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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

JAN 30 2014

DOCKETED BY
NR

IN THE MATTER OF THE EMERGENCY
APPLICATION OF SOUTHWEST GAS
CORPORATION FOR APPROVAL OF
INTERIM FUNDING FOR THE
COMPANY'S ENERGY EFFICIENCY AND
RENEWABLE ENERGY RESOURCE
TECHNOLOGY PORTFOLIO
IMPLEMENTATION PLAN

DOCKET NO. G-01551A-13-0407

DECISION NO. 74305

ORDER

Open Meeting
January 14 and 15, 2014
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Background

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

2. Southwest serves approximately one million customers in the counties of Gila, La Paz, Cochise, Graham, Maricopa, Pima, Greenlee, Mohave, Pinal and Yuma. Of these customers, approximately 970,000 are Residential, while 40,000 are Commercial. Southwest also serves a smaller number of Industrial, Irrigation and Transportation customers.

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Emergency Application for Approval of Interim Funding

3. On November 26, 2013, Southwest filed an Emergency Application for Approval of Interim Funding for its Energy Efficiency and Renewable Energy Resource Technology Portfolio Implementation (“EE and RET”) Plan. Southwest states that the recovering Arizona economy has resulted in increased program participation and has requested that its application be considered “as soon as possible such that there is no interruption in the EE & RET programs and measures currently offered to the Company’s Arizona customers.”

4. In its first plan year, Southwest spent approximately 94 percent of its \$4.7 million budget. (Southwest tracks its plan years from June 1 through May 31.) Now in its second plan year, Southwest reports that it has spent \$3.7 million of its current \$4.7 million budget as of November 26, 2013, and estimates that it may spend another \$2.6 million before the end of its current plan year. To meet this potential shortfall, Southwest is requesting a \$1.6 million increase in its budget, which would increase the overall budget to \$6.3 million.¹

5. Southwest points out that its request is consistent with discussion at the May 22, 2012, Open Meeting when then-Chairman Pierce encouraged the Company to make an additional filing if the \$4.7 million budget proved to be inadequate to fund the approved measures.

6. Southwest has informed Staff that, without the interim funding, it may have to shut down the programs in the near future. Staff notes, however, that the DSM Surcharge would continue to recover funding for Southwest’s energy efficiency and renewable portfolio, even in the event of such a closure.

DSM Adjustor Bank Balance

7. Southwest’s Demand-side Management (“DSM”) Adjustor, used to recover the costs associated with its EE and RET programs, is currently under-collected by approximately \$3 million. Southwest estimates that the under-collection will be approximately \$2 million at the time of the annual adjustor rate reset in April 2014.

...

¹ The Company has also filed for increased budgets for its third and fourth plan years in Docket No. G-01551A-13-0170.) In its application Southwest has proposed a budget of \$7.5 million in Year 3 and \$6 million in Year 4.

1 8. In addition to requesting \$1.6 million in interim funding, Southwest requests “any
2 other relief the Commission deems just and reasonable.” The Company does not request any
3 increase in its surcharge at this time.

4 **Recommendations**

5 9. Staff has recommended that the Commission not approve the full amount requested
6 in interim funding for Southwest’s EE and RET Implementation Plan. Instead, Staff has
7 recommended that the budget for Southwest’s EE and RET Implementation Plan be increased by
8 \$1.3 million, bringing the overall budget from its current \$4.7 million level to \$6 million, to be
9 consistent with Staff’s recommendation in Docket No. G-01551A-13-0170.

10 10. Although we appreciate Staff’s analysis concerning the proposed increase to the
11 current budget, we disagree that the budget should be increased from the current budget level of
12 \$4.7 million to \$6 million.

13 11. We further find that if we had increased the budget level to \$6.0 million, the DSM
14 surcharge under-collection would have been unreasonably larger and the potential ultimate burden
15 on rate payers too great to be in the public interest.

16 12. We find that Residential and Commercial Rebates programs are no longer cost
17 effective or in the public interest, and budget expenditures for these programs should cease on the
18 effective date of this order.

19 13. SWG’s other EE/RET programs may continue at their current budgeted levels or
20 their year to date expenditures, whichever is greater. SWG may allocate any funds remaining
21 under the current \$4.7 million budget among its various programs, except the Residential and
22 Commercial Rebates programs.

23 14. The Commission’s findings are illustrated in the attached Exhibits’ tables, which
24 we incorporate herein.

25 15. Staff has recommended that, in the event the Company runs out of funding, it
26 should not fully shut down its Commission-approved programs and measures. Instead, at least
27 50% of the money recovered through the DSM Surcharge should go to maintaining the Company’s

28 ...

1 currently approved programs and measures, while no more than 50% should be used to pay down
2 any under-collection until it is resolved.

3 CONCLUSIONS OF LAW

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

6 2. The Commission has jurisdiction over Southwest and over the subject matter of the
7 application.

8 3. The Commission having fully considered these matters concludes that it is in the
9 public interest to maintain the current budget at \$4.7 million.

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ORDER

IT IS THEREFORE ORDERED that Southwest Gas Company's EE and RET Implementation Plan's budget shall be maintained at \$4.7 million as discussed herein.

IT IS FURTHER ORDERED that, in the event Southwest Gas Corporation runs out of funding, it will not fully shut down its Commission-approved programs and measures, but instead at least 50% of the money recovered through the DSM Surcharge shall go to maintaining Southwest Gas Corporation's currently approved programs and measures, while no more than 50% shall be used to pay down any under-collection until it is resolved.

IT IS FURTHER ORDERED that this Order shall take effect immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

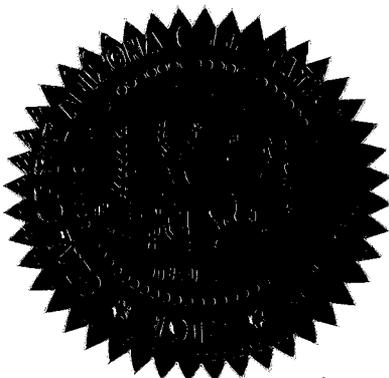
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CHAIRMAN

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COMMISSIONER

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COMMISSIONER

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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 29th day of January, 2014.

[Signature]
JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: *[Signature]*

DISSENT: _____

SMO:jmk:sms\RRM

1 SERVICE LIST FOR: Southwest Gas Corporation
2 DOCKET NO. G-01551A-13-0407

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Exhibit 1

Southwest Gas EE Measures Cost Effectiveness - Plan vs Actual (2013 Progress Report)

	Approved		
		<u>Fcst</u>	
<u>Residential Rebates:</u>	<u>Date</u>	<u>CE</u>	<u>Act CE</u>
Tankless Water heater	2012	0.94	0.77
Clothes dryer	2010	1.55	0.62
Windows	2012	1.45	0.78
Attic Insulation	2012	0.97	0.91
Floor Insulation	2012	1.35	N/A
Smart Low-Flow Showerhead	2012	1.21	0.68
 <u>Smarter, Greener Better Homes:</u>			
Home Certification	2012	1.36	}
			}
Tankless Water Heater	2012	1.08	8.06
Attic Insulation	2012	1.44	}
 <u>Commercial Rebates:</u>			
Storage Water Heater	2007	2.46	0.45
Tankless Water Heater	2012	1.08	0.72
Boiler - Steam Trap	2010	7.31	0.55
Air Curtain	2007	2.22	0.76
Fryer	2010	1.38	0.48
Typical Custom Business Project	2012	3.55	
Typical DG Project	2012	1.56	1.3
Low-Income Energy Conservation	2012	0.98	2.26
Low Income Bill Assistance			
Residential Solar Water	2012	N/A	N/A
Non-Residential Solar Water	2012	N/A	N/A
Non-Residential Solar Pool Heater	2012	N/A	N/A

The cost effectiveness from the 2013 progress report is based on 6 - 7 months of data, and may change when a full year of data is available.

Exhibit 2

Southwest Gas EE/RET Plan Year Jun '13 - May '14

	Pending Expenditures June '13 Nov '13 \$	Estimated Expenditures Dec '13 May '14 \$	Total Year \$	Proposed Amended \$
Residential Rebates	266,905	183,095	450,000	\$ 266,905
SGB Homes	1,486,987	1,718,013	3,205,000	\$ 2,250,000
Commercial Rebates	142,962	172,038	315,000	\$ 142,962
Custom Commercial Rebates	436,052	203,948	640,000	\$ 500,000
Distributed Generation Low Income:	\$	\$	\$	\$
Weatherization Bill	450,000	315,209	450,000	\$ 450,000
Assistance	\$	\$	\$	\$
Solar Thermal	200,000		200,000	\$ 200,000
	\$	\$	\$	\$
Total	540,000	2,592,303	6,300,000	\$ 540,000
	\$	\$	\$	\$
Total	3,707,697	2,592,303	6,300,000	\$ 4,534,658
				\$ 4,700,000

*The first 3 columns are based on Exhibit 1 from the 26 Nov 2013 Application
Column 4, the proposed revised budget, results from freezing the spending
in Residential and Commercial Rebate programs that are no longer cost effective.
(See cost effectiveness chart)*

COMMISSIONERS
BOB STUMP – Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH



ARIZONA CORPORATION COMMISSION

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February 23, 2014

RE: Southwest Gas Corporation (G-01551A-13-0170)

DISSENT LETTER BY COMMISSIONER SUSAN BITTER SMITH

I respectfully dissent from this Decision. I fully support my colleagues' positions regarding the need to ensure that energy efficiency ("EE") measures are cost effective. I look forward to discussing with Staff the possibility of a workshop to comprehensively address the cost effectiveness. However, as we have not outlined the nature and the scope of a future process, I feel it is premature to take action now which may contribute to a lack of parity among utilities. The cessation of the EE programs currently offered by Southwest could provide a competitive disadvantage when compared to other utilities, who may be able to offer EE incentives for which Southwest Gas has no funding.

Sincerely,

A handwritten signature in cursive script that reads "Susan Bitter Smith".

Susan Bitter Smith