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COMMISSIONERS
GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

OPEN MEETING AGENDA



ORIGINAL

RECEIVED
ARIZONA CORPORATION COMMISSION

2011 FEB 22 P 4: 27

February 11, 2011

AZ CORP COMMISSION
DOCKET CONTROL

Chairman Gary Pierce
Commissioner Bob Stump
Commissioner Paul Newman
Commissioner Sandra D. Kennedy

Arizona Corporation Commission
DOCKETED

FEB 22 2011

DOCKETED BY

Re: Natural Gas Outages in Arizona

Dear Chairman Pierce and fellow Commissioners:

The approximately 20,000 Tucson and Sierra Vista residents who were without gas during the coldest nights of this winter season are rightly concerned about their experiences and the potential for this situation to re-occur in the future. I have communicated with a number of customers who were affected, both by reaching out to them during the outage in order to directly understand what they were experiencing, and in responding to those who contacted me. I was especially concerned about the elderly, disabled and homebound residents.

I know you share these concerns and that we all have been gathering information, asking questions and demanding answers. I would like to share a couple of my thoughts and some of the information I have gathered to-date.

I met with Southwest Gas representatives on Thursday February 3rd and Tuesday February 8th. I expressed my concerns to them about what transpired over the last week.

We all know that a lack of direct communication was a consistent complaint of residents from the affected areas. I asked the Southwest Gas representatives why "reverse 911" calls were not carried out for all customers and I was informed that while the service exists in Pima County it is not available in Cochise County. Also, in the age of Facebook, Twitter (and other instantaneous forms of communication), utilizing social media would have been an effective way of getting the message out through various avenues.

I told the representatives about some unfortunate customer experiences that could have been avoided had there been a better relighting prioritization strategy. The Southwest Gas representatives agreed and said that their PURPA List (which tracks customers who are elderly or on life support) proved to be out-of-date. This list is required of the Public Utility Regulatory Policy Act of 1978 and Southwest Gas indicated that they will begin the process of implementing a better way of updating this critical needs list.

I know we are all looking forward to the upcoming hearing on the matter to receive a more thorough look at the events leading up to the outage and make a better determination of its cause(s). Further, we will all want to know whether Southwest Gas has begun taking steps to avoid a similar outage in the future and what changes they will make to better serve their customers if such an event should recur.

I can't help but wonder about Arizona's lack of natural gas storage and what affect it might have had in this incident. A number of former Commissioners have expressed Arizona's resultant vulnerability. One such

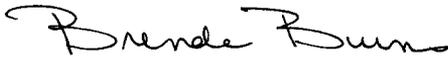
comment was from former Commissioner Mark Spitzer who said the following during testimony to the United States Senate in 2004:

“...natural gas supply is now critically low. Arizona has no production, zero storage and constrained and costly pipeline transport. The lack of storage capacity is a key determinate of natural gas price volatility. Storage capacity provides the system with a buffer to supply and demand shocks, allowing it to smooth the natural, cyclical swings in prices.”

Commissioner Spitzer's comments about supply are more directed toward price volatility, but this recent experience highlights both the price and availability. As we move forward, I would like to see how natural gas storage issues can provide solutions to prevent similar weather-related events from negatively impacting residents in southern Arizona.

All of the above issues are critical as we ascertain what systems failed and how such events can be avoided. I look forward to the special open meeting, and other opportunities that lie ahead, in order to address what needs to be done to ensure that people are kept safe during the winter months.

Sincerely,



Brenda Burns
Commissioner

CC

Jeffrey W. Shaw, Chief Executive Officer
Southwest Gas

Paul Bonavia, Chief Executive Officer
UniSource Energy

Douglas Foshee, Chief Executive Officer
El Paso Natural Gas

Cass Palazzari
El Paso Natural Gas

Kelcy L. Warren, Chief Executive Officer
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