ORIGINAL

OPEN MEETING

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MEMORANDUM

RECEIVED

2013 DEC -3 A 10: 54

AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: December 3, 2013

RE: SOUTHWEST GAS CORPORATION – APPLICATION FOR APPROVAL TO SET ENERGY EFFICIENCY ENABLING PROVISION RATE (DOCKET NO. G-01551A-10-0458)

On April 30, 2013, Southwest Gas Corporation ("Southwest" or "Company"), filed an application requesting approval for the initial rate relating to its revenue decoupling mechanism, the Energy Efficiency Enabling Provision ("EEP"), as well as its annual Revenue Decoupling Report, as required by Decision No. 72723.

Southwest has requested approval to set its initial EEP rate based on the Company's performance between January 1, 2012 and December 31, 2012. During the first year of the EEP, Southwest Gas accrued a credit balance of $1,890,149, and is seeking to refund that balance to its customers in the amount of -$0.00387 per therm.

Decision No. 72723 specifies eight criteria for evaluating Southwest Gas' annual Revenue Decoupling Report. These criteria are: 1) a listing of customer complaints resulting from or associated with revenue decoupling; 2) a showing that disincentives to energy efficiency have been removed by December 31, 2012; 3) compliance with the Commission's required annual energy savings; 4) an analysis of usage differences between new and existing customers; 5) a comparison of the differences between new and existing customer usage per customer ("UPC"); 6) an analysis of overall customer usage, UPC, and customer growth per class on a pre- and post-decoupling basis; 7) an analysis of customer migration to tariffs not subject to decoupling or converting to non-gas energy usage; and 8) an analysis of Company activities in supporting new customer growth including the encouragement of new and economic uses of natural gas.

Staff's analysis of the Decoupling Report was conducted on the basis of these criteria, and four sets of data requests were issued to gain an understanding of the Company's performance results.

Arizona Corporation Commission
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Customer Complaints and Migration

The Company reports that it did not receive any complaints regarding the decoupling portion of its EEP. Southwest did have seven complaints pertaining to the EEP that involved an explanation of the weather component, however. The Commission has received one formal complaint involving the weather component. That complaint (Docket No. G-01551A-13-0327) was filed on September 24, 2013. The customer alleges that the inability to calculate the weather normalization adjustment from information available to him on his residential bill is unlawful and that the weather adjustment represents a rate increase.

Southwest has not experienced any customer migration from decoupled to traditional coupled rate schedules. (Southwest's rate schedules that are not decoupled require use of a specific gas appliance, or are not available to new customers.)

Energy Savings

Southwest filed its first energy efficiency ("EE") implementation plan on September 13, 2011 (Docket No. G-01551A-11-0344), and that plan was approved by the Commission on June 5, 2012. Under Arizona Administrative Code R14-2-2504, EE standards for gas utilities require cumulative annual energy savings by the end of each calendar year to be reduced as a percentage of retail energy sales in the prior calendar year. For 2011, the required percentage is 0.5%, and for 2012, the required percentage is 1.20%.

From June 1, 2012, through May 30, 2013, Southwest estimates that it spent $4,433,522 of its approved budget of $4.7 million, and achieved an estimated annual savings of 3,146,127 therms (including therm equivalents). The table below summarizes the expenditures by program.

Program	**First Year Expenditures (June 1, 2012 – May 30, 2013)**
Residential	$2,656,904
Non-Residential (Commercial/Dist.Gen)	$432,840
Low-Income	$531,895
Renewable Energy Resource Technology (RET)	$811,883
Total	$4,433,522

(Note that renewable energy measures and programs are combined with Southwest's energy efficiency portfolio per the Commission's approval of its Energy Efficiency and Renewable Energy Resource Technology Plan under Decision No. 72339.)

According to Southwest's 2010 Annual Report, total sales volume in Arizona during 2010 was 562,324,290 therms. Based on this total, the Company's 2011 EE target is 2,811,621 therms saved. Using Southwest's 2011 Annual Report sales volume of 560,590,780 therms, the Company's 2012 EE target would be 6,727,089 therms saved. These figures suggest that Southwest has reached its 2011 EE target, but has not reached its 2012 target.

Usage Analysis

Southwest continues to experience falling customer usage, as it has for over a decade. The Company reports that between 2007 and 2012, both residential and non-residential sales volume has declined. Usage per customer ("UPC") for residential customers fell by an average of 41.2 annual therms and non-residential UPC fell by an average of 306.2 annual therms. Southwest attributes this trend to advancements in building envelope technology and increasing energy efficiency requirements for new natural gas appliances. It should be noted that the Company does not attribute these reductions to fuel switching to electric appliances. Southwest credits most of the recent decline between 2008 and 2012 to improvements in appliance efficiency. Southwest reports that this trend has not changed after the implementation of revenue decoupling.

The Company also reports that residential customers initiating service between 2001 and 2010 had an average UPC of 288.8 therms in 2012, but customers initiating service in 2011 and 2012 only had an average UPC of 227 therms in 2012. New customers typically use less gas because they live in newer homes that feature the best building envelope products and technology, in addition to the newest appliances that comply with current federal energy efficiency standards.

Activities Supporting Customer Growth

Southwest is working to support customer growth in several ways. The Company is exploring three areas of potential growth in the natural gas market, including use in multi-family residential applications, expanded use in entry-level new construction homes, as well as compressed natural gas ("CNG") and liquefied ("LNG") usage as a fuel for fleet vehicles. Southwest is also expecting some customer growth to occur naturally as the state's economy improves.

Southwest has recognized that natural gas usage in the residential market is less prevalent in multi-family and entry-level home applications. Homes using natural gas require dual utility connections (gas in addition to electric service), which builders are often less inclined to provide due to potential costs. The Company sees growth potential in these sectors of the natural gas market, so it is focusing its marketing efforts on builders of these types of homes. The Company's energy efficiency rebates can be utilized to help reduce builder costs and aid in market penetration, thus keeping natural gas competitive with electric providers. Southwest believes it can make a successful business case for the economic use of gas in such instances, and will continue to pursue this market.

The use of natural gas as a fuel for motor vehicles, particularly in fleet applications, is also of interest to Southwest Gas. The Company reports that it is working to facilitate increased use of natural gas as a motor fuel in Arizona. It is currently working with both the City of Phoenix and Waste Management Inc. to expand its business in this area.

Credit Rating

Southwest's credit rating has improved post-decoupling. The Company's credit rating has been upgraded by all three major credit rating agencies, and those upgrades are attributed to the enhanced revenue stability provided by revenue decoupling. The table below outlines the rating changes per agency.

Rating Agency	Last Change	Current Rating	Rating as of 6/30/10
S&P	March 2013	A-	BBB
Moody's	March 2012	Baa1	Baa2
Fitch	May 2012	A-	BBB

This result is similar to what utilities with decoupled rate structures have experienced in other states. Decoupling is believed to reduce a utility's risk by ensuring that its revenues and return on investment remain stable. Reduced risk is conducive to an improved debt rating, and thus, a reduced cost of capital. Credit rating agencies are familiar with these mechanisms, and as Moody's described in its July 30th change of Consolidated Edison's outlook to positive, "Moody's views full revenue decoupling for both electric and gas services and weather normalization for gas as material credit-positive features."[1]

EEP Rate

Southwest has requested approval to set an initial rate related to its revenue decoupling mechanism. The EEP rate is an annual true-up designed to reconcile the difference between the Company's revenue authorized by the Commission and the revenue actually experienced by Southwest Gas as described by Decision No. 72723. "Revenues authorized by the Commission" is defined as the Commission authorized monthly revenue per customer multiplied by the total number of customers billed for service during the month. "Experienced revenue" is defined as the billed revenue for the month.

The final per-therm rate adjustment is calculated by dividing the balance in the deferred account by the previous 12 months sales volume. For the initial rate, the reporting period was based on the Company's performance between January 1, 2012 and December 31, 2012. During

1. Moody's Investor's Service, *Rating Action: Moody's changes Consolidated Edison's Outlook to Positive*, July 30, 2013, https://www.moodys.com/research/Moodys-changes-Consolidated-Edisons-outlook-to-positive--PR_278150.

this time period, the Company collected $1,890,149 in excess of its authorized revenues and is now seeking to return that money to its ratepayers at the rate of -$0.00387 per therm.

Southwest's filing indicates its total sales volume as 488,453,556 therms for the 12 months ending March 31, 2013. The Company has confirmed that this figure represents all Arizona deliveries to customers on decoupled rate schedules between April 1, 2012 and March 31, 2013. The EEP rate is calculated using the most recent 12-month volume of natural gas use for customers included in the EEP. The Company used this time period because it was the most recent data available at the time of filing.

Staff issued two series of data requests pertaining to the calculation of the $1,890,149 account balance, and requested that Southwest provide an explanation of how it reached this figure. Southwest provided Staff with a report and underlying monthly documentation of the balancing account calculation. The report detailed volumetric margin (or therms multiplied by the delivery charge), the basic service charge, and the monthly weather component of the EEP, and provided monthly billed margin data for all Arizona customers on Southwest's five decoupled rate schedules.

The EEP includes a variable weather normalization component. This monthly component adjusts customer bills to account for differences between actual temperatures and normal temperatures for the days in a billing cycle. The weather component is not included in the Revenue Decoupling Report evaluation as specified by Decision No. 72723, but it should be noted that weather circumstances in 2012 played a role in the resulting proposed credit. Southwest reported that during 2012, an upward billing adjustment was made due to higher than average temperatures in December, and downward adjustments were made in January and February due to lower than average temperatures.

It should also be noted that during the preparation of responses to Staff's data requests, Southwest discovered that one of the EEP accounts did not have interest properly recorded, and so a "catch-up" entry in the amount of ($1,713.04) was made in September 2013 records. Southwest provided Staff with data supporting this revised interest calculation. The Company confirmed that this revision has no impact on the proposed EEP rate.

Based on the responses to Staff's data requests, and the supporting documentation provided, Southwest's sales volume and balancing account total appear accurately calculated. Therefore, the proposed rate of -$0.00387 per therm appears appropriate based on the method prescribed by Decision No. 72723.

Earnings Test

Pursuant to paragraphs 3.25 and 3.26 of the Settlement Agreement approved by the Commission in Decision No. 72723, the Company is to include the results of its annual earnings test in its annual revenue decoupling report. The data points and assumptions to be utilized in the earnings test report are identified in paragraph 3.27 of the Settlement Agreement. The earnings test is required in order to ensure that Southwest does not over earn as a result of the Commission's revenue decoupling decision. The formula associated with this earnings test is shown in the table below.

Line No.	Description
1.	Fair Value Rate Base = $1,452,933,391
2.	Fair Value Rate of Return = 6.92%
3.	Operating Income Required = Ln 1 * Ln 2
4.	Net Operating Income Available = Experienced non-gas revenue less recorded operating expenses, adjusted for certain ratemaking adjustments as identified in Section 3.27 of the settlement agreement
5.	Earnings Deficit/(Excess) = Ln 3 – Ln 4
6.	Gross Revenue Conversion Factor = 1.6579
7.	Revenue Deficit/(Excess) = Ln 5 * Ln 6

Southwest submitted the earnings test results shown below:

Line No.	Description	Reference	Amount
1.	Fair Value Base Rate	Decision No. 72723	$1,452,933,391
2.	Fair Value Rate of Return	Decision No. 72723	6.92%
3.	Operating Income Required	Ln 1 * Ln 2	$100,542,991
4.	Net Operating Income Available	Company Records	$98,829,544
5.	Earnings Deficit/(Excess)	Ln 3 - Ln 4	$1,713,447
6.	Gross Revenue Conversion Factor	Decision No. 72723	1.6579
7.	Revenue Deficit/(Excess)	Ln 5 * Ln 6	$2,840,723

Staff began its evaluation of Southwest's earnings test submittal by verifying that the information provided conforms with the 18 data points and assumptions specified in Decision No. 72723. Staff issued three sets of data requests related to the Company's earnings test submittals. Southwest's response to the Commission's initial data request identified each of the test's 18 requirements within the Company's accounting records. Staff's review of these records has confirmed that the test calculation above complies with all the requirements of Decision No. 72723. Based upon this information, Staff has confirmed that Southwest did not have earnings in excess of the level authorized in Decision No. 72723.

Conclusions and Recommendations

Southwest's performance during 2012 supports the continued use of the decoupling mechanism. Based on Staff's analysis, the revenue decoupling mechanism has accomplished its objectives, including both enhanced revenue stability for the Company and bill stabilization for consumers, as well as removal of disincentives to energy efficiency. The Company has supplied the relevant information and data to support the eight criteria specified by Decision No. 72723. Staff's analysis of the Earnings Test also concludes that the Company has not over-earned post-Decision No. 72723.

Staff recommends that the Commission authorize a $1,890,149 credit to Southwest customers by setting the initial EEP rate at -$0.00387 per therm. Staff's analysis of data provided by the Company indicates that both the rate and account balance are correctly calculated.

Steven M. Olea
Director
Utilities Division

SMO:EAH:sms\RRM

ORIGINATOR: Eric A. Hill

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF SOUTHWEST GAS CORPORATION'S APPLICATION FOR APPROVAL TO SET ENERGY EFFICIENCY ENABLING PROVISION RATE	DOCKET NO. G-01551A-10-0458 DECISION NO. __________ ORDER

Open Meeting
December 17 and 18, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

2. On April 30, 2013, Southwest filed an application requesting approval for the initial rate relating to its revenue decoupling mechanism, the Energy Efficiency Enabling Provision ("EEP"), as well as its annual Revenue Decoupling Report, as required by Decision No. 72723.

3. Southwest has requested approval to set its initial EEP rate based on the Company's performance between January 1, 2012 and December 31, 2012. During the first year of the EEP, Southwest Gas accrued a credit balance of $1,890,149, and is seeking to refund that balance to its customers in the amount of -$0.00387 per therm.

. . .

4. Decision No. 72723 specifies eight criteria for evaluating Southwest Gas' annual Revenue Decoupling Report. These criteria are: 1) a listing of customer complaints resulting from or associated with revenue decoupling; 2) a showing that disincentives to energy efficiency have been removed by December 31, 2012; 3) compliance with the Commission's required annual energy savings; 4) an analysis of usage differences between new and existing customers; 5) a comparison of the differences between new and existing customer usage per customer ("UPC"); 6) an analysis of overall customer usage, UPC, and customer growth per class on a pre- and post-decoupling basis; 7) an analysis of customer migration to tariffs not subject to decoupling or converting to non-gas energy usage; and 8) an analysis of Company activities in supporting new customer growth including the encouragement of new and economic uses of natural gas.

5. Staff's analysis of the Decoupling Report was conducted on the basis of these criteria, and four sets of data requests were issued to gain an understanding of the Company's performance results.

Customer Complaints and Migration

6. The Company reports that it did not receive any complaints regarding the decoupling portion of its EEP. Southwest did have seven complaints pertaining to the EEP that involved an explanation of the weather component. The Commission has received one formal complaint involving the weather component. That complaint (Docket No. G-01551A-13-0327) was filed on September 24, 2013. The customer alleges that the inability to calculate the weather normalization adjustment from information available to him on his residential bill is unlawful and that the weather adjustment represents a rate increase.

7. Southwest has not experienced any customer migration from decoupled to traditional coupled rate schedules. (Southwest's rate schedules that are not decoupled require use of a specific gas appliance, or are not available to new customers.)

Energy Savings

8. Southwest filed its first energy efficiency ("EE") implementation plan on September 13, 2011 (Docket No. G-01551A-11-0344), and that plan was approved by the Commission on June 5, 2012. Under Arizona Administrative Code R14-2-2504, EE standards for

gas utilities require cumulative annual energy savings by the end of each calendar year to be reduced as a percentage of retail energy sales in the prior calendar year. For 2011, the required percentage is 0.5%, and for 2012, the required percentage is 1.20%.

9. From June 1, 2012, through May 30, 2013, Southwest estimates that it spent $4,433,522 of its approved budget of $4.7 million, and achieved an estimated annual savings of 3,146,127 therms (including therm equivalents). The table below summarizes the expenditures by program.

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Total	$4,433,522

10. It should be noted that renewable energy measures and programs are combined with Southwest's energy efficiency portfolio per the Commission's approval of its Energy Efficiency and Renewable Energy Resource Technology Plan under Decision No. 72339.

11. According to Southwest's 2010 Annual Report, total sales volume in Arizona during 2010 was 562,324,290 therms. Based on this total, the Company's 2011 EE target is 2,811,621 therms saved. Using Southwest's 2011 Annual Report sales volume of 560,590,780 therms, the Company's 2012 EE target would be 6,727,089 therms saved. These figures suggest that Southwest has reached its 2011 EE target, but has not reached its 2012 target.

<u>Usage Analysis</u>

12. Southwest continues to experience falling customer usage, as it has for over a decade. The Company reports that between 2007 and 2012, both residential and non-residential sales volume has declined. Usage per customer ("UPC") for residential customers fell by an average of 41.2 annual therms and non-residential UPC fell by an average of 306.2 annual therms. Southwest attributes this trend to advancements in building envelope technology and increasing energy efficiency requirements for new natural gas appliances. It should be noted that the

Company does not attribute these reductions to fuel switching to electric appliances. Southwest credits most of the recent decline between 2008 and 2012 to improvements in appliance efficiency. Southwest reports that this trend has not changed after the implementation of revenue decoupling.

13. The Company also reports that residential customers initiating service between 2001 and 2010 had an average UPC of 288.8 therms in 2012, but customers initiating service in 2011 and 2012 only have an average UPC of 227 therms in 2012. New customers typically use less gas because they live in newer homes that feature the best building envelope products and technology, in addition to the newest appliances that comply with current federal energy efficiency standards.

Activities Supporting Customer Growth

14. Southwest is working to support customer growth in several ways. The Company is exploring three areas of potential growth in the natural gas market, including use in multi-family residential applications, expanded use in entry-level new construction homes, as well as compressed natural gas ("CNG") and liquefied natural gas ("LNG") usage as a fuel for fleet vehicles. Southwest is also expecting some customer growth to occur naturally as the state's economy improves.

15. Southwest has recognized that natural gas usage in the residential market is less prevalent in multi-family and entry-level home applications. Homes using natural gas require dual utility connections (gas in addition to electric service), which builders are often less inclined to provide due to potential costs. The Company sees growth potential in these sectors of the natural gas market, so it is focusing its marketing efforts on builders of these types of homes. The Company's energy efficiency rebates can be utilized to help reduce builder costs and aid in market penetration, thus keeping natural gas competitive with electric providers. Southwest believes it can make a successful business case for the economic use of gas in such instances, and will continue to pursue this market.

16. The use of natural gas as a fuel for motor vehicles, particularly in fleet applications, is also of interest to Southwest Gas. The Company reports that it is working to facilitate increased

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use of both CNG and LNG as a motor fuel in Arizona. It is currently working with both the City of Phoenix and Waste Management Inc. to expand its business in this area.

Credit Rating

17. Southwest's credit rating has improved post-decoupling. The Company's credit rating has been upgraded by all three major credit rating agencies, and those upgrades are attributed to the enhanced revenue stability provided by revenue decoupling. The table below outlines the rating changes per agency.

Rating Agency	Last Change	Current Rating	Rating as of 6/30/10
S&P	March 2013	A-	BBB
Moody's	March 2012	Baa1	Baa2
Fitch	May 2012	A-	BBB

18. This result is similar to what utilities with decoupled rate structures have experienced in other states. Decoupling is believed to reduce a utility's risk by ensuring that its revenues and return on investment remain stable. Reduced risk is conducive to an improved debt rating, and thus, a reduced cost of capital. Credit rating agencies are familiar with these mechanisms, and as Moody's described in its July 30th change of Consolidated Edison's outlook to positive, "Moody's views full revenue decoupling for both electric and gas services and weather normalization for gas as material credit-positive features."[1]

EEP Rate

19. Southwest has requested approval to set an initial rate related to its revenue decoupling mechanism. The EEP rate is an annual true-up designed to reconcile the difference between the Company's revenue authorized by the Commission and the revenue actually experienced by Southwest Gas as described by Decision No. 72723. "Revenues authorized by the Commission" is defined as the Commission authorized monthly revenue per customer multiplied by the total number of customers billed for service during the month. "Experienced revenue" is defined as the billed revenue for the month.

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[1] Moody's Investor's Service, *Rating Action: Moody's changes Consolidated Edison's Outlook to Positive*, July 30, 2013, https://www.moodys.com/research/Moodys-changes-Consolidated-Edisons-outlook-to-positive--PR_278150.

20. The final per-therm rate adjustment is calculated by dividing the balance in the deferred account by the previous 12 months sales volume. For the initial rate, the reporting period was based on the Company's performance between January 1, 2012 and December 31, 2012. During this time period, the Company collected $1,890,149 in excess of its authorized revenues and is now seeking to return that money to its ratepayers at the rate of -$0.00387 per therm.

21. Southwest's filing indicates its total sales volume as 488,453,556 therms for the 12 months ending March 31, 2013. The Company has confirmed that this figure represents all Arizona deliveries to customers on decoupled rate schedules between April 1, 2012 and March 31, 2013. The EEP rate is calculated using the most recent 12-month volume of natural gas use for customers included in the EEP. The Company used this time period because it was the most recent data available at the time of filing.

22. Staff issued two series of data requests pertaining to the calculation of the $1,890,149 account balance, and requested that Southwest provide an explanation of how it reached this figure. Southwest provided Staff with a report and underlying monthly documentation of the balancing account calculation. The report detailed volumetric margin (or therms multiplied by the delivery charge), the basic service charge, and the monthly weather component of the EEP, and provided monthly billed margin data for all Arizona customers on Southwest's five decoupled rate schedules.

23. The EEP includes a variable weather normalization component. This monthly component adjusts customer bills to account for differences between actual temperatures and normal temperatures for the days in a billing cycle. The weather component is not included in the Revenue Decoupling Report evaluation as specified by Decision No. 72723, but it should be noted that weather circumstances in 2012 played a role in the resulting proposed credit. Southwest reported that during 2012, an upward billing adjustment was made due to higher than average temperatures in December, and downward adjustments were made in January and February due to lower than average temperatures.

24. It should also be noted that during the preparation of responses to Staff's data requests, Southwest discovered that one of the EEP accounts did not have interest properly

recorded, and so a "catch-up" entry in the amount of ($1,713.04) was made in September 2013 records. Southwest provided Staff with data supporting this revised interest calculation. The Company confirmed that this revision has no impact on the proposed EEP rate.

25. Based on the responses to Staff's data requests, and the supporting documentation provided, Southwest's sales volume and balancing account total appear accurately calculated. Therefore, the proposed rate of -$0.00387 per therm appears appropriate based on the method prescribed by Decision No. 72723.

Earnings Test

26. Pursuant to paragraphs 3.25 and 3.26 of the Settlement Agreement approved by the Commission in Decision No. 72723, the Company is to include the results of its annual earnings test in its annual revenue decoupling report. The data points and assumptions to be utilized in the earnings test report are identified in paragraph 3.27 of the Settlement Agreement. The earnings test is required in order to ensure that Southwest does not over earn as a result of the Commission's revenue decoupling decision. The formula associated with this earnings test is shown in the table below.

Line No.	Description
1.	Fair Value Rate Base = $1,452,933,391
2.	Fair Value Rate of Return = 6.92%
3.	Operating Income Required = Ln 1 * Ln 2
4.	Net Operating Income Available = Experienced non-gas revenue less recorded operating expenses, adjusted for certain ratemaking adjustments as identified in Section 3.27 of the settlement agreement
5.	Earnings Deficit/(Excess) = Ln 3 – Ln 4
6.	Gross Revenue Conversion Factor = 1.6579
7.	Revenue Deficit/(Excess) = Ln 5 * Ln 6

27. Southwest submitted the earnings test results shown below:

Line No.	Description	Reference	Amount
1.	Fair Value Base Rate	Decision No. 72723	$1,452,933,391
2.	Fair Value Rate of Return	Decision No. 72723	6.92%
3.	Operating Income Required	Ln 1 * Ln 2	$100,542,991
4.	Net Operating Income Available	Company Records	$98,829,544
5.	Earnings Deficit/(Excess)	Ln 3 - Ln 4	$1,713,447
6.	Gross Revenue Conversion Factor	Decision No. 72723	1.6579
7.	Revenue Deficit/(Excess)	Ln 5 * Ln 6	$2,840,723

28. Staff began its evaluation of Southwest's earnings test submittal by verifying that the information provided conforms with the 18 data points and assumptions specified in Decision No. 72723. Staff issued three sets of data requests related to the Company's earnings test submittals. Southwest's response to the Commission's initial data request identified each of the test's 18 requirements within the Company's accounting records. Staff's review of these records has confirmed that the test calculation above complies with all the requirements of Decision No. 72723. Based upon this information, Staff has confirmed that Southwest did not have earnings in excess of the level authorized in Decision No. 72723.

Conclusions and Recommendations

29. Southwest's performance during 2012 supports the continued use of the decoupling mechanism. Based on Staff's analysis, the revenue decoupling mechanism has accomplished its objectives, including both enhanced revenue stability for the Company and bill stabilization for consumers, as well as removal of disincentives to energy efficiency. The Company has supplied the relevant information and data to support the eight criteria specified by Decision No. 72723. Staff's analysis of the Earnings Test also concludes that the Company has not over-earned post-Decision No. 72723.

30. Staff has recommended that the Commission authorize a $1,890,149 credit to Southwest customers by setting the initial EEP rate at -$0.00387 per therm. Staff's analysis of data provided by the Company indicates that both the rate and account balance are correctly calculated.

CONCLUSIONS OF LAW

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

2. The Commission has jurisdiction over Southwest Gas Corporation and over the subject matter of the application.

3. The Commission, having reviewed the filing and Staff's Memorandum dated December 3, 2013, concludes that it is in the public interest to approve Southwest Gas Corporation's Energy Efficiency Enabling Provision Rate.

. . .

ORDER

IT IS THEREFORE ORDERED that Southwest Gas Corporation's proposed Energy Efficiency Enabling Provision Rate of negative $0.00387 is hereby approved, effective January 1, 2014.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director 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 _______day of ___________________, 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: ___________________________

DISSENT: ___________________________

SMO:EAH:sms\RRM

SERVICE LIST FOR: SOUTHWEST GAS CORPORATION
DOCKET NO. G-01551A-10-0458

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