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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

MAY 22 2017

DOCKETED BY
GB

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. 76087

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 • SGB¹ 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.

26 ...

27 _____
28 ¹ *Smarter, Greener, Better.*

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

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

8. 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.

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.

Monthly Bill Impact

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 adjustor rate will increase approximately eight cents, from 11 cents to 19 cents.

Table 2 **Average Monthly Impact of Proposed 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

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Annual	26	\$0.00421	\$0.11
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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.

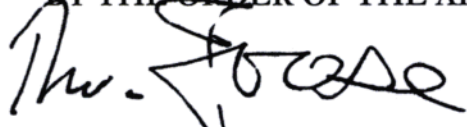
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ORDER

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 June 1.

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

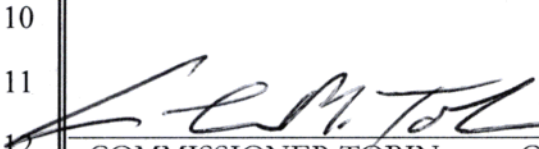
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION



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 22nd day of May, 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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