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SOUTHWEST GAS CORPORATION

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July 31, 2013

AZ CORP 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**

Pursuant to ordering paragraph #6, of the Commission's Opinion and Order in the above referenced docket, Southwest Gas Corporation hereby submits its quarterly compliance report regarding the Energy Efficiency Enabling Provision.

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

Respectfully,

Debra S. Gallo by cmz

Debra S. Gallo, Director
Government & State Regulatory Affairs

Enclosures

c Jodi Jerich, ACC
Bob Gray, ACC
Brian Bozzo, ACC Compliance
Patrick Quinn, RUCO

Arizona Corporation Commission
DOCKETED

JUL 29 2013

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**Southwest Gas Corporation
Energy Efficiency Enabling Provision
2013 Second Quarter Compliance Report**

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SOUTHWEST GAS CORPORATION

I. INTRODUCTION

Southwest Gas Corporation hereby submits its 2013 second quarter report on the performance of the Energy Efficiency Enabling Provision (EEP).

In its Opinion and Order in Docket No. G-01551A-10-0458, Decision No. 72723 (Decision), the Arizona Corporation Commission (Commission) authorized Southwest Gas Corporation (Southwest Gas or the Company) to implement the EEP, whereby Southwest Gas was granted authority to implement a monthly billing adjustment that adjusts customer bills when actual weather varies from the normalized weather used in the development of authorized rates. The EEP also tracks the non-weather differences in actual margin compared to authorized margin and includes a process to recover margin under collections from and return margin over collections to customers. The combination of these two components results in the Company recovering the margin per customer authorized by the Commission, no more, no less.

Following a first quarter where customers, on average, received bill credits due to colder than normal weather, the second quarter consisted of weather that was warmer than normal. As a result, customers, on average, received modest bill adjustments consistent with weather that was warmer than the normal weather used to develop rates.

II. DISCUSSION

This report is for the quarterly period April 1, 2013 through June 30, 2013. However, because the weather component only applies to winter season bills (November 1 through April 30), no monthly weather adjustments are reflected in June bills. Bill analyses have been prepared by residential and non-residential sectors and by rate schedule. The rate schedules included in the residential sector are Single-Family Residential (Schedule No. G-5), Multi-Family Residential (Schedule No. G-6), Single-Family Low-Income Residential (Schedule No. G-10), and Multi-Family Low-Income Residential (Schedule No. G-11). The rate schedules included in the non-residential sector are Small General Service (Schedule No. G-25(S)), Medium General Service (Schedule No. G-25(M)), Large-1 General Service (Schedule No. G-25(L1)), and Large-2 General Service (Schedule No. G-25(L2)).

As described above, the EEP contains two components, a monthly weather bill adjustment and non-weather margin tracking. The non-weather margin tracking component compares authorized margin to actual margin and recovers or returns differences between authorized and actual margin in a rate adjustment. The non-weather tracking component will have no effect on customer bills until the Commission approves a rate adjustment after the first year of the EEP.¹ Therefore, this quarterly report only shows the effect of the monthly weather adjustment on customer bills.

¹ On April 30, 2013, Southwest Gas filed an Application for authority to set its Energy Efficiency Enabling Provision rate. The Application seeks to establish a surcredit based upon the performance of the EEP's non-weather component during the period from January 1, 2012 through December 31, 2012.

Table 1 summarizes the effect of the monthly weather adjustment on quarterly bills for the residential and non-residential sectors.

<u>Table 1- Average Bill by Sector</u>			
	<u>W/EEP Adjustment</u>	<u>W/O EEP Adjustment</u>	<u>Difference</u>
Residential Sector	\$33.46	\$31.07	\$2.39
Non-Residential Sector	\$440.86	\$432.02	\$8.84

Table 2 summarizes the quarterly results for each customer class included in the EEP.

<u>Table 2- Average Bill by Customer Class</u>			
	<u>W/EEP Adjustment</u>	<u>W/O EEP Adjustment</u>	<u>Difference</u>
Single Family Residential	\$34.11	\$31.66	\$2.45
Low Income Single Family	\$22.72	\$21.13	\$1.59
Multi Family Residential	\$27.57	\$26.20	\$1.38
Low Income Multi Family	\$20.62	\$19.66	\$0.96
Small General Service	\$52.48	\$50.01	\$2.46
Medium General Service	\$220.63	\$215.36	\$5.27
Large-1 General Service	\$1,088.09	\$1,068.30	\$19.80
Large-2 General Service	\$4,845.27	\$4,771.19	\$74.08

Attachment I contains schedules showing the development of the differences between average bills with the EEP adjustment and average bills without the EEP adjustment for residential/non-residential sectors and for each rate schedule for the months of April and May and by quarter. As mentioned above, the weather component is applicable only to winter season bills. Consequently, the weather component had no impact on June bills.

III. SUMMARY

The EEP continues to perform as intended. The monthly weather adjustment has stabilized customer bills by reflecting normal weather conditions and providing customers timely relief from colder than normal weather when their natural gas bills are the highest and providing modest increases to bills when the weather is warmer than normal and bills are the lowest.

In addition to customer bill mitigation during extreme weather events, the Commission's decision authorizing the EEP was also premised upon Southwest Gas' representations that the EEP "... will benefit customers in the long-term through higher credit ratings and lower costs of debt." (Decision No. 72723, page 22, line 16.) Indeed, the Company's credit metrics continue to improve, in part, due to its new Arizona rate design. Since Commission approval of the EEP, Moody's Investors Service upgraded the Company's senior unsecured long-term debt from Baa2 to Baa1, Standard & Poor's issued an upgrade from BBB+ to A-, and Fitch Ratings upgraded the Company from BBB+ to A-. In May 2013, Fitch Ratings issued a second upgrade from A- to A.

Although the EEP has only been in place for approximately eighteen months, the early results continue to demonstrate that the EEP is performing well and continues to be in the public interest. Southwest Gas will continue to closely monitor the performance of the EEP and looks forward to continuing to share this information with the Commission.

ATTACHMENT I

**SUMMARY OF MONTHLY BILL IMPACTS
WITH AND WITHOUT ENERGY EFFICIENCY ENABLING PROVISION
ADJUSTMENTS BY SECTOR AND RATE SCHEDULE**

SOUTHWEST GAS CORPORATION
QUARTERLY ENERGY EFFICIENCY ENABLING PROVISION (EEP) REPORT
AVERAGE MONTHLY BILLS WITH AND WITHOUT EEP
APRIL AND MAY 2013
TOTAL ARIZONA

Line No.	Description	With EEP	Without EEP	Difference	Line No.
Residential Sector					
1	Bills	890,294	890,294	0	1
2	Volume (Therms)	20,433,170	17,374,223	3,058,947	2
3	Revenue	\$ 29,789,206	\$ 27,662,134	\$ 2,127,072	3
4	Average Volume	23.0	19.5	3.4	4
5	Average Revenue	\$ 33.46	\$ 31.07	\$ 2.39	5
6	EEP % of Average Revenue			7.69%	6
Non-Residential Sector					
7	Bills	31,868	31,868	0	7
8	Volume (Therms)	16,412,882	15,740,196	672,686	8
9	Revenue	\$ 14,049,316	\$ 13,767,724	\$ 281,592	9
10	Average Volume	515.0	493.9	21.1	10
11	Average Revenue	\$ 440.86	\$ 432.02	\$ 8.84	11
12	EEP % of Average Revenue			2.05%	12

SOUTHWEST GAS CORPORATION
QUARTERLY ENERGY EFFICIENCY ENABLING PROVISION (EEP) REPORT
AVERAGE MONTHLY BILLS WITH AND WITHOUT EEP
APRIL AND MAY 2013
TOTAL ARIZONA

Line No.	Description	With EEP	Without EEP	Difference	Line No.
G-5 - Single-Family Residential					
1	Bills	831,493	831,493	0	1
2	Volume (Therms)	19,270,166	16,370,409	2,899,757	2
3	Revenue	\$ 28,366,051	\$ 26,327,015	\$ 2,039,036	3
4	Average Volume	23.2	19.7	3.5	4
5	Average Revenue	\$ 34.11	\$ 31.66	\$ 2.45	5
6	EEP % of Average Revenue			7.75%	6
G-10 - Low Income Single-Family Residential					
7	Bills	37,397	37,397	0	7
8	Volume (Therms)	787,502	670,221	117,281	8
9	Revenue	\$ 849,784	\$ 790,195	\$ 59,589	9
10	Average Volume	21.1	17.9	3.1	10
11	Average Revenue	\$ 22.72	\$ 21.13	\$ 1.59	11
12	EEP % of Average Revenue			7.54%	12
G-6 - Multi-Family Residential					
13	Bills	18,984	18,984	0	13
14	Volume (Therms)	332,040	294,833	37,207	14
15	Revenue	\$ 523,471	\$ 497,338	\$ 26,133	15
16	Average Volume	17.5	15.5	2.0	16
17	Average Revenue	\$ 27.57	\$ 26.20	\$ 1.38	17
18	EEP % of Average Revenue			5.25%	18
G-11 - Low Income Multi-Family Residential					
19	Bills	2,420	2,420	0	19
20	Volume (Therms)	43,462	38,760	4,702	20
21	Revenue	\$ 49,900	\$ 47,586	\$ 2,315	21
22	Average Volume	18.0	16.0	1.9	22
23	Average Revenue	\$ 20.62	\$ 19.66	\$ 0.96	23
24	EEP % of Average Revenue			4.86%	24

SOUTHWEST GAS CORPORATION
 QUARTERLY ENERGY EFFICIENCY ENABLING PROVISION (EEP) REPORT
 AVERAGE MONTHLY BILLS WITH AND WITHOUT EEP
 APRIL AND MAY 2013
 TOTAL ARIZONA

Line No.	Description	With EEP	Without EEP	Difference	Line No.
G-25 Small General Service					
1	Bills	8,224	8,224	0	1
2	Volume (Therms)	178,746	154,602	24,144	2
3	Revenue	\$ 431,574	\$ 411,307	\$ 20,266	3
4	Average Volume	21.7	18.8	2.9	4
5	Average Revenue	\$ 52.48	\$ 50.01	\$ 2.46	5
6	EEP % of Average Revenue			4.93%	6
G-25 Medium General Service					
7	Bills	15,956	15,956	0	7
8	Volume (Therms)	3,522,239	3,338,796	183,443	8
9	Revenue	\$ 3,520,424	\$ 3,436,329	\$ 84,095	9
10	Average Volume	220.7	209.3	11.5	10
11	Average Revenue	\$ 220.63	\$ 215.36	\$ 5.27	11
12	EEP % of Average Revenue			2.45%	12
G-25 Large 1 General Service					
13	Bills	7,227	7,227	0	13
14	Volume (Therms)	9,551,636	9,204,890	346,746	14
15	Revenue	\$ 7,863,648	\$ 7,720,570	\$ 143,079	15
16	Average Volume	1,321.7	1,273.7	48.0	16
17	Average Revenue	\$ 1,088.09	\$ 1,068.30	\$ 19.80	17
18	EEP % of Average Revenue			1.85%	18
G-25 Large 2 General Service					
19	Bills	461	461	0	19
20	Volume (Therms)	3,160,261	3,041,908	118,353	20
21	Revenue	\$ 2,233,670	\$ 2,199,518	\$ 34,152	21
22	Average Volume	6,855.2	6,598.5	256.7	22
23	Average Revenue	\$ 4,845.27	\$ 4,771.19	\$ 74.08	23
24	EEP % of Average Revenue			1.55%	24

SOUTHWEST GAS CORPORATION
QUARTERLY ENERGY EFFICIENCY ENABLING PROVISION (EEP) REPORT
AVERAGE MONTHLY BILLS WITH AND WITHOUT EEP
APRIL 2013
TOTAL ARIZONA

Line No.	Description	With EEP	Without EEP	Difference	Line No.
Residential Sector					
1	Bills	755,457	755,457	0	1
2	Volume (Therms)	18,025,526	15,102,843	2,922,683	2
3	Revenue	\$ 25,886,471	\$ 23,854,177	\$ 2,032,293	3
4	Average Volume	23.9	20.0	3.9	4
5	Average Revenue	\$ 34.27	\$ 31.58	\$ 2.69	5
6	EEP % of Average Revenue			8.52%	6
Non-Residential Sector					
7	Bills	25,084	25,084	0	7
8	Volume (Therms)	13,170,347	12,536,408	633,939	8
9	Revenue	\$ 11,212,996	\$ 10,947,028	\$ 265,967	9
10	Average Volume	525.0	499.8	25.3	10
11	Average Revenue	\$ 447.02	\$ 436.41	\$ 10.60	11
12	EEP % of Average Revenue			2.43%	12

SOUTHWEST GAS CORPORATION
QUARTERLY ENERGY EFFICIENCY ENABLING PROVISION (EEP) REPORT
AVERAGE MONTHLY BILLS WITH AND WITHOUT EEP
APRIL 2013
TOTAL ARIZONA

Line No.	Description	With EEP	Without EEP	Difference	Line No.
G-5 - Single-Family Residential					
1	Bills	705,554	705,554	0	1
2	Volume (Therms)	17,016,940	14,246,793	2,770,147	2
3	Revenue	\$ 24,665,789	\$ 22,717,697	\$ 1,948,092	3
4	Average Volume	24.1	20.2	3.9	4
5	Average Revenue	\$ 34.96	\$ 32.20	\$ 2.76	5
6	EEP % of Average Revenue			8.58%	6
G-10 - Low Income Single-Family Residential					
7	Bills	30,256	30,256	0	7
8	Volume (Therms)	660,977	549,154	111,823	8
9	Revenue	\$ 691,724	\$ 635,155	\$ 56,568	9
10	Average Volume	21.8	18.2	3.7	10
11	Average Revenue	\$ 22.86	\$ 20.99	\$ 1.87	11
12	EEP % of Average Revenue			8.91%	12
G-6 - Multi-Family Residential					
13	Bills	17,555	17,555	0	13
14	Volume (Therms)	309,481	273,364	36,117	14
15	Revenue	\$ 486,031	\$ 460,661	\$ 25,370	15
16	Average Volume	17.6	15.6	2.1	16
17	Average Revenue	\$ 27.69	\$ 26.24	\$ 1.45	17
18	EEP % of Average Revenue			5.51%	18
G-11 - Low Income Multi-Family Residential					
19	Bills	2,092	2,092	0	19
20	Volume (Therms)	38,128	33,532	4,596	20
21	Revenue	\$ 42,926	\$ 40,664	\$ 2,263	21
22	Average Volume	18.2	16.0	2.2	22
23	Average Revenue	\$ 20.52	\$ 19.44	\$ 1.08	23
24	EEP % of Average Revenue			5.56%	24

SOUTHWEST GAS CORPORATION
QUARTERLY ENERGY EFFICIENCY ENABLING PROVISION (EEP) REPORT
AVERAGE MONTHLY BILLS WITH AND WITHOUT EEP
APRIL 2013
TOTAL ARIZONA

Line No.	Description	With EEP	Without EEP	Difference	Line No.
G-25 Small General Service					
1	Bills	6,910	6,910	0	1
2	Volume (Therms)	155,417	132,039	23,378	2
3	Revenue	\$ 367,757	\$ 348,134	\$ 19,623	3
4	Average Volume	22.5	19.1	3.4	4
5	Average Revenue	\$ 53.22	\$ 50.38	\$ 2.84	5
6	EEP % of Average Revenue			5.64%	6
G-25 Medium General Service					
7	Bills	12,187	12,187	0	7
8	Volume (Therms)	2,827,146	2,652,439	174,707	8
9	Revenue	\$ 2,790,421	\$ 2,710,336	\$ 80,086	9
10	Average Volume	232.0	217.6	14.3	10
11	Average Revenue	\$ 228.97	\$ 222.40	\$ 6.57	11
12	EEP % of Average Revenue			2.95%	12
G-25 Large 1 General Service					
13	Bills	5,628	5,628	0	13
14	Volume (Therms)	7,628,214	7,301,876	326,338	14
15	Revenue	\$ 6,255,848	\$ 6,121,190	\$ 134,657	15
16	Average Volume	1,355.4	1,297.4	58.0	16
17	Average Revenue	\$ 1,111.56	\$ 1,087.63	\$ 23.93	17
18	EEP % of Average Revenue			2.20%	18
G-25 Large 2 General Service					
19	Bills	359	359	0	19
20	Volume (Therms)	2,559,570	2,450,054	109,516	20
21	Revenue	\$ 1,798,970	\$ 1,767,368	\$ 31,602	21
22	Average Volume	7,129.7	6,824.7	305.1	22
23	Average Revenue	\$ 5,011.06	\$ 4,923.03	\$ 88.03	23
24	EEP % of Average Revenue			1.79%	24

SOUTHWEST GAS CORPORATION
QUARTERLY ENERGY EFFICIENCY ENABLING PROVISION (EEP) REPORT
AVERAGE MONTHLY BILLS WITH AND WITHOUT EEP
MAY 2013
TOTAL ARIZONA

Line No.	Description	With EEP	Without EEP	Difference	Line No.
Residential Sector					
1	Bills	134,837	134,837	0	1
2	Volume (Therms)	2,407,644	2,271,380	136,264	2
3	Revenue	\$ 3,902,736	\$ 3,807,956	\$ 94,779	3
4	Average Volume	17.9	16.8	1.0	4
5	Average Revenue	\$ 28.94	\$ 28.24	\$ 0.70	5
6	EEP % of Average Revenue			2.49%	6
Non-Residential Sector					
7	Bills	6,784	6,784	0	7
8	Volume (Therms)	3,242,535	3,203,788	38,747	8
9	Revenue	\$ 2,836,320	\$ 2,820,696	\$ 15,624	9
10	Average Volume	478.0	472.3	5.7	10
11	Average Revenue	\$ 418.09	\$ 415.79	\$ 2.30	11
12	EEP % of Average Revenue			0.55%	12

SOUTHWEST GAS CORPORATION
 QUARTERLY ENERGY EFFICIENCY ENABLING PROVISION (EEP) REPORT
 AVERAGE MONTHLY BILLS WITH AND WITHOUT EEP
 MAY 2013
 TOTAL ARIZONA

Line No.	Description	With EEP	Without EEP	Difference	Line No.
G-5 - Single-Family Residential					
1	Bills	125,939	125,939	0	1
2	Volume (Therms)	2,253,226	2,123,616	129,610	2
3	Revenue	\$ 3,700,262	\$ 3,609,318	\$ 90,944	3
4	Average Volume	17.9	16.9	1.0	4
5	Average Revenue	\$ 29.38	\$ 28.66	\$ 0.72	5
6	EEP % of Average Revenue			2.52%	6
G-10 - Low Income Single-Family Residential					
7	Bills	7,141	7,141	0	7
8	Volume (Therms)	126,525	121,067	5,458	8
9	Revenue	\$ 158,060	\$ 155,040	\$ 3,020	9
10	Average Volume	17.7	17.0	0.8	10
11	Average Revenue	\$ 22.13	\$ 21.71	\$ 0.42	11
12	EEP % of Average Revenue			1.95%	12
G-6 - Multi-Family Residential					
13	Bills	1,429	1,429	0	13
14	Volume (Therms)	22,559	21,469	1,090	14
15	Revenue	\$ 37,440	\$ 36,676	\$ 763	15
16	Average Volume	15.8	15.0	0.8	16
17	Average Revenue	\$ 26.20	\$ 25.67	\$ 0.53	17
18	EEP % of Average Revenue			2.08%	18
G-11 - Low Income Multi-Family Residential					
19	Bills	328	328	0	19
20	Volume (Therms)	5,334	5,228	106	20
21	Revenue	\$ 6,974	\$ 6,922	\$ 52	21
22	Average Volume	16.3	15.9	0.3	22
23	Average Revenue	\$ 21.26	\$ 21.10	\$ 0.16	23
24	EEP % of Average Revenue			0.75%	24

SOUTHWEST GAS CORPORATION
QUARTERLY ENERGY EFFICIENCY ENABLING PROVISION (EEP) REPORT
AVERAGE MONTHLY BILLS WITH AND WITHOUT EEP
MAY 2013
TOTAL ARIZONA

Line No.	Description	With EEP	Without EEP	Difference	Line No.
G-25 Small General Service					
1	Bills	1,314	1,314	0	1
2	Volume (Therms)	23,329	22,563	766	2
3	Revenue	\$ 63,817	\$ 63,173	\$ 644	3
4	Average Volume	17.8	17.2	0.6	4
5	Average Revenue	\$ 48.57	\$ 48.08	\$ 0.49	5
6	EEP % of Average Revenue			1.02%	6
G-25 Medium General Service					
7	Bills	3,769	3,769	0	7
8	Volume (Therms)	695,093	686,357	8,736	8
9	Revenue	\$ 730,003	\$ 725,994	\$ 4,009	9
10	Average Volume	184.4	182.1	2.3	10
11	Average Revenue	\$ 193.69	\$ 192.62	\$ 1.06	11
12	EEP % of Average Revenue			0.55%	12
G-25 Large 1 General Service					
13	Bills	1,599	1,599	0	13
14	Volume (Therms)	1,923,422	1,903,014	20,408	14
15	Revenue	\$ 1,607,801	\$ 1,599,379	\$ 8,421	15
16	Average Volume	1,202.9	1,190.1	12.8	16
17	Average Revenue	\$ 1,005.50	\$ 1,000.24	\$ 5.27	17
18	EEP % of Average Revenue			0.53%	18
G-25 Large 2 General Service					
19	Bills	102	102	0	19
20	Volume (Therms)	600,691	591,854	8,837	20
21	Revenue	\$ 434,700	\$ 432,150	\$ 2,550	21
22	Average Volume	5,889.1	5,802.5	86.6	22
23	Average Revenue	\$ 4,261.76	\$ 4,236.76	\$ 25.00	23
24	EEP % of Average Revenue			0.59%	24