

ORIGINAL

NEW APPLICATION



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**SOUTHWEST GAS CORPORATION**

Arizona Corporation Commission  
**DOCKETED**

JAN 31 2011

DOCKETED BY NR

January 28, 2011

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

G-01551A-11-0052

Subject: Application of Southwest Gas Corporation for Approval to Revise the Rate Collected through the Demand-Side Management Adjustor Mechanism

Southwest Gas Corporation (Southwest) herewith submits for filing an original and thirteen (13) copies of its Application for Approval to Revise the Rate Collected through the Demand-Side Management Adjustor Mechanism, in accordance with Decision No. 60352, dated August 29, 1997, in Docket No. G-01551A-96-0596.

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By: Debra S. Gallo  
Debra S. Gallo

c: Mr. Steven Olea, ACC  
Ms. Jodi Jerich, RUCO  
Ms. Janice Alward, Legal Division  
Mr. Dan Pozefsky RUCO

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2011 JAN 31 P 12: 15  
AZ CORP COMMISSION  
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1                                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2                   **COMMISSIONERS**

3           GARY PIERCE, Chairman  
4           BRENDA BURNS  
5           SANDRA D. KENNEDY  
6           PAUL NEWMAN  
7           BOB STUMP

8           IN THE MATTER OF THE APPLICATION  
9           OF SOUTHWEST GAS CORPORATION  
10           FOR APPROVAL TO REVISE THE RATE  
11           COLLECTED THROUGH ITS DEMAND-  
12           SIDE MANAGEMENT ADJUSTOR  
13           MECHANISM

DOCKET NO. G-01551A-11-  
**APPLICATION**

14                                   **APPLICATION OF SOUTHWEST GAS CORPORATION FOR**  
15                                   **APPROVAL TO REVISE THE RATE COLLECTED THROUGH THE DEMAND-SIDE**  
16                                   **MANAGEMENT ADJUSTOR MECHANISM**

17           **Introduction**

18           1.       Southwest Gas Corporation hereby submits its application to the Arizona  
19           Corporation Commission respectfully requesting approval to revise the rate collected through the  
20           demand-side management adjustor mechanism from \$0.00200 cents per therm to \$0.00345 cents  
21           per therm. Southwest Gas believes this revision is appropriate as it best reflects the costs it  
22           anticipates incurring during the proposed rate effective period from April 1, 2011 through March  
23           31, 2012.

24           2.       Southwest Gas is a corporation qualified to transact intrastate business and is in good  
standing under the laws of the state of Arizona. Southwest Gas is engaged in the retail  
transmission, distribution, transportation, and sale of natural gas for domestic, commercial,  
agricultural, and industrial uses to approximately 1.8 million customers in the states of Arizona,

1 California, and Nevada. Southwest Gas' corporate offices are located at 5241 Spring Mountain  
2 Road, P.O. Box 98510, Las Vegas, Nevada 89193-8510.

3 3. Southwest Gas is a public utility in the state of Arizona and is subject to the  
4 Commission's jurisdiction with respect to its prices and terms of natural gas service to retail  
5 customers in Arizona pursuant to the applicable sections of Article XV of the Arizona Constitution  
6 and the applicable chapters of Title 40 of the Arizona Revised Statutes. Southwest Gas currently  
7 provides natural gas service to approximately 980,000 customers in ten counties in the state of  
8 Arizona, including Cochise, Gila, Graham, Greenlee, La Paz, Maricopa, Mohave, Pima, Pinal, and  
9 Yuma.

10 4. Communications regarding this filing should be addressed to:

11 Justin Lee Brown, Esq.  
12 Assistant General Counsel  
13 Southwest Gas Corporation  
14 P.O. Box 98510  
15 Las Vegas, Nevada 89193-8510  
16 Telephone No. (702) 876-7183  
17 E-mail: [justin.brown@swgas.com](mailto:justin.brown@swgas.com)

18 Debra Gallo  
19 Director/Government & State  
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## 16 **Background**

17 5. The Commission issued Decision No. 60352 approving a settlement in Southwest  
18 Gas' 1996 general rate case, which included the establishment of a demand-side management  
19 (DSM) adjustor mechanism, whereby Southwest Gas would file a request each year to set the DSM  
20 adjustor rate to recover the projected costs of its Commission-approved DSM and conservation and  
21 energy-efficiency programs. Staff and Southwest Gas collaborated on a process in which  
22 Southwest Gas would file its request by the end of January to enable Staff sufficient time to perform  
23 its analysis for a rate adjustment. The revised rate is to become effective April 1 of each year.

1           6.       Southwest Gas filed a request February 2, 2010 in Docket No. 10-0040 seeking to  
2 revise the DSM adjustor rate effective the first billing cycle in April 2010. The Commission's  
3 Utilities Division Staff filed a memorandum March 16, 2010 recommending a rate of \$0.00200 per  
4 therm to reflect projected 2010 DSM spending levels of \$3,069,300 and an over-collection in the  
5 DSM bank balance of (\$2,026,032) at the end of 2009. Staff's recommendation was based upon an  
6 attempt to minimize the possibility of an over-collection in consideration of anticipated program  
7 spending levels.

8           7.       At an open meeting conducted March 31 and April 1, 2010, the Commission issued  
9 Decision No. 71643 whereby it authorized Southwest Gas to reset its adjustor rate to the currently  
10 effective rate of \$0.00200 per therm. The Commission further ordered Southwest Gas to file a  
11 proposed energy efficiency revolving loan fund for its customers by July 30, 2010.

12           8.       Southwest Gas filed its Application Requesting Approval of Southwest Gas  
13 Corporation's Residential Energy-Efficient Consumer Products Financing Program in compliance  
14 with Decision No. 71643 July 30, 2010. The Commission has yet to issue a decision on the  
15 company's proposal.

16 **Request To Revise the DSM Adjustor Mechanism Rate**

17           9.       In accordance with Decision No. 60352 Southwest Gas hereby requests to revise its  
18 DSM adjustor mechanism rate to reflect Southwest Gas' projected conservation and energy-  
19 efficiency program costs of \$4,826,000 for the rate effective period of April 1, 2011 through March  
20 31, 2012.

21           10.       Currently Southwest Gas has seven Commission-approved conservation and energy-  
22 efficiency programs with approved budgets for each program totaling \$4,776,000. The programs  
23 and their approved budgets are as follows: ENERGY STAR® HOME program - \$950,000; Low-  
24

1 Income Energy Conservation program - \$650,000; Consumer Products program - \$700,000;  
2 Commercial Equipment program - \$1,111,000; Large Commercial Energy-Efficient Boiler Program  
3 - \$650,000; Technology Information Center program - \$15,000; and Distributed Generation  
4 program - \$700,000.

5 11. Notwithstanding the current economic conditions, Southwest Gas continues to  
6 improve the level of customer participation in its programs. In calendar years 2008 and 2009  
7 Southwest Gas spent a total of \$939,293 and \$1,405,762, respectively, on Commission-approved  
8 conservation and energy-efficiency programs. Southwest Gas was able to slightly increase  
9 participation levels in 2010 and spent \$1,408,190. While Southwest Gas has continued to make  
10 considerable improvement in getting retailers to stock qualifying energy-efficient equipment,  
11 increasing customer participation levels, and developing new and revised energy efficiency  
12 programs, Southwest Gas anticipates that the continued poor economic conditions will likely limit  
13 participation in its programs in 2011.

14 12. Southwest Gas anticipates spending close to \$4.8 million dollars during the rate  
15 effective period – April 1, 2011 through March 31, 2012, which consists of its current Commission-  
16 approved conservation and energy-efficiency program budget levels and the anticipated costs of its  
17 pending proposed residential energy-efficient consumer products financing program. Given the  
18 totality of the circumstances, Southwest Gas believes \$4,826,000 best reflects the projected level of  
19 conservation and energy-efficiency spending during the rate effective period.

20 13. Attached hereto as Exhibit A is the computation of the proposed rate for the DSM  
21 adjustor mechanism. As reflected in Exhibit A, Southwest Gas anticipates spending \$4,826,000  
22 during the rate effective period (which includes costs associated with the pending energy-efficiency  
23 revolving loan fund). Southwest Gas had an over-collection of (\$2,577,916) as of December 31,  
24

1 2010. However, when estimated recoveries from January 2011 to March 2011 of (\$461,295) are  
2 considered, net of the estimated accruals for that time period of \$352,048, the total over-collection  
3 as of April 1, 2011 grows to (\$2,687,163). Comparing the estimated over-collection of  
4 (\$2,687,163) to the expected spending level for the next 12 months of \$4,826,000, results in an  
5 anticipated ending bank balance of \$2,138,837 at December 31, 2011 – which is used to calculate  
6 the resulting proposed DSM adjustor mechanism rate of \$0.00345 cents per therm.

7 14. For illustrative purposes only, since the monthly gas cost amount will change in the  
8 interim period, attached hereto as Exhibit B is a proposed tariff sheet that illustrates the effective  
9 sales rate if the Commission approves Southwest Gas' proposed revisions to its DSM adjustor  
10 mechanism rate.

#### 11 **Summary and Conclusion**

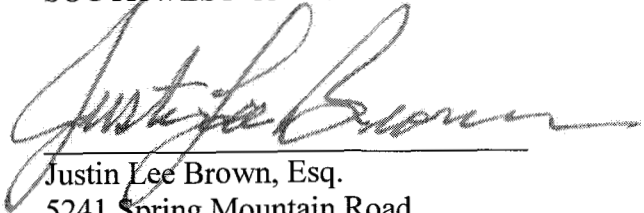
12 15. Based upon the foregoing, Southwest Gas respectfully requests that the Commission  
13 find that \$4,826,000 best reflects the projected spending level for its 2011 conservation and energy-  
14 efficiency programs for purposes of calculating the DSM adjustor mechanism rate.

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16. Southwest Gas further requests that the Commission issue an order authorizing it to revise its DSM surcharge mechanism rate from the current amount of \$0.00200 cents per therm to \$0.00345 cents per therm.

DATED this 28th January 2011.

Respectfully submitted by,  
SOUTHWEST GAS CORPORATION



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*Attorney for Southwest Gas Corporation*

1 ORIGINAL and 13 COPIES of  
2 the foregoing filed this 28<sup>th</sup> day  
3 of January 2011, with:

4 Docket Supervisor  
5 Docket Control  
6 Arizona Corporation Commission  
7 1200 W. Washington  
8 Phoenix, Arizona 85007

9 COPIES of the foregoing  
10 served by regular mail and/or e-mail  
11 this 28<sup>th</sup> day of January  
12 2011 on:

13 Janice Alward, Esq.  
14 Legal Division  
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16 COMMISSION  
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20  
21  
22  
23  
24  
  
an employee of Southwest Gas Corporation



**EXHIBIT A**

**SOUTHWEST GAS CORPORATION  
ARIZONA  
CALCULATION OF DEMAND SIDE MANAGEMENT (DSM) SURCHARGE**

Line No.	Description (a)	Therms (b)	Amounts (c)	Line No.
1	2011 Projected Program Costs (Pursuant to Decision No. 70665, Docket No. G-0551A-07-0504)		\$ 4,776,000	1
2	Proposed Residential Energy-Efficient Consumer Products Financing Program		50,000	2
<u>Adjustments to calculate new DSM Surcharge</u>				
3	DSM Balancing Account Balance @ December 31, 2010		(2,577,916)	3
4	Estimated Surcharge Recoveries, January - March, 2011		(461,295)	4
5	Estimated Surcharge Accruals, January - March, 2011 [1]		<u>352,048</u>	5
6	Adjusted Total		<u>2,138,837</u>	6
7	DSM Therms applicable to Surcharge [2]	619,588,669		7
8	DSM Surcharge Rate Per Therm		<u>\$ 0.00345</u>	8

[1] 2010 Expenditures divided by 4 (See Sheet 3).

[2] 2010 Volumes (See Sheet 5).

**SOUTHWEST GAS CORPORATION  
ARIZONA  
DSM AND CONSERVATION AND ENERGY EFFICIENCY PROGRAMS  
EXPENDITURES BY MONTH  
FOR THE TWELVE-MONTHS ENDED DECEMBER 2010**

Line No.	Description (a)	Low Income Energy Conservation (b)	Smarter Greener Better Homes (c)	Technology Information Center (d)	Large Commercial Energy-Efficient Boiler (e)	Commercial High-Efficiency Equipment Rebate (f)	Combined Heat and Power (g)	Residential High-Efficiency Equipment Rebates (h)	Total (i)	Line No.
1	January-2010	\$ 500	\$ 19,941	\$ -	\$ -	\$ 695	\$ -	\$ -	\$ 21,136	1
2	February-2010	-	(66)	-	-	-	-	100,218	100,152	2
3	March-2010	(15,000)	25,212	-	-	21,303	269	109,196	140,980	3
4	April-2010	-	7,278	-	-	970	-	-	8,248	4
5	May-2010	118	12,077	-	-	32,594	281	209,477	254,547	5
6	June-2010	70,700	38,143	11,084	-	35,514	1,052	106,205	262,698	6
7	July-2010	-	7,545	9	-	733	519	5,454	14,260	7
8	August-2010	(8,114)	54,760	-	-	4,425	-	8,700	59,771	8
9	September-2010	-	42,531	-	37	10,898	300	4,390	58,156	9
10	October-2010	-	16,136	-	443	28,661	1,798	5,905	52,943	10
11	November-2010	211,750	12,168	2,000	29,195	9,676	2,996	(97,145)	170,640	11
12	December-2010	114,625	107,487	-	34,527	2,034	825	5,161	264,659	12
13	Total	\$ 374,579	\$ 343,212	\$ 13,093	\$ 64,202	\$ 147,503	\$ 8,040	\$ 457,561	\$ 1,408,190	13

**SOUTHWEST GAS CORPORATION  
ARIZONA  
DSM AND CONSERVATION AND ENERGY EFFICIENCY PROGRAMS  
FOR TWELVE-MONTHS ENDED DECEMBER 31, 2011**

Line No.	Program (a)	Total Projected Costs (b)	Line No.
<b><u>Projected Costs by program</u></b>			
1	Low Income Energy Conservation	\$ 650,000	1
2	Smarter Greener Better Homes	950,000	2
3	Technology Information Center	15,000	3
4	Large Commercial Energy-Efficient Boiler	650,000	4
5	Commercial High-Efficiency Equipment Rebate	1,111,000	5
6	Combined Heat and Power	700,000	6
7	Residential High-Efficiency Equipment Rebates	<u>700,000</u>	7
8	Sub Total	<u>\$ 4,776,000</u>	8
9	Proposed Residential Energy-Efficient Consumer Products Financing Program	<u>\$ 50,000</u>	9
10	Projected Program Total Cost	<u><u>\$ 4,826,000</u></u>	10

**SOUTHWEST GAS CORPORATION  
ARIZONA  
VOLUMES APPLICABLE TO DSM SURCHARGE**

Line No.	Jan-10 (a)	Feb-10 (b)	Mar-10 (c)	Apr-10 (d)	May-10 (e)	Jun-10 (f)	Jul-10 (g)	Aug-10 (h)	Sep-10 (i)	Oct-10 (j)	Nov-10 (k)	Dec-10 (l)	Total (m)	Line No.
1	Therms 105,991,371	89,279,723	81,431,010	58,204,981	46,348,178	40,390,080	35,424,259	33,776,116	34,935,709	37,688,911	49,707,903	79,401,826	692,580,067	1
<b>Exempt Contracts</b>														
2	42003T	38,190	28,922	18,028	45,488	31,160	35,050	21,769	40,383	46,112	46,062	47,869	425,481	2
3	42005T	104,471	95,783	112,356	94,683	105,640	95,026	90,197	112,082	104,288	109,165	102,167	1,216,530	3
4	42164T	215,345	264,719	290,385	262,784	303,314	315,312	302,607	239,379	166,973	196,427	179,344	3,046,686	4
5	42097B	256,331	220,908	239,792	261,163	221,834	229,643	241,207	268,216	237,837	228,836	227,335	2,891,240	5
6	42037B	706,982	676,455	773,623	680,468	709,525	583,097	398,875	418,322	496,183	631,548	806,701	7,637,060	6
7	47014B	10,448	-	-	-	-	-	-	-	126,513	133,470	77,585	348,016	7
8	36020T	137,212	121,376	128,939	141,390	143,989	151,770	117,913	148,794	150,753	144,069	146,114	1,677,779	8
9	36026O	192,795	235,091	240,592	221,200	269,236	260,287	364,244	350,908	316,139	299,284	328,522	3,327,104	9
10	44002S	190,982	176,090	161,260	174,704	181,792	183,919	196,078	185,077	221,449	204,377	207,178	2,265,655	10
11	47002T	2,386,611	1,886,348	1,688,609	1,183,801	499,182	428,506	440,286	549,453	950,360	1,905,686	2,164,930	14,955,182	11
12	32003T	212,855	142,952	222,288	217,837	231,527	168,412	238,425	188,683	200,081	223,229	245,009	2,511,958	12
13	32004T	173,086	160,225	184,927	168,081	177,629	151,044	181,534	166,548	160,362	160,348	145,597	2,002,085	13
14	48008T	75,607	70,519	70,378	55,794	55,395	31,441	35,525	49,363	58,054	78,181	68,658	702,818	14
15	32019B	1,140,837	968,120	936,452	998,847	897,520	789,775	1,196,539	1,085,951	1,167,284	1,115,954	1,128,508	12,325,276	15
16	48007O	1,321,075	981,754	1,205,477	1,575,529	1,586,589	1,620,318	1,723,823	1,670,852	2,135,995	2,283,389	549,666	17,668,528	16
17	Exempt	7,162,827	6,029,262	6,273,106	6,081,769	5,239,878	5,414,332	5,549,022	5,474,011	6,538,383	7,760,025	6,425,183	72,991,398	17
18	Total	72,238,999	83,250,461	75,157,904	52,123,212	41,108,300	34,975,748	28,227,094	29,461,698	31,150,528	41,947,878	72,976,643	619,588,669	18

**SOUTHWEST GAS CORPORATION  
ARIZONA  
MONTHLY PROGRAM ACCOUNT ACTIVITY**

Line No.	Description (a)	Expenditures (b)	Recoveries (c)	Interest (d)	Refunds (e)	Balance (f)	Line No.
1	Ending Balance, per books, 12/31/2009					\$(2,026,032)	1
2	January-2010	\$ 21,136	\$ (417,286)	\$ (625)	\$ (87,288)	\$ (2,510,095)	2
3	February-2010	100,152	(350,271)	(732)	-	(2,760,946)	3
4	March-2010	140,980	(316,549)	(805)	-	(2,937,320)	4
5	April-2010	8,248	(161,189)	(979)	-	(3,091,240)	5
6	May-2010	254,547	(82,335)	(1,159)	-	(2,920,187)	6
7	June-2010	262,698	(69,748)	(900)	-	(2,728,137)	7
8	July-2010	14,260	(60,162)	(728)	-	(2,774,767)	8
9	August-2010	59,771	(55,918)	(671)	-	(2,771,585)	9
10	September-2010	58,156	(58,604)	(601)	-	(2,772,634)	10
11	October-2010	52,943	(62,101)	(601)	-	(2,782,393)	11
12	November-2010	170,640	(83,434)	(533)	-	(2,695,720)	12
13	December-2010	264,659	(146,293)	(562)	-	(2,577,916)	13
14	Annual Total	<u>\$ 1,408,190</u>	<u>\$ (1,863,890)</u>	<u>\$ (8,896)</u>	<u>\$ (87,288)</u>	<u>\$ (2,577,916)</u>	14

**EXHIBIT B**

**STATEMENT OF RATES**  
**EFFECTIVE SALES RATES APPLICABLE TO ARIZONA SCHEDULES <sup>1/2/</sup>**  
*(Continued)*

Description	Delivery Charge	<sup>3/</sup> Rate Adjustment	Monthly Gas Cost	Currently Effective Tariff Rate
<b>G-80 – Natural Gas Engine <sup>6/</sup> Gas Service</b>				
Basic Service Charge per Month:				
Off-Peak Season (October–March)	\$ .00			\$ .00
Peak Season (April–September)	\$ 125.00			\$ 125.00
Commodity Charge per Therm:				
All Usage	\$ .19069	\$ .00523	\$ .59653	\$ .79245

- 1/ All charges are subject to adjustment for any applicable taxes or governmental impositions.
- 2/ Customers taking transportation service will pay the Basic Service Charge, the Commodity Charge per Therm less the Monthly Gas Cost, and Demand Charge, if applicable, of the Currently Effective Tariff Rate for each meter included in the transportation service agreement, plus an amount of \$.00686 per therm for distribution shrinkage as defined in Rule No. 1 of this Arizona Gas Tariff. The shrinkage charge shall be updated annually effective May 1. For customers converting from sales service, an additional amount equal to the currently effective Gas Cost Balancing Account Adjustment will be assessed for a period of 12 months.
- 3/ The Rate Adjustment applicable to each tariff rate schedule includes the following components:

	G-5, G-6, G-20	G-10, G-11, G-15, G-25, G-40, G-45, G-55, G-60, G-75	G-80	G-30, B-1	Adjustment Date
Low Income Ratepayer Assistance	\$ .01222	N/A	N/A	N/A	May 1
Demand Side Management	.00345	\$ .00345	\$ .00345	N/A	1st Bill Cycle in April
Gas Research Fund	.00103	.00103	.00103	N/A	May 1
Department of Transportation	.00075	.00075	.00075	\$ .00075	March 1
Gas Cost Balancing Account	(.08000)	(.08000)	N/A	N/A	As Required
<b>Total Rate Adjustment</b>	<b>\$ (.06255)</b>	<b>\$ (.07477)</b>	<b>\$ .00523</b>	<b>\$ .00075</b>	

- 4/ The total monthly demand charge is equal to the unit rate shown multiplied by the customer's billing determinant.
- 5/ The charges for Schedule No. G-55 are subject to adjustment for applicable state and federal taxes on fuel used in motor vehicles.
- 6/ The gas cost for this rate schedule shall be updated seasonally, April 1 and October 1 of each year.