

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 Gas Service in
California, Effective January 1, 2026.

Application No. 24-09-____
(Filed September 5, 2024)

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

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Dated: September 5, 2024

1 **BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

2 Application of Southwest Gas Corporation
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5 **APPLICATION**
6 **OF**
7 **SOUTHWEST GAS CORPORATION**
8 **(U 905 G)**

9 **1. Introduction**

10 Southwest Gas Corporation (Southwest Gas or Company) respectfully submits to the
11 California Public Utilities Commission (Commission) its Application for Authority to Increase
12 Rates and Charges for Natural Gas Service in California, Effective January 1, 2026
13 (Application). Southwest Gas is a public utility engaged in the retail distribution, transportation,
14 and sale of natural gas for domestic, commercial, agricultural, and industrial uses. Southwest
15 Gas currently serves approximately 2.2 million customers in the states of California, Arizona,
and Nevada.

16 Southwest Gas has three California rate jurisdictions: (1) Southern California; (2) Northern
17 California; and (3) South Lake Tahoe. The Southern California rate jurisdiction comprises
18 various communities and areas in San Bernardino County. The Northern California rate
19 jurisdiction covers communities and areas in Placer, El Dorado, and Nevada Counties and the
20 South Lake Tahoe rate jurisdiction is entirely within El Dorado County. In total, the Company
21 serves approximately 206,000 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 schedules submitted herewith, accompanying
24

1 testimony, and such other matters as may be presented to the Commission at the time of hearing
2 on this Application. In support of its Application, Southwest Gas further states as follows:

3 **2. Procedural Background**

4 **2.1** In Southwest Gas' Test Year 2021 general rate case (Decision (D.) 21-03-052,
5 rendered in Application (A.) 19-08-015), the Commission authorized revenue requirement
6 increases in the Company's Southern California, Northern California, and South Lake Tahoe
7 jurisdictions. The Commission also authorized post-test year revenue requirement (margin)
8 increases in all three jurisdictions for the years 2022, 2023, 2024 and 2025.

9 **3. Authority**

10 **3.1** Southwest Gas submits this Application pursuant to Chapters 3 and 4 of the Public
11 Utilities Act, including without limitation, Sections 451, 454, 491, 701 and 728, and Rule 3 of the
12 Commission's Rules of Practice and Procedure (Rules).

13 **3.2** Further, in accordance with Rule 2.1, Southwest Gas provides the following
14 information related to the instant Application:

15 (a) The exact legal name of the Applicant is Southwest Gas Corporation. The location of
16 Southwest Gas' principal place of business is 8360 South Durango Dr., Las Vegas, Nevada
17 89113, and the telephone number is (877) 860-6020. Southwest Gas is a corporation organized
18 and existing under the laws of the state of California. Southwest Gas is engaged in the business
19 of providing natural gas service as a public utility in southern and northern California and is
20 subject to the Commission's jurisdiction. Southwest Gas is also engaged in the intrastate
21 transmission, distribution, and sale of natural gas as a public utility in certain portions of the
22 states of Nevada and Arizona.

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

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

9 -and-

10 Andrew V. Hall
11 Assistant General Counsel
12 Vincent J. Vitatoe
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15 PO Box 98510
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19 Email: andrew.hall@swgas.com
20 Email: vincent.vitatoe@swgas.com

21 With a copy to: regserve@swgas.com

22 (c) In accordance with Rule 2.1(c) and 7.1(e)(2), Southwest Gas proposes that this
23 Application be categorized as “ratesetting.” A hearing may be required should any aspect(s)
24 of this Application be contested and not resolved through a Commission-approved
25 settlement. The issues considered pertain to the establishment of just and reasonable rates
that provide 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.

26 **4. Brief Overview of Application**

27 **4.1** The annual revenue deficiency for Test Year 2026 results in an increase of
28 approximately \$38.5 million for the Southern California rate jurisdiction, an increase of
29 approximately \$63 thousand for the Northern California rate jurisdiction, and an increase of
30 approximately \$10.2 million for the South Lake Tahoe rate jurisdiction.

1 **4.2** The Company’s requested revenue increase is necessary to recover the reasonable
2 costs it has incurred and will incur to own and operate the facilities used to maintain and provide
3 safe and reliable natural gas service to its California customers at a level they both expect and
4 are entitled to receive.

5 **4.3** Southwest Gas’ Application consists of four volumes, organized as follows: Volume I
6 contains the Application; Volume II contains the Company’s results of operations, and is
7 presented in separate parts for each rate jurisdiction (Volumes II-A – Southern California, II-B –
8 Northern California and II-C – South Lake Tahoe). The narrative summaries accompanying each
9 of the Volume II chapters were prepared to provide a general description of the steps taken by
10 the Company to develop the schedules contained within that chapter. Volume III contains the
11 prepared direct testimony supporting the Application.¹ Volume IV is also presented in separate
12 parts and contains the supporting workpapers for each rate jurisdiction. The Company is not
13 filing Volume IV but will provide copies to Cal Advocates.

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

15 **5.1** Southwest Gas seeks to establish rates and charges for the provision of natural gas
16 service in California at just and reasonable levels to provide Southwest Gas a realistic
17 opportunity to earn a fair and reasonable rate of return on its investment. The supporting
18 chapters, schedules, testimony and exhibits to this Application demonstrate in detail the rate
19 changes warranted in each of the Company’s three rate jurisdictions for Test Year 2026 and
20 each of the 2027 through 2030 post-test years.

21 **5.2** Southwest Gas proposes to continue its suite of Conservation and Energy Efficiency
22 (CEE) programs approved in D.21-03-052, which will continue to help customers conserve
23 energy and save on their energy costs. These programs are the Residential Equipment Rebate
24

25 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 (Cal Advocates).

1 Program, the Commercial Equipment Rebate Program, the Residential Equipment Direct-Install
2 Program, New Homes Rebates Program, and the Solar Thermal Rebate Program.

3 **5.3** Southwest Gas' proposed revenue increase is based upon a capital structure
4 consisting of 50.0 percent long-term debt and 50.0 percent common equity, with a requested
5 return on common equity (ROE) of 11.35 percent. The Company's proposed overall rate of
6 return is 7.68 percent for Southern California. For the Northern California and South Lake Tahoe
7 rate jurisdictions, the proposed overall rate of return is 8.02 percent.

8 **5.4** In D.21-03-052, the Commission continued the Company's Post-Test Year
9 Ratemaking Mechanism (PTYM). Southwest Gas seeks to continue its PTYM for annual
10 changes to rates and charges for gas service, effective January 1, 2027, and each January 1
11 thereafter through 2030.

12 **5.5** Southwest Gas also seeks to continue the Automatic Trigger Mechanism (ATM) and
13 adjustment for Excess Accumulated Deferred Income Taxes (EADIT) as previously approved.

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, approved in D.19-04-020, 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 Southwest Gas' proposed mitigations include continuation of the Targeted Pipe Replacement
22 (TPR) Program, Meter Protection Program, and Customer-Owned Yard Line (COYL) Program
23 along with a new Annual Leak Survey Program with conventional and Advanced Mobile Leak
24 Detection technologies. The Company proposes to continue to recover the costs associated
25

1 with the subject programs through the Infrastructure Reliability and Replacement Adjustment
2 Mechanism (IRRAM) originally approved by the Commission in D.14-06-048.

3 **7. Depreciation Rates**

4 **7.1** On August 23, 2024, Southwest Gas submitted a study of depreciation rates and
5 practices based on 2023 year-end data for Southwest Gas' natural gas properties (Depreciation
6 Study) to Cal Advocates, pursuant to Commission Standard Practice U-4. The Depreciation
7 Study combines the South Lake Tahoe and Northern California properties into one set of
8 depreciation rates for all northern California properties.

9 **7.2** Southwest Gas requests that the depreciation rates reflected in the Depreciation
10 Study be accepted and made effective concurrently with the rates approved in this Application.

11 **8. Additional Information**

12 **8.1** In further support of its Application, Southwest Gas provides the prepared direct
13 testimony of the following witnesses:

14 • **Valerie J. Ontiveroz** provides an overview of the Company's Application, primary
15 reasons for margin deficiencies, support for the consolidation of Southwest Gas Northern
16 California and South Lake Tahoe rate jurisdictions, compliance with various Commission
17 decisions since the Company's last general rate case, the Company's proposed tariff changes
18 and establishment of the Damage Prevention Cost Balancing Account.

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

21 • **Randi Cunningham** provides testimony regarding the Company's revenue requirement.

22 • **Charlene A. LaChica** provides testimony regarding Southwest Gas' constant dollar,
23 escalation, and allocation factors.

1 • **Kasey D. Bohannon** provides testimony supporting Southwest Gas' proposals for
2 regulatory accounts and the development of the regulatory amortizations for Southwest Gas'
3 three California rate jurisdictions.

4 • **A. Brooks Congdon** provides testimony regarding Southwest Gas' class cost of service
5 study, rate design, the Company's proposal to consolidate its Northern California and South
6 Lake Tahoe rate jurisdictions into on a single Northern California rate jurisdiction, the Company's
7 decision to remove the City of Victorville from this rate case proceeding, and the resulting
8 customer bill and customer affordability impacts associated with the Company's requested base
9 revenue increase and rate design proposals.

10 • **Bradley C. Anderson** provides testimony supporting the Company's risk-based
11 decision-making framework and proposed risk mitigation programs.

12 • **Kevin M. Lang** provides testimony supporting, from an operations perspective, the
13 Company's proposed TPR Program, Meter Protection Program, COYL Program, and Annual
14 Leak Survey Program.

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

17 • **Justin L. Forsberg** provides testimony regarding development of the Company's overall
18 requested rates of return, an overview of Southwest Gas' financial profile, including the need to
19 offer a competitive ROR, target capital structure, embedded cost of debt and continuation of the
20 ATM.

21 • **Dylan W. D'Ascendis** provides testimony supporting the Company's proposed cost of
22 common equity.

23 • **Valeria S. Annibali** provides testimony supporting the Company's CEE Programs and
24 request for 2026 through 2030 program funding.

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

3 **a. Required Information for Applications**

4 Rule 7.1(a)

5 Southwest Gas proposes the following schedule:

6	September 5, 2024	Application Filed
7	October 21, 2024	Prehearing Conference
8	January 30, 2025	Southwest Gas Supplemental Testimony
9	February 21, 2025	Filing of Cal Advocates' Testimony Served
10	March 7, 2025	Intervenor Testimony Served
11	April 11, 2025	Rebuttal Testimony
12	May 27-29, 2025	Evidentiary Hearing
13	June 27, 2025	Opening Briefs Filed
14	July 18, 2025	Reply Briefs Filed
15	October 2025	Proposed Decision (PD)
16	October/November 2025	Comments on PD
17	November/December 2025	Issuance of Final Decision
18	January 1, 2026	Effective Date of Rates

19
20 Rule 2.2

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

1 Rule 3.2(a)

2 (1) Balance sheets and income statements for each of the Company's rate jurisdictions, as
3 of December 31, 2023, are included at Chapters 2 through 4 of Volumes II-A, II-B, and II-C of
4 this Application.

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

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

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

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

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

23 (7) Statements as to: (a) which of the optional methods provided in the Internal Revenue
24 Code Southwest Gas elected to employ in computing the depreciation deduction for the purpose
25 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 Within 20 days after the filing of this Application, Southwest Gas will publish notice of the
14 Application at least once in a newspaper of general circulation in each of the counties in
15 Southwest Gas' California service territories, and by posting physical copies of its Application at
16 local business offices. Additionally, within 45 days the Company will provide its customers notice
17 of this Application by including the notice with their regular bills or electronically for customers
18 receiving their bills electronically. The Application will also be posted on the Company's external
19 facing website located here: <https://www.swgas.com/en/california-rates-and-regulation>.

20 **9. Conclusion**

21 **9.1** Southwest Gas believes that Commission approval of the proposed rate increases
22 and PTYM, the continuance of the ATM, and the proposed rate design, coupled with the other
23 requests made herein, is in the public interest.

1 **9.2** Southwest Gas further believes that approval of its Application, as proposed, will
2 provide the Company with a realistic and reasonable opportunity to earn its authorized rates of
3 return.

4 WHEREFORE:

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

- 7 1) A retail natural gas service rate increase in each of Southwest Gas' California rate
8 jurisdictions;
- 9 2) The PTYM for annual changes in rates and charges for gas service for the 2027 through
10 2030 post-test year period;
- 11 3) The proposed Cost of Capital;
- 12 4) Continuation of the ATM and adjustment for EADIT as previously approved;
- 13 5) Consolidation of Southwest Gas' Northern California and South Lake Tahoe rate
14 jurisdictions into a single Northern California rate jurisdiction;
- 15 6) The proposed mitigations to address the risks identified in the Company's risk-based
16 decision-making framework, including cost recovery through the previously approved
17 IRRAM;
- 18 7) CEE Programs and requested annual budgets;
- 19 8) The proposed changes to the depreciation rates, as set forth in the depreciation study;
20 and

1 9) Such further relief as the Commission deems appropriate.

2 Respectfully submitted this 5th of September 2024.

3 SOUTHWEST GAS CORPORATION

4 
5 _____

6 Andrew V. Hall

7 Assistant General Counsel

8 Vincent J. Vitatoe

9 Associate General Counsel

10 Southwest Gas Corporation

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12 Las Vegas, NV 89193-8510

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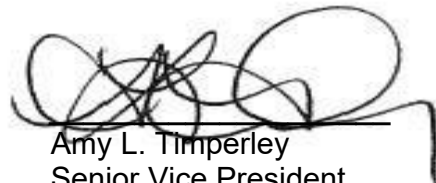
1 **VERIFICATION**

2 Amy L. Timperley 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 5th day of September 2024 at Las Vegas, Nevada.

11 
12 Amy L. Timperley
13 Senior Vice President
14 Chief Regulatory Officer