



SOUTHWEST GAS CORPORATION

November 7, 2014

TO ALL HOLDERS OF
SOUTHWEST GAS CORPORATION
ARIZONA GAS TARIFF NO. 7

Subject: Revision No. 254

This revision updates the Energy Efficiency Provision language to reflect Southwest Gas' use of the linear regression analysis, metered use cap, and zero use floor as secondary mechanics or checks in calculating the EEP Weather Adjustment.

The following changes should be made in your copy of Southwest's Arizona Gas Tariff No. 7:

Insert A.C.C. Sheet No.

3rd Revised Sheet No. 92
4th Revised Sheet No. 93
3rd Revised Sheet No. 94
3rd Revised Sheet No. 95
3rd Revised Sheet No. 96

Supersedes A.C.C. Sheet No.

2nd Revised Sheet No. 92
3rd Revised Sheet No. 93
2nd Revised Sheet No. 94
2nd Revised Sheet No. 95
2nd Revised Sheet No. 96

Matthew Derr
Regulatory Manager/Arizona



SOUTHWEST GAS CORPORATION
Arizona Gas Tariff No. 7

Revision Notice Log							
Revision Number	Date	Revision Number	Date	Revision Number	Date	Revision Number	Date
201	10/28/11	226	5/31/13	251	9/29/14	276	
202	12/1/11	227	6/1/13	252	9/29/14	277	
203	1/3/12	228	7/1/13	253	10/29/14	278	
204	1/1/12	229	7/31/13	254	11/7/14	279	
205	2/1/12	230	8/29/13	255		280	
206	3/2/12	231	10/1/13	256		281	
207	4/1/12	232	10/1/13	257		282	
208	4/2/12	233	10/29/13	258		283	
209	5/1/12	234	12/02/13	259		284	
210	5/31/12	235	1/1/14	260		285	
211	6/29/12	236	1/2/14	261		286	
212	7/31/12	237	1/31/14	262		287	
213	8/29/12	238	3/3/14	263		288	
214	9/28/12	239	3/4/14	264		289	
215	10/1/12	240	4/1/14	265		290	
216	10/29/12	241	4/2/14	266		291	
217	11/30/12	242	4/2/14	267		292	
218	1/2/13	243	5/1/14	268		293	
219	1/31/13	244	6/1/14	269		294	
220	3/4/13	245	6/2/14	270		295	
221	4/9/13	246	7/1/14	271		296	
222	4/9/13	247	7/31/14	272		297	
223	4/10/13	248	8/1/14	273		298	
224	4/18/13	249	8/29/14	274		299	
225	5/1/13	250	9/29/14	275		300	

SPECIAL SUPPLEMENTARY TARIFF
ENERGY EFFICIENCY ENABLING PROVISION

APPLICABILITY

The Energy Efficiency Enabling Provision (EEP) applies to residential Rate Schedule Nos. G-5, G-6, G-10 and G-11 and to General Service Schedule Nos. G-25(Small), G-25(Medium), G-25(Large-1) and G-25(Large-2) included in this Arizona Gas Tariff. The EEP specifies the accounting procedures and rate setting adjustments necessary to assure the Utility neither over-recovers, nor under-recovers, the margin-per-customer amounts authorized in its most recent general rate case proceeding.

EEP WEATHER ADJUSTMENT

The EEP Weather Adjustment accounts for variations between the actual temperatures and normal temperatures for each winter day in the customer's billing cycle. When actual temperatures are colder than normal, the delivery charge portion of customer bills will be adjusted downward to reflect what the customer would have used under normal temperature conditions. When actual temperatures are warmer than normal, the delivery charge portion of customer bills will be adjusted upward to reflect what the customer would have used under normal temperature conditions. Weather is quantified in Heating Degree Days (HDD). HDD is defined as the difference between 65 degrees Fahrenheit and the average daily temperature when the average daily temperature is below 65 degrees. When the average daily temperature is equal to or greater than 65 degrees, there are zero HDD. The EEP Weather Adjustment will apply to consumption during the winter season months of November through April. Two analyses are performed to determine customers' weather sensitive use; an analysis of the customer's current billing cycle and an analysis of the customer's multi-season billing data.

1) BILLING CYCLE ANALYSIS

The billing cycle analysis uses the customer's current billing cycle HDD variance and billing cycle use per HDD to determine weather sensitive gas use and to calculate the billing cycle analysis volume adjustment.

A. Determine Billing Cycle HDD Variance

Normal HDD = The sum of the ten-year average HDDs for each day in the customer's billing cycle
Actual HDD = The sum of the actual HDDs for each day in the customer's billing cycle
HDD Variance = Normal HDDs less the Actual HDDs

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(Continued)

B. Determine Billing Cycle Use per HDD

Billing cycle use per HDD is calculated for each customer bill by subtracting the customer's billing cycle base load volume from current monthly metered use and dividing the difference by the billing cycle actual HDDs.

Billing cycle base load volume is equal to the customer's base load volume per day multiplied by the number of days in the customer's billing cycle. Base load volume per day for each customer is used to establish monthly non-temperature sensitive usage. The base load volume per day is equal to the customer's lowest average daily use for the May through October summer billing periods. Average daily use is the customer's total monthly use divided by the number of days in the billing cycle. For new customers, base load volume per day will be the average base load volume per day in the customer's operating district.

C. Calculate Billing Cycle Analysis Volume Adjustment

The billing cycle analysis volume adjustment is calculated by multiplying the customer's billing cycle HDD variance by the billing cycle use per HDD.

2) MULTI-SEASON ANALYSIS

The multi-season analysis uses winter billing data from the previous 24 months to determine weather sensitive gas use and to calculate the multi-season analysis volume adjustment. A linear regression is used to compare the customer's historical monthly metered use to the actual weather in each billing cycle to determine use per HDD. The multi-season analysis volume adjustment is calculated by multiplying the result of the linear regression by the billing cycle HDD variance for the customer's current billing cycle.

3) BILL ADJUSTMENT

The EEP Weather Adjustment for each customer bill is calculated by multiplying the applicable volume adjustment by the Delivery Charge component of the customer's Commodity Charge. The EPP Weather Adjustment will be applied to the customer's Delivery Charge revenue calculated on metered volumes. For each customer, the applicable volume adjustment is whichever of the following three quantities is the closest to zero: 1) the billing cycle analysis volume adjustment, 2) the multi-season analysis volume adjustment or 3) the customer's current monthly metered use.

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(Continued)

3) **BILL ADJUSTMENT** *(Continued)*

However, in instances where the customer's billing cycle base load volume is greater than the customer's current monthly metered use or the sum of the actual HDDs in the customer's current billing cycle is equal to zero, the volume adjustment will be equal to zero and there will be no EEP Weather Adjustment to the customer's bill.

EEP ANNUAL ADJUSTMENT

The EEP Annual Adjustment recovers or refunds any differences between the Utility's billed margin and the margin amounts authorized in its most recent general rate case proceeding. The process is set forth below.

1) **EEP BALANCING ACCOUNT**

The Utility shall maintain accounting records that accumulate the difference between authorized and actual billed margin. Entries shall be recorded to the EEP Balancing Account (EEPBA) each month as follows:

- A. A debit or credit entry equal to the difference between authorized margin and actual billed margin for each rate schedule subject to this provision. Authorized margin is the product of the monthly margin-per-customer authorized in the Utility's last general rate case, as stated below, and the actual number of customers billed during the month.

	<u>G-5</u>	<u>G-6</u>	<u>G-10</u>	<u>G-11</u>
January	\$ 55.33	\$ 31.33	\$ 51.33	\$ 34.95
February	\$ 47.83	\$ 28.54	\$ 44.98	\$ 31.31
March	\$ 38.04	\$ 24.48	\$ 34.16	\$ 25.52
April	\$ 26.85	\$ 20.35	\$ 23.53	\$ 20.01
May	\$ 20.58	\$ 17.83	\$ 17.36	\$ 16.84
June	\$ 19.78	\$ 17.46	\$ 16.58	\$ 16.68
July	\$ 17.89	\$ 16.12	\$ 14.91	\$ 15.11
August	\$ 16.93	\$ 15.47	\$ 14.04	\$ 14.36
September	\$ 17.44	\$ 15.81	\$ 14.37	\$ 14.63
October	\$ 18.48	\$ 16.21	\$ 15.17	\$ 14.99
November	\$ 20.80	\$ 17.59	\$ 17.98	\$ 16.61
December	\$ 39.58	\$ 25.32	\$ 36.56	\$ 26.79

**SPECIAL SUPPLEMENTARY TARIFF
ENERGY EFFICIENCY ENABLING PROVISION**

(Continued)

	<u>G-25(S)</u>	<u>G-25(M)</u>	<u>G-25(L1)</u>	<u>G-25(L2)</u>
January	\$ 71.33	\$ 216.68	\$ 881.62	\$ 3,489.92
February	\$ 63.14	\$ 201.26	\$ 818.49	\$ 3,242.82
March	\$ 52.94	\$ 170.82	\$ 705.86	\$ 3,173.15
April	\$ 40.07	\$ 141.81	\$ 621.87	\$ 2,705.83
May	\$ 35.54	\$ 121.62	\$ 532.44	\$ 2,356.11
June	\$ 35.24	\$ 116.70	\$ 494.49	\$ 2,201.48
July	\$ 33.66	\$ 103.60	\$ 419.09	\$ 1,774.80
August	\$ 33.03	\$ 100.00	\$ 395.90	\$ 1,685.78
September	\$ 33.33	\$ 104.64	\$ 413.65	\$ 1,764.88
October	\$ 33.82	\$ 111.56	\$ 455.93	\$ 1,943.09
November	\$ 35.81	\$ 125.50	\$ 535.58	\$ 2,400.18
December	\$ 52.77	\$ 178.73	\$ 751.46	\$ 3,086.35

- B. A debit or credit entry equal to the therms billed during the month under the schedules subject to this provision multiplied by the EEP Annual Adjustment Rate.
- C. A debit or credit entry for interest to be applied to over- and under-collected bank balances based on the monthly one-year nominal Treasury constant maturities rate.
- 2) **EEP ANNUAL ADJUSTMENT RATE**
The EEP Annual Adjustment Rate applicable to each schedule subject to this provision shall be revised annually to reflect the difference between the margin-per-customer authorized in the utility's last general rate case and the margin billed. The EEP Annual Adjustment Rate will be calculated by dividing the balance in the EEPBA by the most recent 12-month volume of natural gas for the customer class included in the EEP.
- 3) **AMOUNTS RECOVERED AND REFUNDED**
The Utility is prohibited from recovering any under-collections in the EEPBA to the extent that recovery would increase earnings such that the Company would be earning more than its authorized return on common equity. In addition, the amount of deferred amounts to be recovered in any amortization period shall not exceed five percent (5%) of the test year average non-gas revenue per customer. Deferred amounts exceeding five percent of the test year average non-gas revenue per customer will be carried forward for recovery in the next year and subsequent years with no carrying charges. One-hundred percent (100%) of over-collected balances in the EEPBA will be refunded, without limitation, over the next amortization period.

SOUTHWEST GAS CORPORATION
P.O. Box 98510
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Arizona Gas Tariff No. 7
Arizona Division

Canceling 3rd Revised A.C.C. Sheet No. 96
2nd Revised A.C.C. Sheet No. 96

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(Continued)

4) **TIMING AND MANNER OF FILING**

The Utility shall file its EEP Annual Adjustment Rate revisions with the Commission in accordance with all statutory and regulatory requirements following twelve (12) months of activity in the EEPBA. The EEP Annual Adjustment Rate shall be effective on the date of the first bill cycle in the month following the Commission's approval unless otherwise provided for by the Commission.

Issued On November 7, 2014
Docket No. G-01551A-13-0327

Issued by
Justin Lee Brown
Vice President

Effective November 7, 2014
Decision No. 74780