

ORIGINAL

OPEN MEETING

MEMORANDUM



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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

2017 APR 25 A 10:51

Arizona Corporation Commission

DOCKETED

TO: THE COMMISSION

FROM: Utilities Division

APR 25 2017

DATE: April 25, 2017

DOCKETED BY
GB

RE: IN THE MATTER OF SOUTHWEST GAS CORPORATION'S APPLICATION FOR APPROVAL OF ITS PROPOSAL TO REVISE THE RATE COLLECTED THROUGH ITS DEMAND-SIDE MANAGEMENT ADJUSTOR MECHANISM (DOCKET NO. G-01551A-17-0029)

INTRODUCTION

Enclosed are the Commission Staff's memorandum and proposed order for Southwest Gas Corporation's Application for Approval to Revise the Rate Collected Through its Demand-side Management Adjustor Mechanism (Docket No. G-01551A-17-0029). This is only a Staff recommendation to the Commission; it has not yet become an order of the Commission. The Commission can decide to accept, amend or reject Staff's proposed order.

You may file comments to the recommendation(s) of the proposed order by filing an original and thirteen (13) copies of the comments with the Commission's Docket Control Center at 1200 W. Washington St., Phoenix, AZ 85007 by 4:00 p.m. on or before May 2, 2017.

This matter may be scheduled for Commission deliberation at its Open Meetings scheduled May 9, 2017, at 10:00 a.m. and May 10, 2017 at 10:00 a.m.

If you have any questions about this matter, please contact Julie McNeely-Kirwan of our Staff at (602) 542-0833, or Elijah Abinah, Acting Director, at (602) 542-6935.

BACKGROUND

On January 31, 2017, Southwest Gas Corporation ("Southwest" or "The Company") filed its application to reset its Demand-Side Management ("DSM") adjustor rate. This application requests an increase in the adjustor rate, from \$0.00421 per therm to \$0.00745 per therm. Once approved by the Commission, this per-therm rate would be effective through March 31st of the next year or until further action of the Commission.

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 over- or under-collections from the previous year.

DSM Portfolio

Programs. On June 27, 2016, Decision No. 75592 approved the continuation of Southwest's existing programs and the addition of three other programs. The three programs added consisted of the Residential and Commercial Rebates programs, which were reinstated, and a pilot program for schools. Southwest's programs are the following:

- *SGB*¹ Homes
- *SGB* Custom Commercial (Business) Rebates
- *SGB* Distributed Generation (a.k.a., Combined Heat and Power)
- *SGB* Weatherization/Low-Income Energy Conservation
(weatherization and bill assistance)
- *SGB* Solar Thermal Rebates
- *SGB* Commercial Rebates
- *SGB* Residential Rebates
- *SGB* Schools

DSM Budget

Decision No. 75592 also approved a total budget of \$5,495,000 for Years 5 and 6. (Year 5 of Southwest's DSM program was shortened due to Southwest's transition to calendar years and ran during the second half of 2016. Year 6 will end December 2017.) Based on program participation and the additional programs approved, Southwest believes that it will spend the entirety of this budget.

The calculations for the Company's proposed DSM adjutor rate are shown in Table 1 below.

¹ *Smarter, Greener, Better.*

TABLE 1

SURCHARGE CALCULATION	
Total Budget	5,495,000
DSM Balancing Account Balance @ December 31, 2016	(1,296,889)
Estimated Surcharge Recoveries, January-March 2017	(1,104,849)
Estimated Surcharge Accruals, January-March 2017	1,546,568
Total to be recovered	4,639,830
Less low-income recovery: 10,615,614 X \$0.00200 per therm	21,231
Non-low income amount to be recovered	4,618,599
Non-low-income therms applicable to surcharge	620,186,856
DSM Surcharge Rate per therm: Non-low-income amount to be recovered/Non-low-income therms applicable to surcharge=per therm rate	0.00745

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.

This rate increase takes into account projected recoveries and accruals through March 2017. It will also cover the projected costs of the energy efficiency portfolio, and limit under-collection.

Monthly Bill Impact

The monthly impact of the existing and proposed per therm rates are shown in the table below. The Summer, Winter, and Annual averages refer to monthly therm usage by Residential customers. The average monthly Residential DSM adjutor rate will increase approximately eight cents, from 11 cents to 19 cents.

Table 2 **Average Monthly Impact of Current Rate (Residential)**

Season	Therms	Per-Therm Rate	Impact
Summer	11	\$0.00745	\$0.08
Winter	41	\$0.00745	\$0.31
Annual	26	\$0.00745	\$0.19
Average Monthly Impact of Existing Rate (Residential)			
Season	Therms	Per-Therm Rate	Impact
Summer	11	\$0.00421	\$0.05
Winter	41	\$0.00421	\$0.17
Annual	26	\$0.00421	\$0.11

STAFF ANALYSIS AND RECOMMENDATIONS

The reset proposed by the Company is reasonable and correctly calculated. Staff has recommended that the Commission approve the change in the DSM adjustor rate from \$0.00421 per therm to \$0.00745 per therm, effective May 1, 2017.



Elijah O. Abinah
Acting Director
Utilities Division

EOA:jmk:vsc\CHH

ORIGINATOR: Julie McNeely-Kirwan

THE COMMISSION

April 25, 2017

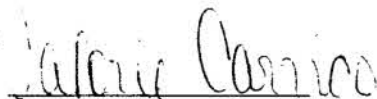
Page 5

On this 25th day of April, 2017, the foregoing document was filed with Docket Control as a Utilities Division Memorandum & Proposed Order, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

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Executive Assistant

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BEFORE THE ARIZONA CORPORATION COMMISSION

- TOM FORESE
Chairman
- BOB BURNS
Commissioner
- DOUG LITTLE
Commissioner
- ANDY TOBIN
Commissioner
- BOYD DUNN
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-17-0029

DECISION NO. _____

ORDER

Open Meeting
 May 9 and 10, 2017
 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 1,044,888 customers in the counties of Gila, La Paz, Cochise, Graham, Maricopa, Pima, Greenlee, Mohave, Pinal and Yuma. Of these customers, approximately one million are Residential, while 40,000 are Commercial. Southwest also serves a smaller number of Industrial, Irrigation and Transportation customers.

Background

3. On January 31, 2017, Southwest filed its application to reset its Demand-Side Management (“DSM”) adjustor rate. This application requests an increase in the adjustor rate, from

1 \$0.00421 per therm to \$0.00745 per therm. Once approved by the Commission, this per-therm rate
2 would be effective through March 31st of the next year or until further action of the Commission.

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

7 **DSM Portfolio**

8 5. Programs. On June 27, 2016, Decision No. 75592 approved the continuation of
9 Southwest's existing programs and the addition of three other programs. The three programs added
10 consisted of the Residential and Commercial Rebates programs, which were reinstated, and a pilot
11 program for schools. Southwest's programs are the following:

- 12 • SGB' Homes
- 13 • SGB Custom Commercial (Business) Rebates
- 14 • SGB Distributed Generation (a.k.a., Combined Heat and Power)
- 15 • SGB Weatherization/Low-Income Energy Conservation
16 (weatherization and bill assistance)
- 17 • SGB Solar Thermal Rebates
- 18 • SGB Commercial Rebates
- 19 • SGB Residential Rebates
- 20 • SGB Schools

21 **DSM Budget**

22 6. Decision No. 75592 also approved a total budget of \$5,495,000 for Years 5 and 6. (Year
23 5 of Southwest's DSM program was shortened due to Southwest's transition to calendar years and ran
24 during the second half of 2016. Year 6 will end December 2017.) Based on program participation and
25 the additional programs approved, Southwest believes that it will spend the entirety of this budget.

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7. The calculations for the Company's proposed DSM adjutor rate are shown in Table 1 below.

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9. This rate increase takes into account projected recoveries and accruals through March 2017. It will also cover the projected costs of the energy efficiency portfolio, and limit under-collection.

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10. The monthly impact of the existing and proposed per therm rates are shown in the table below. The Summer, Winter, and Annual averages refer to monthly therm usage by Residential customers. The average monthly Residential DSM adjutor rate will increase approximately eight cents, from 11 cents to 19 cents.

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Recommendation

11. The reset proposed by the Company is reasonable and correctly calculated. Staff has recommended that the Commission approve the change in the DSM adjustor rate from \$0.00421 per therm to \$0.00745 per therm.

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 _____, 2017, concludes that it is in the public interest to approved 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 from \$0.00421 per therm to \$0.00745 per therm, effective on May 1.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN FORESE

COMMISSIONER DUNN

COMMISSIONER TOBIN

COMMISSIONER LITTLE

COMMISSIONER BURNS

IN WITNESS WHEREOF, I, TED VOGT, 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 _____, 2017.

TED VOGT
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EOA:jmk :vsc/CHH

1 Southwest Gas Corporation
Docket No. G-01551A-17-0029

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