

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southwest Gas Corporation
(U 905 G) for Authority to Increase Rates
and Charges for Natural Gas Service in
California, Effective January 1, 2021.

Application No. 19-08-____
(Filed August 30, 2019)

**APPLICATION
OF
SOUTHWEST GAS CORPORATION
(U 905 G)**

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Dated: August 30, 2019

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8 **SOUTHWEST GAS CORPORATION**
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10 **1. Introduction**

11 Southwest Gas Corporation (Southwest Gas or Company) respectfully submits to the
12 California Public Utilities Commission (Commission) its Application for Authority to Increase
13 Rates and Charges for Natural Gas Service in California, Effective January 1, 2021
14 (Application). Southwest Gas is a public utility engaged in the retail distribution, transportation
15 and sale of natural gas for domestic, commercial, agricultural and industrial uses. Southwest
16 Gas currently serves over 2 million customers in the states of California, Arizona and Nevada.

17 Southwest Gas has three California rate jurisdictions: (1) Southern California; (2) Northern
18 California; and (3) South Lake Tahoe. The Southern California rate jurisdiction comprises
19 various communities and areas in San Bernardino County. The Northern California rate
20 jurisdiction covers communities and areas in Placer, El Dorado and Nevada Counties and the
21 South Lake Tahoe rate jurisdiction is entirely within El Dorado County. In total, the Company
serves approximately 200,000 California customers.

22 This Application is based upon and supported by the material facts, points and authorities,
23 and all other information contained herein, the supporting testimony and schedules submitted
24 herewith, and such other matters as may be presented to the Commission at the time of hearing
25 on this Application. In support of its Application, Southwest Gas further states as follows:

26 **2. Procedural Background**

27 **2.1** In Southwest Gas' Test Year 2014 general rate case (D.14-06-028, rendered in A. 12-
28 12-024), the Commission authorized revenue requirement increases in the Company's Southern

1 California, South Lake Tahoe, and Northern California jurisdictions. The Commission also
2 authorized post-test year revenue requirement increases in all three jurisdictions for the years
3 2015, 2016, 2017 and 2018.

4 **2.2** On December 28, 2016, Southwest Gas filed its petition for modification of D.14-06-
5 028 (Petition) requesting authorization to file its next general rate case application by September
6 1, 2019, with a test year of 2021, instead of the previously ordered filing deadline of September
7 1, 2017, with a test year of 2019. Additionally, the Company requested that the Commission
8 authorize continuation of the Company's existing rate structure, including the previously
9 authorized post-test year revenue requirement increases, as the subject extension was in the
10 public interest. On June 20, 2017, the Commission granted the Company's Petition.

11 **3. Authority**

12 **3.1** Southwest Gas submits this Application pursuant to Chapters 3 and 4 of the Public
13 Utilities Act, including without limitation, Sections 451, 454, 491, 701 and 728, and Rule 3 of the
14 Commission's Rules of Practice and Procedure (Rules).

15 **3.2** Further, in accordance with Rule 2.1, Southwest Gas provides the following
16 information related to the instant Application:

17 (a) The exact legal name of the Applicant is Southwest Gas Corporation. The location of
18 Southwest Gas' principal place of business is 5241 Spring Mountain Road, Las Vegas, Nevada
19 89150-0002, and the telephone number is (702) 876-7011. Southwest Gas is a corporation
20 organized and existing under the laws of the state of California. Southwest Gas is engaged in
21 the business of providing natural gas service as a public utility in southern and northern
22 California and is subject to the Commission's jurisdiction. Southwest Gas is also engaged in the
23 intrastate transmission, distribution and sale of natural gas as a public utility in certain portions
24 of the states of Nevada and Arizona.

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1 (b) Consistent with Rule 1.10, Southwest Gas agrees to accept electronic mail service
2 of all notices, filings and submittals from the Commission and all parties granted leave to
3 participate in this proceeding. In accordance with Rule 2.1(b), communications regarding this
4 Application should be addressed to:

5 Valerie J. Ontiveroz
6 Regulatory Manager/California
7 Southwest Gas Corporation
8 PO Box 98510
9 Las Vegas, NV 89193-8510
10 Telephone: (702) 876-7323
11 Facsimile: (702) 873-3820
12 Email: valerie.ontiveroz@swgas.com

13 -and-

14 Catherine M. Mazzeo
15 Managing Counsel
16 Andrew V. Hall
17 Senior Counsel
18 Southwest Gas Corporation
19 PO Box 98510
20 Las Vegas, NV 89193-8510
21 Telephone: 702-876-7250
22 catherine.mazzeo@swgas.com
23 andrew.hall@swgas.com

24 (c) In accordance with Rule 2.1(c) and 7.1(e)(2), Southwest Gas proposes that this
25 Application be categorized as “ratesetting.” A hearing may be required should any aspect(s) of
26 this Application be contested and not resolved through a Commission-approved settlement. The
27 issues considered pertain to the establishment of just and reasonable rates that provide
28 Southwest Gas a realistic opportunity to earn a reasonable rate of return. A proposed schedule
pursuant to Rule 7.1(a) is included in Section 10.2 of this Application.

4. Brief Overview of Application

4.1 The annual revenue deficiency for Test Year 2021 results in an increase of
approximately \$6.8 million for the Southern California rate jurisdiction, an increase of

1 approximately \$1.5 million for the Northern California rate jurisdiction, and an increase of
2 approximately \$4.5 million for the South Lake Tahoe rate jurisdiction.

3 **4.2** The Company's requested revenue increase is necessary to recover the reasonable
4 costs it has incurred and will incur to own and operate the facilities used to maintain and provide
5 safe and reliable natural gas service to its California customers at a level they both expect and
6 are entitled to receive.

7 **4.3** Southwest Gas' Application consists of four volumes, organized as follows: Volume
8 I contains the Application; Volume II contains the Company's results of operations, and is
9 presented in separate parts (Volumes II-A, II-B and II-C) for each rate jurisdiction. The narrative
10 summaries accompanying each of the Volume II chapters were prepared to provide a general
11 description of the steps taken by the Company to develop the schedules contained within that
12 chapter. Volume III contains the prepared direct testimony supporting the Application.¹ Volume
13 IV is also presented in separate parts and contains the supporting workpapers for each rate
14 jurisdiction. The Company is not filing Volume IV but will provide copies to the PAO.

15 **5. Request for Authority to Increase Rates**

16 **5.1** Southwest Gas seeks to establish rates and charges for the provision of natural gas
17 service in California at just and reasonable levels to provide Southwest Gas a realistic
18 opportunity to earn a fair and reasonable rate of return on its investment. The supporting
19 chapters, schedules, testimony and exhibits to this Application demonstrate in detail the rate
20 changes warranted in each of the Company's three rate jurisdictions for Test Year 2021 and
21 each of the 2022 through 2025 post-test years.

22 **5.2** The Company is also making several proposals to assist customers and to minimize
23 the impact of the proposed rate increase. First, Southwest Gas proposes to continue its suite
24 of Conservation and Energy Efficiency (CEE) programs, which will help customers conserve
25 energy and save on their energy costs. Second, the Company proposes to adjust the basic
26 service charge to better reflect customer-related costs and to aid in decreasing peak winter
27

28 ¹ Pursuant to Resolution ALJ-190, Southwest Gas is not filing its Prepared Direct Testimony, but will provide copies to the Chief Administrative Law Judge and the Public Advocates Office (PAO).

1 monthly bills. Third, Southwest Gas proposes increasing the number of
2 residential baseline seasons from two to three to minimize bill volatility for residential customers.

3 **5.3** Southwest Gas' proposed revenue increase is based upon a capital structure
4 consisting of 47.0 percent long-term debt and 53.0 percent common equity, with a requested
5 return on common equity (ROE) of 10.50 percent. The Company's proposed overall rate of
6 return is 7.44 percent for Southern California. For the Northern California and South Lake Tahoe
7 rate jurisdictions, the proposed overall rate of return is 7.76 percent.

8 **5.4** In D.14-06-028, the Commission authorized a Post-Test Year Ratemaking
9 Mechanism (PTYM). Southwest Gas seeks to continue its PTYM for annual changes to rates
10 and charges for gas service, effective January 1, 2022, and each January 1 thereafter through
11 2025.

12 **5.5** Southwest Gas also seeks to continue the Automatic Trigger Mechanism (ATM)
13 approved in D.14-06-028.

14 **6. Risk-Based Decision-Making Framework**

15 **6.1** In compliance with D.14-12-025 and the Voluntary Agreement Between Risk
16 Assessment Section of the Safety and Enforcement Division and Small Multi-Jurisdictional
17 Utilities for a Risk-Based Decision-Making Framework, issued August 30, 2018, the Company
18 engaged in the development of a risk-based decision-making framework as part of this
19 Application. Through this framework, the Company identified and evaluated several risks,
20 reviewed existing controls, and developed proposed mitigations to address the identified risks.
21 These mitigations include a Targeted Pipe Replacement (TPR) Program, Meter Protection
22 Program, and Customer-Owned Yard Line (COYL) Program. The Company proposes to
23 recover the costs associated with the subject programs through the Infrastructure Reliability and
24 Replacement Adjustment Mechanism (IRRAM) approved by the Commission in D.14-06-048.

25 **7. Depreciation Rates**

26 **7.1** On August 28, 2019, Southwest Gas submitted a study of depreciation rates and
27 practices based on 2018 year-end data for Southwest Gas' natural gas properties (Depreciation
28 Study) to the PAO, pursuant to Commission Standard Practice U-4. The Depreciation Study

1 combines the South Lake Tahoe and Northern California properties into one set of depreciation
2 rates for all northern California properties.

3 **7.2** Southwest Gas requests that the depreciation rates reflected in the Depreciation
4 Study be accepted and made effective concurrently with the rates approved in this Application.

5 **8. Additional Information**

6 **8.1** In further support of its Application, Southwest Gas provides the prepared direct
7 testimony of the following witnesses:

8 • **Brandy Little** provides testimony supporting the Company's methodology for developing
9 billing determinants.

10 • **Valerie J. Ontiveroz** provides an overview of the Company's application for rate relief,
11 including compliance with various Commission decisions and state legislation issued and or
12 enacted since the Company's last general rate case, and the Company's proposed tariff
13 changes.

14 • **Timothy S. Lyons** sponsors the Company's proposed test year 2021 revenue
15 requirements for the Company's three California rate jurisdictions, the embedded class cost of
16 service study, and rate design. Mr. Lyons is a Partner with ScottMadden, Inc. and was engaged
17 by the Company to perform analyses and provide recommendations regarding the Company's
18 revenue requirements, class cost of service study and rate design.

19 • **Bradley C. Anderson** provides testimony supporting the Company's risk-based
20 decision-making framework.

21 • **Kevin M. Lang** provides testimony supporting, from an operations perspective, the
22 Company's proposed TPR Program, Meter Protection Program, and COYL Program.

23 • **Byron C. Williams** provides testimony supporting the Company's federal and state
24 income tax, and state and local taxes.

25 • **Theodore K. Wood** provides testimony supporting the overall rate of return, capital
26 structure and embedded cost of long-term debt requested in the Application. Mr. Wood also
27 provides testimony regarding the Company's proposed continued use of the ATM. Further, Mr.
28

1 Wood discusses the importance of the Company's overall rate of return on its credit ratings and
2 financial profile.

3 • **Robert B. Hevert** provides testimony supporting the Company's proposed cost of
4 common equity. Mr. Hevert is a Partner with ScottMadden, Inc. and was engaged by Southwest
5 Gas to perform an analysis and provide a recommendation concerning the Company's cost of
6 common equity.

7 • **Celine Louise R. Apo** sponsors the Company's proposed CEE Plan.

8 These witnesses also sponsor those chapters, schedules and exhibits accompanying the
9 Application that are related to their relevant areas of expertise.

10 **8.2 Required Information for Applications**

11 Rule 7.1(a)

12 Southwest Gas proposes the following schedule:

13	August 30, 2019	Application Filed
14	October 10, 2019	Prehearing Conference
15	December 13, 2019	Filing of PAO Report
16	January 10, 2020	Filing of Intervenor Testimony
17	February 7, 2020	Filing of Rebuttal Testimony
18	February 28, 2020	Discovery closes
19	March 4, 5 & 7, 2020	Public Comment Hearings
20	April 13-17, 2020	Conduct Hearing
21	May 8, 2020	Filing of Opening Briefs
22	May 22, 2020	Filing of Reply Briefs
23	June 26, 2020	Proposed Decision (PD)
24	July 17 & 24, 2020	Comments on PD (assumes 25 compressed schedule for Initial and 26 Reply Comments)
26	August/September 2020	Issuance of Final Decision
27	January 1, 2021	Effective Date of Rates

1 Rule 2.2

2 A copy of Southwest Gas' Restated Articles of Incorporation, as amended and restated, was
3 filed in A.18-02-008.

4 Rule 3.2(a)

5 (1) Balance sheets and income statements for each of the Company's rate jurisdictions, as
6 of December 31, 2018, are included at Chapters 2 and 3 of Volumes II-A, II-B, and II-C of this
7 Application.

8 (2) Statements of the presently effective rates and charges for each rate jurisdiction are
9 included at Chapter 20 of Volumes II-A, II-B, and II-C of this Application.

10 (3) Statements of Southwest Gas' proposed changes to the revenue requirements in each
11 rate jurisdiction, are included at Chapter 20 of Volumes II-A, II-B, and II-C of this Application.
12 The statements show the amount of proposed gross revenues, together with the percentage of
13 increase or decrease estimated to result from the proposed rates. Additionally, the statements
14 show the proposed revenue increase or decrease, including the percentage of increase or
15 decrease for each rate classification.

16 (4) The property of Southwest Gas is composed of pipelines, valves, meters, regulators,
17 buildings, motor vehicles, construction equipment, office equipment and related property. A
18 statement of the original cost of Southwest Gas' property, together with a statement of the
19 depreciation reserve applicable to the property, and depreciation reserve is set forth in Chapter
20 17 of Volumes II-A, II-B, and II-C of this Application.

21 (5) A summary of earnings on a depreciated rate base for the test period, upon which
22 Southwest Gas bases its justification for the proposed rate changes, is set forth in Chapter 6 of
23 Volumes II-A, II-B, and II-C of this Application.

24 (6) The earnings results for Southwest Gas' total natural gas utility operations are set forth
25 in Chapter 3 of Volumes II-A, II-B, II-C of this Application.

26 (7) Statements as to: (a) which of the optional methods provided in the Internal Revenue
27 Code Southwest Gas elected to employ in computing the depreciation deduction for the purpose
28 of determining its federal income tax payments; (b) the method utilized by Southwest Gas in

1 calculating federal income taxes for the test period for ratemaking purposes; and (c) whether
2 Southwest Gas has used the same method or methods in calculating federal income taxes for
3 the test period for rate making purposes are set forth in Chapter 16 of Volumes II-A, II-B and II-
4 C of this Application.

5 (8) The latest proxy statement sent to Southwest Gas' stockholders is included at Chapter
6 23 of Volumes II-A, II-B and II-C of this Application.

7 (9) Not applicable.

8 (10) The proposed rate changes reflect and pass through to customers only the costs to
9 Southwest Gas for the services or commodities furnished by it.

10 Rules 3.2(b) and 3.2(c)

11 Within 20 days after filing this Application, Southwest Gas will mail notice of the Application
12 to the state of California and to the cities and counties in Southwest Gas' service territories.
13 Additionally, within 20 days after the filing of this Application, Southwest Gas will publish notice
14 of the Application at least once in a newspaper of general circulation in each of the counties in
15 Southwest Gas' California service territories.

16 **9. Conclusion**

17 **9.1** Southwest Gas believes that Commission approval of the proposed rate increases
18 and PTYM, the continuance of the ATM, and the proposed rate design, coupled with the other
19 requests made herein, is in the public interest.

20 **9.2** Southwest Gas further believes that approval of its Application as proposed will
21 provide the Company with a realistic and reasonable opportunity to earn its authorized rates of
22 return.

23 WHEREFORE:

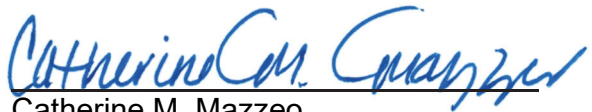
24 Southwest Gas respectfully requests that the Commission authorize the requests set forth
25 in this Application and the accompanying testimony including, without limitation:

- 26 1) A retail natural gas service rate increase in each of Southwest Gas' California rate
27 jurisdictions;

- 1 2) The PTYM for annual changes in rates and charges for gas service for the 2022 through
2 2025 post-test year period;
- 3 3) Continuation of the ATM approved in D.14-06-028;
- 4 4) The proposed mitigations to address the risks identified in the Company's risk-based
5 decision-making framework, including cost recovery through the previously approved
6 IRRAM;
- 7 5) The proposed changes to the depreciation rates, as set forth in the depreciation study;
8 and
- 9 6) Such further relief as the Commission deems appropriate.

10 Respectfully submitted this 30th of August, 2019.

11 SOUTHWEST GAS CORPORATION

12 

13 Catherine M. Mazzeo
14 Andrew V. Hall
15 5241 Spring Mountain Road
16 Las Vegas, NV 89150-0002
17 Telephone: 702.876.7250
18 Facsimile: 702.252.7283
19 catherine.mazzeo@swgas.com
20 andrew.hall@swgas.com


1 **VERIFICATION**

2 Justin L. Brown declares the following:

3 I am an officer of Southwest Gas Corporation and am authorized to make this verification
4 on the Corporation's behalf in accordance with Rule 1.11 of the Commission's Rules of Practice
5 and Procedure, and I make this verification for that reason. I have read the foregoing Application
6 and am informed and believe that the matters stated therein concerning Southwest Gas
7 Corporation are true.

8 I declare under penalty of perjury under the laws of the State of California that the foregoing
9 is true and correct.

10 Executed this 30th day of August 2019, at Las Vegas, Nevada.

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15 _____
16 Justin L. Brown
17 Senior Vice President
18 General Counsel
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