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SOUTHWEST GAS CORPORATION

June 19, 2014

Arizona Corporation Commission
DOCKETED

JUN 19 2014

Docket Control
Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, AZ 85007

DOCKETED BY *nr*

Re: Docket No. G-01551A-13-0170

Please accept for filing an original and thirteen (13) copies of Southwest Gas Corporation's Comments in the Matter of the Application of Southwest Gas Corporation for Approval of an Energy Efficiency and Renewable Energy Resource Technology Portfolio Implementation Plan.

If you have any questions or comments, please do not hesitate to contact me at 702-876-7163.

Respectfully submitted,

Debra S. Gallo by cmg

Debra S. Gallo, Director
Government & State Regulatory Affairs

Enclosures

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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3 **COMMISSIONERS**

4 Bob Stump, Chairman

5 Gary Pierce

6 Brenda Burns

7 Bob Burns

8 Susan Bitter Smith

9 In the Matter of the Application of Southwest
10 Gas Corporation for Approval of an Energy
11 Efficiency and Renewable Energy Resource
12 Technology Portfolio Implementation Plan.

DOCKET NO. G-01551A-13-0170

13 **COMMENTS OF SOUTHWEST GAS CORPORATION**

14 Southwest Gas Corporation (Southwest Gas or Company) hereby submits its
15 comments in response to the Arizona Corporation Commission's (Commission)
16 Utilities Division Staff's (Staff) COST-EFFECTIVENESS REVIEW OF MEASURES
17 PROPOSED IN SOUTHWEST GAS CORPORATION'S ENERGY EFFICIENCY AND
18 RENEWABLE ENERGY TECHNOLOGY IMPLEMENTATION PLAN (Report)
19 regarding Southwest Gas' Plan Years 3 and 4 Energy Efficiency and Renewable
20 Energy Resource Technology Portfolio Implementation Plan (EE and RET Plan or
21 Plan). In addition, Southwest Gas offers its recommendations for modifications to the
22 Plan Years 3 and 4 EE and RET Plan, in light of the findings set forth in Staff's Report.

23 **I. Background**

24 Southwest Gas' underlying application for approval of its Plan Years 3 and 4
25 EE and RET Plan sought approval of seven programs, with annual budgets of \$7.5
26 million for Plan Year 3 and \$6 million for Plan Year 4. The Plan was consistent with
27 the Gas Utility Energy Efficiency Standards (Standards) set forth in Sections R14-2-
28 2501 through R14-2-2520 of the Arizona Administrative Code (A.A.C.), and designed
to benefit Southwest Gas' residential, non-residential and low-income customers.

1 On January 29, 2014, the Commission issued Decision (D.) 74300, regarding
2 Southwest Gas' Plan Years 3 and 4 EE and RET Plan. D.74300 approved five
3 programs and a \$4.7 million budget for Plan Year 3 and Plan Year 4, but did not
4 approve the Company's *Smarter Greener Better* Residential and Commercial Rebates
5 programs.¹ The Decision further ordered Staff to conduct a cost-effectiveness
6 analysis of the measures proposed in the Company's underlying application. In its
7 Report, Staff provides the results of its cost-effectiveness analysis and makes certain
8 recommendations regarding the Company's Plan Years 3 and 4 EE and RET Plan.
9 For the reasons set forth herein, Southwest Gas takes exception to certain Staff
10 recommendations.

11 **II. Comments**

12 **A. Cost-Effective Programs and Measures**

13 In D.74305, a majority of the Commission found that Southwest Gas'
14 Commercial Rebates program was, "...no longer cost effective or in the public
15 interest."² Similarly, in D.74300, the Commission concluded that the Commercial
16 Rebates program, "...should be discontinued and eliminated from the budgets for
17 Years 3 and 4."³

18 Staff's Report explains that, "[S]ince the measures associated with [the
19 Commercial and Residential] programs were a part of Southwest's proposed EE &
20 RET Plan, Staff reviewed their cost-effectiveness, as per Decision No. 74300."⁴ A
21 review of the cost-effectiveness results associated with the Commercial Rebates
22 program indicates that Staff found all but two program measures to be cost-effective.⁵
23 However, while Staff appropriately recommends continuing all currently approved
24 cost-effective programs and measures it, without explanation, declines to recommend

25 ¹D.74305, also issued January 29, 2014, discontinued budget expenditures for the Residential
26 and Commercial Rebates programs for the remainder of Plan Year 2.

27 ² Id. at pg. 3.

28 ³ D.74300, at pg. 10.

⁴ Report, at pg. 3. Staff's Report occasionally refers to the Commercial Rebates program as
the "Business Rebates" program.

⁵ Id. at Appendix A.

1 that the Commission reinstitute the Commercial Rebates program, which also proved
2 cost-effective.

3 Contrary to the Commission's findings in D.74300 and D.74305, Staff's Report
4 confirms the overall cost-effectiveness of the Commercial Rebates program. Cost
5 effective programs and measures should be made available to Southwest Gas'
6 customers. Indeed, the continued exclusion of the Commercial Rebates program,
7 despite it passing both the Company's and Staff's cost-effectiveness tests, stands to
8 place Southwest Gas at a competitive disadvantage as other Arizona utilities continue
9 to offer commercial Rebates to their customers.

10 In light of Staff's Report, Southwest Gas has slightly modified the Commercial
11 Rebates program from that which was included in the underlying application. The
12 Company removed the noncondensing boilers and the boiler modulating burner
13 controls – the two measures that, according to Staff's analysis, are not cost-effective.
14 All measures that proved cost-effective under Staff's analysis are included in the
15 modified program. The Company seeks to implement the modified Commercial
16 Rebates program for the remainder of Plan Year 3, and for Plan Year 4, with a
17 program budget of \$300,000 for each year. The \$300,000 per year program budget is
18 incremental to the budgets approved in D.74300, and therefore brings the total budget
19 for each Plan Year to \$5 million.

20 **B. Source-Site Ratio Multiplier**

21 Southwest Gas utilizes the source-site ratio multiplier to properly calculate
22 energy savings under the Standards. The Company discussed its use of the multiplier
23 in each of the EE and RET Plans approved by the Commission. Nonetheless, Staff
24 recommends that the Company discontinue using the multiplier on a go-forward basis.
25 Staff disagrees with using the multiplier because, "...it is not used in conjunction with
26 electric utility savings calculations..."⁶ However, Staff's interpretation incorrectly
27 assumes an apples-to-apples comparison between the kWh used for electric savings

28 _____
⁶ Id. at pg. 4.

1 (where fuel costs and line losses are embedded in the rate per kWh), and the kWh
2 used by Southwest Gas as "therm equivalents" under the Standards. In Southwest
3 Gas' case, the kWh savings must be converted to capture the equivalent amount of
4 natural gas needed to generate and transmit the kWh energy. The source-site ratio
5 multiplier is used for this purpose, and is therefore a necessary component of the
6 Company's cost-effectiveness calculations.

7 Discontinuing the source-site multiplier will result in an incomplete and
8 inaccurate assessment of the total energy savings associated with certain measures
9 within Southwest Gas' EE and RET portfolio, and will preclude the Company from
10 capturing the significant energy savings associated with not having to generate the
11 kWh. Southwest Gas' use of the multiplier is a necessary and appropriate means of
12 capturing the total energy savings called for in the Standards, and the Company
13 should be permitted to continue using the multiplier in its cost-effectiveness
14 calculations.

15 **III. Southwest Gas Recommendations**

16 In addition to the foregoing comments, Southwest Gas offers the following
17 recommendations, based upon the results of Staff's cost-effectiveness analysis:

- 18 1. That Southwest Gas be authorized to reinstitute its *Smarter Greener Better*
19 Commercial Rebates program for the remainder of Plan Year 3, and for Plan
20 Year 4, with an associated budget of \$300,000 for each Plan Year. The
21 Commercial Rebates program budget is incremental to the \$4.7 million budget
22 approved in D.74300, thereby bringing the total annual budget for each Plan
23 Year to \$5 million.
- 24 2. The Commercial Rebates program will be reinstated with all measures found
25 cost-effective by Staff, as detailed in Appendix A of Staff's Report.
- 26 3. That Southwest Gas be authorized to continue using the source-site multiplier
27 as part of its cost-effectiveness calculations, in order to capture the total energy
28 savings contemplated by the Standards.

1 **IV. Conclusion**

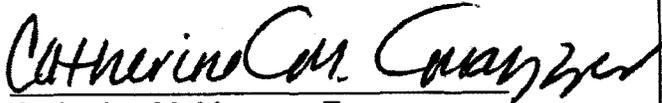
2 Based upon the foregoing, Southwest Gas respectfully requests that the
3 Commission approve the Company's recommendations herein.

4 Dated this 19th day of June, 2014.

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Respectfully submitted,

SOUTHWEST GAS CORPORATION



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CERTIFICATE OF SERVICE

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3 ORIGINAL AND 13 COPIES of
4 the foregoing filed this 19th day of
5 June, 2014, with:

6 Docket Control
7 Arizona Corporation Commission
8 1200W. Washington
9 Phoenix, Arizona 85007

10 COPIES of the foregoing
11 served by e-mail/mail this 19th day of
12 June, 2014 to:

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