectiveness of its weatherization activities.

7           16.     The Energy Office undertakes weatherization activities in a given home at the  
8 same time it addresses health and safety issues. In most cases, the Energy Office has funding  
9 from other sources to pay for health and safety improvements. However, in certain cases, these  
10 other funding sources may have been exhausted or are unavailable. In these cases, funds from  
11 the proposed LIEC program could be used to address the health and safety needs. Generally,  
12 these health and safety measures are not cost-effective, because they result in little or no energy  
13 savings in most cases.

14           17.     Staff has expressed its concern that inclusion of a large number of these health  
15 and safety measures in the LIEC program could threaten the overall cost-effectiveness of the  
16 program.

17           18.     The Energy Office has indicated that these cases are limited in number and  
18 represent a small percentage of the low income homes in its program. Additionally, the  
19 community agencies must receive approval by the Energy Office on a case-by-case basis before  
20 using LIEC funds for health and safety activities. Therefore, it does not appear that the overall  
21 cost-effectiveness of the LIEC program will be in question.

22           19.     Southwest and the Energy Office have indicated to Staff that spending on health  
23 and safety measures will be monitored on an on-going basis.

24           20.     The Energy Office will bill Southwest for weatherization costs on a monthly  
25 basis. As part of the billing, Southwest will be provided with information on the number of  
26 customers served, the number and type of measures installed, the cost of measures, and other  
27 information.

28     ...

1 21. Southwest will evaluate this information and include an evaluation of the program  
2 in its semi-annual demand side management report to the Commission.

3 22. No parties filed comments with the Commission during the 20 day comment  
4 period for this filing.

5 23. The proposed LIEC program should provide cost-effective assistance to  
6 Southwest's low income customers. The inclusion of the program in the Energy Office's existing  
7 weatherization activities eliminates the cost of setting up a separate low income program for  
8 Southwest and should efficiently deliver low income weatherization services.

9 24. Southwest's semi-annual demand side management reports will enable Staff to  
10 monitor the success of the program.

11 25. Staff has recommended approval of Southwest's proposed LIEC program.

12 CONCLUSIONS OF LAW

13 1. Southwest is an Arizona public service corporation within the meaning of Article  
14 XV, Section 2, of the Arizona Constitution.

15 2. The Commission has jurisdiction over Southwest and over the subject matter of the  
16 application.

17 3. The Commission, having reviewed the application and Staff's Memorandum,  
18 dated June 5, 1998, concludes that it is in the public interest to approve the filing.

19 ...  
20 ...  
21 ...  
22 ...  
23 ...  
24 ...  
25 ...  
26 ...  
27 ...  
28 ...

ORDER

THEREFORE, IT IS ORDERED that the filing be and hereby is approved.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

*James H. Davis*  
COMMISSIONER - CHAIRMAN

COMMISSIONER

*Carl Hunsack*  
COMMISSIONER

IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 19 day of June 1998.

*for* *Stuart R. Brachney*  
JACK ROSE  
Executive Secretary

DISSENT \_\_\_\_\_

RTW:BG:djg/JA

01551A-98-0216

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28