



0000152711

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

**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**

MAR 19 2014

DOCKETED BY nr

IN THE MATTER OF THE APPLICATION  
OF SOUTHWEST GAS CORPORATION  
FOR APPROVAL OF ITS PROPOSED  
REVISION TO THE RATE COLLECTED  
THROUGH ITS DEMAND-SIDE  
MANAGEMENT ADJUSTOR  
MECHANISM.

DOCKET NO. G-01551A-14-0027

DECISION NO. 74409

ORDER

Open Meeting  
March 11 and 12, 2014  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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.

...  
...  
...

1 Background: DSM Adjustor Mechanism and Reset

2 3. On January 30, 2014, Southwest filed its application to reset its Demand-Side  
3 Management (“DSM”) adjustor rate. Once approved by the Commission, the reset rate is then  
4 effective for twelve months, from April 1st through March 31st of the next year.

5 4. The purpose of the DSM adjustor mechanism is to recover the cost of the  
6 Company’s Commission-approved DSM programs. Southwest files an application each year to  
7 reset its DSM adjustor rate. The DSM adjustor rate is calculated to align it with projected  
8 spending for the upcoming year, and to true-up existing over- or under-collections.

9 The Current Budget

10 5. The current approved budget is \$4.7 million (see Decision No. 74305 and Decision  
11 No. 74300).

12 Under-collection

13 6. In Decision No. 73772 (March 21, 2013), the per-therm DSM surcharge was set at  
14 \$0.007791 to recover the \$4.7 million approved budget. At that time, in addition to the \$4.7  
15 million, there was an under-collected balance of approximately \$802,000. Projections also  
16 indicated that expenditures were likely to significantly exceed recoveries during the first three  
17 months of 2013. (From January through March 2013 the approved budget was set at \$4.7 million,  
18 while the rate collected through the adjustor was \$0.00200.)

19 7. The under-collection is now projected to be approximately \$1.7 million by the end  
20 of March 2014. (The under-collection was \$2,898,443 as of December 31, 2013, but recoveries are  
21 projected to exceed expenditures significantly in the January-March 2014 period, thereby reducing  
22 the under-collection.) The surcharge proposed by the Company is designed to recover the yearly  
23 budget and, over the course of the year following reset, resolve the under-collection.

24 Current and Proposed Adjustor Rate

25 8. In its current application, Southwest is requesting that the DSM adjustor rate be  
26 increased from \$0.007791 to \$0.01003 in order to cover its authorized budget and to reduce the  
27 under-collection.

28 ...

9. The calculations for the Company's proposed DSM adjustor rate are shown below.

<b>Southwest 2014 DSM Reset</b>	
Annual Budget	\$4,700,000
DSM Balancing Account Balance as of 12/31/2013	\$2,898,443
Estimated Surcharge Recoveries, January-March 2014	(\$2,240,355)
Estimated DSM Expenditures, January-March 2014	\$1,003,691
Total to be recovered	\$6,361,779
Minus amount recovered from low-income customers <sup>1</sup>	(\$24,857)
Total Non-Low-Income amount to be recovered	\$6,336,923
Non-Low-Income DSM Therms projected to be sold	631,523,680
DSM Surcharge Rate Per Therm (\$6,336,922/631,523,680)	\$0.01003

Recommendations

10. Staff has recommended that the DSM surcharge be set at \$0.01 per therm, rather than at \$0.01003 per therm, as requested by the Company. The difference between \$0.01 per therm and \$0.01003 per therm is *de minimis* (less than one third of one percent of the total amount projected for recovery), and setting the adjustor rate at a penny per therm has the advantage of making the rate simpler to calculate and recall. Any impact on resolving the under-collection would be minimal.

Bill Impact

11. The monthly impact of the existing and proposed per therm rates are shown in the tables below. The Summer, Winter, and Annual usage averages are for Residential customers.

...

...

...

...

...

\_\_\_\_\_

<sup>1</sup> Low-income customers are billed \$0.00200 per therm.

**Average Impact of existing \$0.007791 per therm rate**

Period	Average Residential therms used per month	Impact
Summer	11	\$0.09
Winter	41	\$0.32
Annual	26	\$.020

**Average Impact of Company's proposed \$0.01003 per therm rate**

Period	Average Residential therms used per month	Impact
Summer	11	\$0.11
Winter	41	\$0.41
Annual	26	\$0.26

**Average Impact of Staff's proposed \$0.01 per therm rate**

Period	Average Residential therms used per month	Impact
Summer	11	\$0.11
Winter	41	\$0.41
Annual	26	\$0.26

12. The difference between the impact of Southwest's proposed rate and Staff's proposed rate is limited, but shows up if the rounding is changed. (For example, at \$0.01000 per therm, the impact is \$0.26000 per month, based on an annual average, while at \$0.01003 per therm the impact is \$0.260780.)

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 application and Staff's Memorandum dated February 21, 2014, concludes that it is in the public interest to approve the per-therm adjustor rate as discussed herein.

...

...

...

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

ORDER

IT IS THEREFORE ORDERED that Southwest Gas Corporation's Demand-Side Management Adjustor rate be reset to \$0.01 per therm, effective April 1, 2014.

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

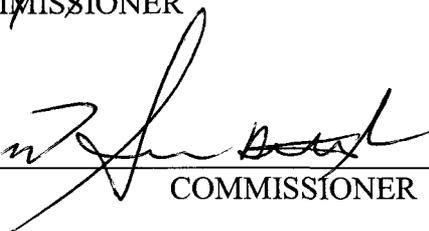
**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

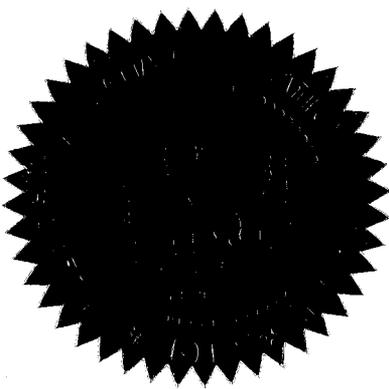
  
CHAIRMAN

  
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 19<sup>th</sup> day of March, 2014.

  
JODI JERICH  
EXECUTIVE DIRECTOR

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

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

SMO:JMK:sms\CHH

1 SERVICE LIST FOR: SOUTHWEST GAS CORPORATION  
2 DOCKET NO. G-01551A-14-0027

3 Mr. Steven M. Olea  
4 Director, Utilities Division  
5 Arizona Corporation Commission  
6 1200 West Washington Street  
7 Phoenix, Arizona 85007

8 Ms. Janice M. Alward  
9 Chief Counsel, Legal Division  
10 Arizona Corporation Commission  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007

13 Jason S. Wilcock, Esq.  
14 Associate General Counsel  
15 Southwest Gas Corporation  
16 P.O. Box 98510  
17 Las Vegas, Nevada 89193-8510

18 Debra Gallo  
19 Director/Government & State  
20 Regulatory Affairs  
21 Southwest Gas Corporation  
22 P.O. Box 98510  
23 Las Vegas, Nevada 89193-8510

24  
25  
26  
27  
28