



SOUTHWEST GAS CORPORATION



0000158395

RECEIVED

2014 DEC -2 P 1:06

AZ CORP COMMISSION
DOCKET CONTROL

December 2, 2014

Docket Control Office
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007-2996

Re: **Docket No. E-00000XX-13-0214**

Southwest Gas Corporation hereby submits for filing an original and thirteen copies of its comments in response to the draft rules in the above-referenced docket.

If you have any questions, please contact me at (602) 395-4058.

Respectfully,

Matt Derr
Regulatory Manager/Arizona

Enclosures

ORIGINAL

Arizona Corporation Commission

DOCKETED

DEC 02 2014

DOCKETED BY

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Bob Stump, Chairman
Gary Pierce
Brenda Burns
Bob Burns
Susan Bitter Smith

IN THE MATTER OF THE COMMISSION'S
INVESTIGATION TO ADDRESS ENERGY
EFFICIENCY/DEMAND SIDE
MANAGEMENT ("EE/DSM"), COST
EFFECTIVENESS OF EE/DSM AS
CURRENTLY ADMINISTERED, EE/DSM
COST RECOVERY METHODOLOGIES
(INCLUDING THE ENERGY
EFFICIENCYRESOURCE PLAN PROPOSED
IN THE TUCSON ELECTRIC POWER
COMPANY RATE CASE SETTLEMENT
AGREEMENT, DECISION NO. 73912),
NEED OR NOT FOR EE/DSM
PERFORMANCE INCENTIVES, EE/DSM AS
PART OF THE COMMISSION'S
INTEGRATED RESOURCE PLAN
PROCESS, AND POSSIBLE
MODIFICATION OF THE CURRENT
EE/DSM AND INTEGRATED RESOURCE
PLAN RULES.

DOCKET NO. E-00000XX-13-0214

COMMENTS OF SOUTHWEST GAS CORPORATION

In response to the Arizona Corporation Commission's Utilities Division Staff's (Staff) request for informal comments, Southwest Gas Corporation (Southwest Gas or Company), hereby provides its initial comments on the draft rules reflecting possible amendments to the Commission's energy efficiency rules for gas and electric utilities (EE Rules) that were published November 4, 2014.

Southwest Gas has consistently supported the pursuit and implementation of market-based, cost-effective energy efficiency. Southwest Gas currently offers its Arizona customers a variety of energy efficient programs and measures, consistent with its Commission-approved portfolio and the

1 Gas Utility Energy Efficiency Standards (Standards). The Company's programs and measures are
2 well-received by customers, and the recovering Arizona economy has resulted in increased program
3 participation. Southwest Gas appreciates Staff's efforts to address energy efficiency and demand
4 side management through proposed amendments to the Standards for both gas and electric utilities.
5 However, the Company believes that the EE Rules, as currently drafted, do not provide an energy
6 efficiency model that balances the differences in energy efficiency savings captured by natural gas
7 and electric utilities. Rather, the EE Rules appear to force gas utilities into a model that does not
8 provide an adequate opportunity for their customers to take advantage of cost-effective energy
9 efficiency, thereby preventing the parity and consistency that the EE Rules are intended to achieve.

10 The EE Rules define energy efficiency as "delivery of an equivalent level and quality of
11 end-use electric or gas service using less energy."¹ Southwest Gas submits that in order to truly
12 achieve energy efficiency that meets this definition, the Commission should move away from the
13 traditional analyses that treat electric and natural gas energy efficiency as separate programs, and
14 instead take a more holistic approach to Arizona's energy efficiency needs. This begins with the
15 understanding that natural gas is more efficient as an end-use fuel than as a source for generating
16 electricity. The use of natural gas appliances provides an equivalent level and quality of end-use
17 electric or gas service using less energy – consistent with the EE Rules' definition of energy
18 efficiency – while using gas as a fuel for electric generation proves far less energy efficient. As a
19 result, using electric appliances for cooking, water heating and clothes drying where natural gas is
20 available decreases overall energy efficiency by increasing the demand for additional generation
21 capacity and increasing the use of natural gas as a source fuel for generation.

22
23 _____
24 ¹ R14-2-2401(18).

1 This perspective lends background to Southwest Gas' comments regarding the draft EE
2 Rules. Although the EE Rules require utilities to evaluate proposed energy efficiency programs and
3 measures using at least five different cost-effective tests,² Sections R14-2-2407(D) through (H) of
4 the draft EE Rules appears to condition the Commission's approval of proposed energy efficiency
5 programs and measures on passing the Utility Cost Test (UCT) or the Ratepayer Impact Measure
6 Test (RIM) with a score of 1.0 or higher. The UCT evaluates cost-effectiveness using only avoided
7 energy and capacity costs. The RIM evaluates cost-effectiveness by considering the impact of an
8 energy efficiency program or measure on rates and customer bills. In both cases, electric utilities
9 are able to capture significant capacity-related savings by deferring incremental generation and
10 transmission investment. Conversely, the UCT and RIM work against the cost-effectiveness of
11 natural gas programs and measures because natural gas is such an extremely efficient end-use fuel.
12 Electric and natural gas utilities determine avoided costs differently and, as currently written, the
13 EE Rules disadvantage natural gas utilities. Moreover, many of the savings associated with natural
14 gas energy efficiency programs and measures are not directly experienced by the utility itself. For
15 example, benefits of increasing the use of natural gas as an end-use fuel include reduced use of
16 water in the generation process, reduced greenhouse gas emissions, and avoided electric capacity
17 costs.³ Southwest Gas anticipates that the EE Rules' failure to consider these additional savings
18 will significantly limit its customers' access to valuable energy efficiency programs and measures.

19 As a result, the EE Rules appear to disrupt the parity between electric and natural gas
20 utilities in terms of the energy efficiency programs and measures offered to their Arizona
21 customers. In order to offer all Arizonans the most comprehensive portfolio of cost-effective

22 ² R-14-2-2407(C).

23 ³The EE Rules' apparent focus on the UCT and RIM tests to the exclusion of other cost-effectiveness
24 evaluations also runs contrary to the EE Rules' definition of "incremental benefits", which appropriately
includes improvements in societal welfare, such as avoided environmental impacts, water consumption
savings, and reduced air emissions from power plants. See, R14-2-2401(26).

1 energy efficiency opportunities possible, the EE Rules must provide a level playing field. The EE
2 Rules should be modified to allow the results of the Societal Cost Test (SCT) to be considered when
3 the Commission reviews a proposed natural gas program or measure. The SCT considers non-
4 market benefits and costs to society in evaluating cost-effectiveness, and it is within these
5 parameters that natural gas programs and measures will prove the most cost-effective.

6 **CONCLUSION**

7 Southwest Gas appreciates the opportunity to provide these comments, and looks forward to
8 working with the Commission, Staff and other interested parties as the EE Rules are further
9 developed and refined.

10 DATED this 2nd day of December, 2014.

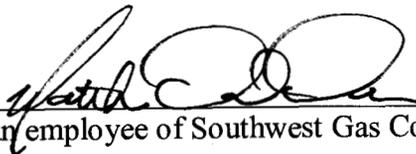
11 SOUTHWEST GAS CORPORATION
12 
13 Catherine M. Mazzeo, Esq.
14 Arizona Bar No. 028939
15 5241 Spring Mountain Road
16 Las Vegas, Nevada 89150
17 Telephone: (702) 876-7250
18 Facsimile: (702) 252-7283
19 Email: catherine.mazzeo@swgas.com
20 *Attorney for Southwest Gas Corporation*
21
22
23
24

1 ORIGINAL and 13 COPIES of
2 the foregoing filed this 2nd day
of December, 2014, with:

3 Docket Control
4 Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

5
6 A COPY of the foregoing
7 served by e-mail
this 2nd day of December,
2014 on:

8
9 Steve Olea
10 Utilities Division
Arizona Corporation Commission
11 1200 West Washington Street
Phoenix, AZ 85007
solea@azcc.gov

12
13
14 
an employee of Southwest Gas Corporation

15
16
17
18
19
20
21
22
23
24