

# OPEN MEETING



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## MEMORANDUM

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AZ CORP COMMISSION  
DOCKET CONTROL

2013 DEC 31 AM 9 17

TO: THE COMMISSION

FROM: Utilities Division

DATE: December 31, 2013

**ORIGINAL**

RE: SOUTHWEST GAS CORPORATION – EMERGENCY APPLICATION FOR APPROVAL OF INTERIM FUNDING FOR ITS ENERGY EFFICIENCY AND RENEWABLE ENERGY RESOURCE TECHNOLOGY PORTFOLIO IMPLEMENTATION PLAN (DOCKET NO. G-01551A-13-0407)

### Background

On November 26, 2013, Southwest Gas Corporation (“Southwest” or “Company”) 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.”

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.<sup>1</sup>

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.

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.

Arizona Corporation Commission

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DEC 31 2013

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<sup>1</sup> 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.

**DSM Adjustor Bank Balance**

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.

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

**Recommendations**

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

Staff recommends that, in the event the Company runs out of funding, it should not fully shut down its Commission-approved programs and measures. Instead, at least 50% of the money recovered through the DSM Surcharge should go to maintaining the Company's currently approved programs and measures, while no more than 50% should be used to pay down any under-collection until it is resolved.

for   
Steven M. Olea  
Director  
Utilities Division

SMO:JMK:sms\RRM

ORIGINATOR: Julie McNeely-Kirwan

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 BOB STUMP

3 Chairman

4 GARY PIERCE

5 Commissioner

6 BRENDA BURNS

7 Commissioner

8 BOB BURNS

9 Commissioner

10 SUSAN BITTER SMITH

11 Commissioner

12 IN THE MATTER OF THE EMERGENCY )  
13 APPLICATION OF SOUTHWEST GAS )  
14 CORPORATION FOR APPROVAL OF )  
15 INTERIM FUNDING FOR THE )  
16 COMPANY'S ENERGY EFFICIENCY AND )  
17 RENEWABLE ENERGY RESOURCE )  
18 TECHNOLOGY PORTFOLIO )  
19 IMPLEMENTATION PLAN )

DOCKET NO. G-01551A-13-0407

DECISION NO. \_\_\_\_\_

ORDER

20 Open Meeting  
21 January 14 and 15, 2014  
22 Phoenix, Arizona

23 BY THE COMMISSION:

24 FINDINGS OF FACT

25 Background

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

29 2. Southwest serves approximately one million customers in the counties of Gila, La  
30 Paz, Cochise, Graham, Maricopa, Pima, Greenlee, Mohave, Pinal and Yuma. Of these customers,  
31 approximately 970,000 are Residential, while 40,000 are Commercial. Southwest also serves a  
32 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.<sup>1</sup>

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.

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<sup>1</sup> 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 in  
6 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. Staff has recommended that, in the event the Company runs out of funding, it should not  
11 fully shut down its Commission-approved programs and measures. Instead, at least 50% of the  
12 money recovered through the DSM Surcharge should go to maintaining the Company's currently  
13 approved programs and measures, while no more than 50% should be used to pay down any under-  
14 collection until it is resolved.

15 CONCLUSIONS OF LAW

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

18 2. The Commission has jurisdiction over Southwest and over the subject matter of the  
19 application.

20 3. The Commission, having reviewed the application and Staff's Memorandum dated  
21 December 31, 2013, concludes that it is in the public interest to increase Southwest's EE and RET  
22 Implementation Plan budget to \$6 million.

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ORDER

IT IS THEREFORE ORDERED that the budget for Southwest Gas Corporation's EE and RET Implementation Plan hereby is increased by \$1.3 million, bringing the overall budget from its current \$4.7 million level to \$6 million.

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**

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 \_\_\_\_\_, 2014.

\_\_\_\_\_  
JODI JERICH  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:jmk:sms\RRM

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