

# OPEN MEETING

## MEMORANDUM



0000160021

RECEIVED

TO: THE COMMISSION

FROM: Utilities Division

DATE: February 13, 2015

RE: IN THE MATTER OF THE APPLICATION OF SOUTHWEST GAS CORPORATION FOR APPROVAL TO REVISE THE RATE COLLECTED THROUGH ITS DEMAND-SIDE MANAGEMENT ADJUSTOR MECHANISM (DOCKET NO. G-01551A-15-0026)

**ORIGINAL**

2015 FEB 13 P 3:53

AZ CORP COMMISSION  
DOCKET CONTROL

### Current Application

On January 30, 2015, Southwest Gas Corporation ("Southwest" or "the Company") filed an application to lower its Demand-Side Management ("DSM") adjustor rate from \$0.01 per therm to \$0.00838 per therm. If approved by the Commission, the reset rate would be effective for twelve months, from April 1, 2015, through March 31, 2016.

### Background: DSM Adjustor Mechanism and Reset

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

### DSM Portfolio

Southwest currently has five conservation and energy efficiency programs in its Smarter Greener Better ("SGB") portfolio, as approved in Decision No. 74300 (January 29, 2014). The five programs are as follows:

- SGB Homes
- SGB Custom Commercial (Business) Rebates
- SGB Distributed Generation
- SGB Low-Income Energy Conservation (weatherization and bill assistance)
- SGB Solar Thermal Rebates

Arizona Corporation Commission  
**DOCKETED**

FEB 18 2015

DOCKETED BY 

The Current Budget

Decision No. 74300 also ordered that the annual budget remain at \$4.7 million for Year Three and Year Four of Southwest's Implementation Plan. The requested reset is calculated using the \$4.7 million budget.

The Current DSM Surcharge

Decision No. 74409 (March 19, 2014) set the DSM surcharge at \$0.01 per therm. Southwest requested \$0.01003 per therm in its application, but Staff recommended a slightly lower rate of \$0.01 per therm.

Under-collection

The under-collected DSM bank balance has resolved to a significant extent. The under-collected balance was \$2,898,443 as of December 31, 2013. As of December 31, 2014, the under-collected balance was \$821,884 and was projected to decrease to approximately \$221,000 by the end of March 2015.

Calculation of Adjustor Rate

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

<b>Surcharge Calculation</b>	
DSM Balancing Account Balance as of 12/31/2014	\$821,884
Estimated Surcharge Recoveries, January-March 2015	(\$2,292,664)
Estimated Surcharge Accruals, January-March 2015	\$1,691,579
Approximate Under-recovery by end of March 2015	\$220,799
Annual Budget	\$4,700,000
Total to be recovered	\$4,920,799
Less: Low-income Recoveries at \$0.00200 per therm, for 10,261,318 therms.	(20,523)
Non-Low-Income Amount to be recovered	\$4,900,276
Number of Non-Low-Income Therms applicable to surcharge	584,775,930
DSM Surcharge Per Therm	\$0.00838

Recovery for low-income customers is limited to \$0.00200 per therm as per the rate case settlement agreement (Decision No. 72723, January 6, 2012). This limitation is taken into account in calculating the per-therm DSM surcharge, as shown in the Surcharge Calculation table.

Recommendation

Staff recommends that the Commission approve a \$0.00838 per therm rate. This rate will cover the costs of the DSM programs while also resolving the remaining unrecovered balance.

Bill Impact

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

**Average Monthly Impact of Current Rate  
(Residential)**

Period	Therms	Per-therm Rate	Impact
Summer	11	\$0.01	\$0.11
Winter	41	\$0.01	\$0.41
Annual	26	\$0.01	\$0.26

**Average Monthly Impact of Proposed Rate  
(Residential)**

Period	Therms	Per-therm Rate	Impact
Summer	11	\$0.00838	\$0.09
Winter	41	\$0.00838	\$0.34
Annual	26	\$0.00838	\$0.22



Steven M. Olea  
Director  
Utilities Division

SMO:jmk:sms\RRM

ORIGINATOR: Julie McNeely-Kirwan

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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH  
Chairman  
BOB STUMP  
Commissioner  
BOB BURNS  
Commissioner  
DOUG LITTLE  
Commissioner  
TOM FORESE  
Commissioner

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

DOCKET NO. G-01551A-15-0026  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
March 2 and 3, 2015  
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. In Arizona, 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 980,000 are Residential, while 40,000 are Commercial. Southwest also serves a smaller number of Industrial, Irrigation and Transportation customers.

Current Application

3. On January 30, 2015, Southwest filed an application to lower its Demand-Side Management ("DSM") adjustor rate from \$0.01 per therm to \$0.00838 per therm. If approved by the

1 Commission, the reset rate would be effective for twelve months, from April 1, 2015, through March  
2 31, 2016.

3 Background: DSM Adjustor Mechanism and Reset

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

8 DSM Portfolio

9 5. Southwest currently has five conservation and energy efficiency programs in its Smarter  
10 Greener Better ("SGB") portfolio, as approved in Decision No. 74300 (January 29, 2014). The five  
11 programs are as follows:

- 12 • SGB Homes
- 13 • SGB Custom Commercial (Business) Rebates
- 14 • SGB Distributed Generation
- 15 • SGB Low-Income Energy Conservation  
16 (weatherization and bill assistance)
- 17 • SGB Solar Thermal Rebates

18 The Current Budget

19 6. Decision No. 74300 also ordered that the annual budget remain at \$4.7 million for Year  
20 Three and Year Four of Southwest's Implementation Plan. The requested reset is calculated using the  
21 \$4.7 million budget.

22 The Current DSM Surcharge

23 7. Decision No. 74409 (March 19, 2014) set the DSM surcharge at \$0.01 per therm.  
24 Southwest requested \$0.01003 per therm in its application, but Staff recommended a slightly lower  
25 rate of \$0.01 per therm.

26 Under-collection

27 8. The under-collected DSM bank balance has resolved to a significant extent. The under-  
28 collected balance was \$2,898,443 as of December 31, 2013. As of December 31, 2014, the under-

1 collected balance was \$821,884 and was projected to decrease to approximately \$221,000 by the end of  
2 March 2015.

3 Calculation of Adjustor Rate

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

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16 10. Recovery for low-income customers is limited to \$0.00200 per therm as per the rate  
17 case settlement agreement (Decision No. 72723, January 6, 2012). This limitation is taken into  
18 account in calculating the per-therm DSM surcharge, as shown in the Surcharge Calculation table.

19 Recommendation

20 11. Staff has recommended that the Commission approve a \$0.00838 per therm rate. This  
21 rate will cover the costs of the DSM programs while also resolving the remaining unrecovered  
22 balance.

23 Bill Impact

24 12. The monthly impact of the existing and proposed per therm rates are shown in the  
25 tables below. The Summer, Winter, and Annual averages refer to monthly therm usage by Residential  
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CONCLUSIONS OF LAW

1. Southwest 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 and over the subject matter of the application.
3. The Commission, having reviewed the application and Staff's Memorandum dated February 13, 2015, concludes that it is in the public interest to approve the per therm adjustor rate as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that the Southwest Gas Corporation's Demand-Side Management Adjustor rate be reset to \$0.00838 per therm, effective April 1, 2015.

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 \_\_\_\_\_, 2015.

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

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

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

SMO:jmk:sms\RRM

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2 DOCKET NO. G-01551A-15-0026

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