

Agenda 06-24; Item No. 3A Draft Order for discussion at agenda

THIS ORDER IS NOT A FINAL ORDER AND MAY BE SUBSTANTIALLY REVISED PRIOR TO ENTRY OF A FINAL ORDER BY THE PUBLIC UTILITIES COMMISSION OF NEVADA

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Application of Southwest Gas Corporation for authority to increase its retail natural gas utility service rates for Southern and Northern Nevada.)
) Docket No. 23-09012
)
)

At a special session of the Public Utilities Commission of Nevada, held at its offices on April 4, 2024.

PRESENT: Chair Hayley Williamson
Commissioner Tammy Cordova
Commissioner Randy J. Brown
Assistant Commission Secretary Trisha Osborne

[PROPOSED] ORDER

The Public Utilities Commission of Nevada (“Commission”) makes the following findings of fact and conclusions of law:

I. INTRODUCTION

On September 15, 2023, Southwest Gas Corporation (“SWG”) filed with the Commission an application, designated as Docket No. 23-09012, (the “Application”) for authority to increase its retail natural gas utility service rates for Southern and Northern Nevada.

On February 2, 2024, SWG, the Bureau of Consumer Protection (“BCP”), and the Regulatory Operations Staff (“Staff”) of the Commission filed a stipulation regarding the revenue requirement phase of the docket (the “Revenue Requirement Stipulation”), marked as Exhibit 124, attached hereto as Attachment A, and incorporated herein by this reference.

On February 16, 2024, SWG, BCP, and Staff filed a stipulation regarding the rate design phase of the docket (the “Rate Design Stipulation”), marked as Exhibit 178, attached hereto as Attachment B, and incorporated herein by this reference.

On February 22, 2024, SWG, BCP, Staff, and Boyd Gaming Corporation, Station Casinos LLC, and Venetian Las Vegas Gaming, LLC (collectively referred to as the “Southern Nevada Gaming Group” or “SNGG”) filed an amended stipulation adding SNGG to the Rate

Design Stipulation, marked as Exhibit 185, attached hereto as Attachment C, and incorporated herein by this reference.

On February 26, 2024, the Commission held a hearing regarding the Cost of Capital Phase of the docket and remaining Rate Design Phase issues.

II. SUMMARY

The Commission grants the Application as modified by the three filed Stipulations (Attachments A, B, and C) and as further outlined herein.

III. EXECUTIVE SUMMARY

SWG filed its general rate case requesting, as updated in its Certification filed on January 5, 2024, authority to increase its revenues by \$63.5 million in Southern Nevada and \$10.5 million in Northern Nevada, based on a requested return on equity ("ROE") of 10.0%, which is 60 basis points higher than the stipulated ROE of 9.4% approved in SWG's 2021 general rate case, Docket No. 21-09001; a hypothetical capital structure of 50% equity and 50% debt; and total debt costs of 4.50% in Southern Nevada and 4.51% in Northern Nevada, leading to an overall rate of return ("ROR") of 7.25% in Southern Nevada and 7.26% in Northern Nevada.

SWG, BCP, and Staff filed a Revenue Requirement Stipulation that was not objected to by any other party, which lowered the amount of the requested revenue increases to \$56.09 million in Southern Nevada and \$9.47 million in Northern Nevada. That Stipulation, however, did not address the utility's capital structure and authorized return on its capital investments, so the stipulated amounts of the increases are subject to change based on the Commission's determinations in this case related to those unresolved issues.

SWG, BCP, and Staff, later joined by SNGG, filed a Rate Design Stipulation, which modified SWG's proposed rates for recovering the utility's costs of providing service from different classifications of customers. NCA objected to the Rate Design Stipulation and filed testimony espousing an alternative cost-of-service study ("COSS") and an alternative revenue

spread. Below are tables showing the proposed revenue allocation at Certification, and following the Stipulations, for both Southern and Northern Nevada:

Southwest Gas Proposed Southern Nevada Revenue Allocation at Certification [1]

Rate Schedule	Present Margin Revenue	Increase \$	Increase %	% of Total Increase
Single-Family Res	\$ 200,762,529	\$ 50,770,675	25.29%	79.95%
Multi-family	\$ 30,629,681	\$ 6,298,952	20.56%	9.92%
Air Conditioning Res	\$ 22,623	\$ 7,581	33.51%	0.01%
GS-1	\$ 17,004,126	\$ 476,357	2.80%	0.75%
GS-2	\$ 13,183,333	\$ (180,272)	-1.37%	-0.28%
GS-3	\$ 3,784,947	\$ 507,435	13.41%	0.80%
GS-4	\$ 17,037,783	\$ 5,096,610	29.91%	8.03%
GS-5 (Full Tariff)	\$ 515,072	\$ 104,513	20.29%	0.16%
GS-6 (Full Tariff)	\$ 1,425,742	\$ 249,104	17.47%	0.39%
Air Conditioning	\$ 29,222	\$ 156	0.53%	0.00%
Water Pumping	\$ 21,499	\$ (5,252)	-24.43%	-0.01%
Small Electric Generation	\$ 574,033	\$ 101,141	17.62%	0.16%
Gas Service for Compression on Cust Premises	\$ 60,334	\$ 15,041	24.93%	0.02%
Street and Outdoor Lighting	\$ 157,800	\$ 63,097	39.99%	0.10%
Total Tariff Sales & Transportation	\$ 285,208,724	\$ 63,505,138	22.27%	100.00%

Settlement Southern Nevada Revenue Allocation at Settlement Revenue of 56.09 Million [3]

Rate Schedule	Present Margin Revenue	Increase \$	Increase %	% of Total Increase
Single-Family Res	\$ 200,762,529	\$ 41,978,955	20.91%	74.84%
Multi-family	\$ 30,629,681	\$ 4,181,793	13.65%	7.46%
Air Conditioning Res	\$ 22,623	\$ 8,474	37.46%	0.02%
GS-1	\$ 17,004,126	\$ 1,236,383	7.27%	2.20%
GS-2	\$ 13,183,333	\$ 1,672,474	12.69%	2.98%
GS-3	\$ 3,784,947	\$ 855,290	22.60%	1.52%
GS-4	\$ 17,037,783	\$ 4,584,940	26.91%	8.17%
GS-5 (Full Tariff)	\$ 515,388	\$ 162,382	31.51%	0.29%
GS-6 (Full Tariff)	\$ 4,700,418	\$ 1,165,811	24.80%	2.08%

Air Conditioning	\$ 29,222	\$ 5,193	17.77%	0.01%
Water Pumping	\$ 21,499	\$ 2,466	11.47%	0.00%
Small Electric Generation	\$ 574,588	\$ 174,092	30.30%	0.31%
Gas Service for Compression on Cust Premises	\$ 60,334	\$ 20,276	33.61%	0.04%
Street and Outdoor Lighting	\$ 157,800	\$ 41,474	26.28%	0.07%
Total Tariff Sales & Transportation	\$ 288,484,271	\$ 56,090,000	19.44%	100.00%

Southwest Gas Proposed Northern Nevada Revenue Allocation at Certification

<u>Rate Schedule</u>	Present Margin Revenue	Increase \$	Increase %	% of Total Increase
Single-Family Res	\$ 30,548,222	\$ 7,415,165	24.27%	70.80%
Multi-family	\$ 4,763,441	\$ 726,390	15.25%	6.94%
Air Conditioning Res	\$ 1,507	\$ (82)	-5.44%	0.00%
GS-1	\$ 5,124,847	\$ 1,381,252	26.95%	13.19%
GS-2	\$ 3,120,848	\$ 256,702	8.23%	2.45%
GS-3	\$ 1,123,192	\$ 170,192	15.15%	1.63%
GS-4	\$ 1,629,151	\$ 517,798	31.78%	4.94%
GS-5 (Full Tariff)	\$ -	\$ -	0.00%	0.00%
GS-6 (Full Tariff)	\$ -	\$ -	0.00%	0.00%
Air Conditioning	\$ 589	\$ 216	36.67%	0.00%
Water Pumping	\$ 1,670	\$ 290	27.10%	0.00%
Small Electric Generation	\$ 4,831	\$ 1,816	37.59%	0.02%
Gas Service for Compression on Cust Premises	\$ 137	\$ 28	20.44%	0.00%
Street and Outdoor Lighting	\$ 4,851	\$ 2,911	60.01%	0.03%
Total Tariff Sales & Transportation	\$ 46,322,686	\$ 10,472,678	22.61%	100.00%

Settlement Northern Nevada Revenue Allocation at Settlement Revenue of 9.47 Million [1]

<u>Rate Schedule</u>	Present Margin Revenue	Increase \$	Increase %	% of Total Increase
Single-Family Res	\$ 30,548,222	\$ 6,303,854	20.64%	66.57%
Multi-family	\$ 4,763,441	\$ 559,079	11.74%	5.90%
Air Conditioning Res	\$ 1,507	\$ (57)	-3.78%	0.00%
GS-1	\$ 5,124,847	\$ 1,241,261	24.22%	13.11%
GS-2	\$ 3,120,848	\$ 465,647	14.92%	4.92%

GS-3	\$ 1,123,192	\$ 293,418	26.12%	3.10%
GS-4	\$ 1,629,151	\$ 602,405	36.98%	6.36%
GS-5 (Full Tariff)	\$ -	\$ -	0.00%	0.00%
GS-6 (Full Tariff)	\$ -	\$ -	0.00%	0.00%
Air Conditioning	\$ 589	\$ 204	34.70%	0.00%
Water Pumping	\$ 1,070	\$ 255	23.83%	0.00%
Small Electric Generation	\$ 4,831	\$ 1,913	39.61%	0.02%
Gas Service for Compression on Cust Premises	\$ 137	\$ 36	26.40%	0.00%
Street and Outdoor Lighting	\$ 4,851	\$ 1,984	40.90%	0.02%
Total Tariff Sales & Transportation	\$ 46,322,686	\$ 9,470,000	20.44%	100.00%

Based on the information presented during the hearing held on this matter, and as outlined in the sections below, the Commission sets SWG's ROE at 9.50%, adopts the hypothetical capital structure of 50% debt and 50% equity, and adopts the actual total cost of debt of 4.50% in Southern Nevada and 4.51% in Northern Nevada, for a resulting ROR of 7.00% in Southern Nevada and 7.01% in Northern Nevada. The Commission, also for the reasons outlined below, accepts the Stipulations filed in this docket. The tables below show the resulting rate increases:

Rate Schedule	Southern Nevada Revenue Allocation Percentages SWG Increase % After Stip and COC Adjustments
Single-Family Res	19.08%
Multi-family	12.46%
Air Conditioning Res	34.18%
GS-1	6.63%
GS-2	11.58%
GS-3	20.62%
GS-4	24.55%
GS-5 (Full Tariff)	28.75%
GS-6 (Full Tariff)	22.63%
Air Conditioning	16.21%
Water Pumping	10.47%

Small Electric Generation	27.64%
Gas Service for Compression on Cust Premises	30.66%
Street and Outdoor Lighting	23.98%
Total Tariff Sales & Transportation	17.74%

**Northern Nevada
Revenue Allocation Percentages**

Rate Schedule	SWG Increase % After Stip and COC Adjustments
Single-Family Res	19.27%
Multi-family	10.96%
Air Conditioning Res	-3.53%
GS-1	22.62%
GS-2	13.93%
GS-3	24.40%
GS-4	34.53%
GS-5 (Full Tariff)	0.00%
GS-6 (Full Tariff)	0.00%
Air Conditioning	32.40%
Water Pumping	22.26%
Small Electric Generation	36.99%
Gas Service for Compression on Cust Premises	24.66%
Street and Outdoor Lighting	38.19%
Total Tariff Sales & Transportation	19.09%

The Commission, having heard the public sentiment regarding customers' ability to absorb higher rates, explored various rate-mitigation measures, including a deferred, or partially-deferred, rate increase, such as the deferral that was approved in Docket No. 08-12002.

However, based on the information that SWG provided at hearing in late-filed Exhibit 186, attached hereto as Attachment D and incorporated herein by this reference, and filed publicly in Docket No. 24-02024 on the date of the hearing in the present matter, the Commission believes

that such mitigation measures are unnecessary at this time because the rate reduction caused by the falling deferred account balance, which will take effect April 1, 2024, pursuant to Docket No. 24-02024, is larger than the rate increase resulting from the present Docket, causing an overall reduction in rates for most rate classes in April 2024.

The overall changes in rates for customers in April 2024 resulting from a combination of the present docket and Docket No. 24-02024 are shown in the following tables:

Net Impact to Southern Nevada Rates in April 2024 resulting from the combination of Docket No. 23-09012 and Docket No. 24-02024

Rate Schedule	Net Revenue Impact	Net % Increase to Rates
Single-Family Res	\$ (26,081,870)	-4.01%
Multi-family	\$ (4,001,176)	-4.73%
Air Conditioning Res	\$ (23,088)	-10.17%
GS-1	\$ (5,800,180)	-8.74%
GS-2	\$ (11,157,438)	-11.28%
GS-3	\$ (4,247,867)	-11.27%
GS-4	\$ (4,139,296)	-6.79%
GS-5 (Full Tariff)	\$ 148,160	28.75%
GS-6 (Full Tariff)	\$ 1,066,704	22.63%
Air Conditioning	\$ (46,434)	-12.33%
Water Pumping	\$ (20,174)	-12.26%
Small Electric Generation	\$ 158,844	27.64%
Gas Service for Compression on Cust Premises	\$ (123,183)	-11.99%
Street and Outdoor Lighting	\$ (28,125)	-4.68%
Total Tariff Sales & Transportation	\$ (54,298,122)	-5.42%

Net Impact to Northern Nevada Rates in April 2024 resulting from the combination of Docket No. 23-09012 and Docket No. 24-02024

Rate Schedule	Net Revenue Impact	Net % Increase to Rates
Single-Family Res	\$ (11,024,521)	-8.09%
Multi-family	\$ (1,496,975)	-8.62%
Air Conditioning Res	\$ (627)	-12.41%
GS-1	\$ (2,259,703)	-8.66%
GS-2	\$ (3,623,867)	-13.15%
GS-3	\$ (1,623,013)	-13.06%
GS-4	\$ (1,169,405)	-10.56%

GS-5 (Full Tariff)	---	0.00%
GS-6 (Full Tariff)	---	0.00%
Air Conditioning	\$ (583)	-11.06%
Water Pumping	\$ (452)	-8.55%
Small Electric Generation	\$ (2,184)	-7.94%%
Gas Service for Compression on Cust Premises	\$ 25	6.68%
Street and Outdoor Lighting	\$ (834)	-3.94%
Total Tariff Sales & Transportation	\$ (21,202,140)	-9.19%

As the preceding tables show, the combined effect of the present docket and Docket No. 24-02024 is a small reduction in rates for most rate classes. Additionally, as shown in Attachment D, SWG projects a large reduction in the deferred energy account and base tariff energy rate in July 2024.

IV. PROCEDURAL HISTORY

- On September 15, 2023, SWG filed the Application pursuant to the Nevada Revised Statutes (“NRS”) and the Nevada Administrative Code (“NAC”) Chapters 703 and 704, including, but not limited to, NRS 704.110, NRS 704.992, and NAC 704.9716(5). Pursuant to NRS 703.190 and NAC 703.527 *et seq.*, SWG requests that certain material in the Application receive confidential treatment.
- Staff participates as a matter of right pursuant to NRS 703.301.
- On September 21, 2023, BCP filed a notice of intent to intervene pursuant to NRS 228.360.
- On September 26, 2023, the Commission issued a Notice of Application to Change Rates and Notice of Prehearing Conference.
- On October 6, 2023, SWG filed an amendment to the Application.
- On October 13, 2023, SWG filed a supplement to the amendment to the Application.
- SNGG filed a Joint Petition for Leave to Intervene (“PLTI”).
- On October 20, 2023, the Presiding Officer held a prehearing conference attended by SWG, Staff, BCP, and SNGG, wherein SNGG’s PLTI and a procedural schedule were discussed.
- On October 20, 2023, Nevada Cogeneration Associates #1 and #2 (“NCA”) filed a PLTI and Motion to Allow Late Filing.

- On October 24, 2023, the Commission issued a procedural order and an order granting SNGG's PLTI.
- On November 2, 2023, the Commission issued an order granting NCA's PLTI.
- On November 8, 2023, the Commission issued a Notice of Consumer Session and Notice of Hearing.
- On December 14, 2023, the Commission held two separate consumer sessions (at 1:00 p.m. and 6:00 p.m.) to hear from consumers and community organizations regarding the Application.
- On January 5, 2024, SWG submitted its Certification filing.
- On February 2, 2024, SWG, BCP, and Staff filed a stipulation regarding revenue requirement; BCP and Staff filed prepared direct testimony regarding cost of capital and rate design; and SNGG and NCA filed prepared direct testimony regarding rate design.
- On February 7, 2024, the Commission issued Procedural Order No. 2 regarding hearing procedures.
- On February 16, 2024, SWG, BCP, and Staff filed a stipulation regarding rate design, and SWG filed prepared rebuttal testimony regarding cost of capital and remaining rate design issues. Additionally, on February 16, 2024, SWG, BCP, Staff, and NCA filed notices of appearance.
- On February 20, 2024, NCA filed a motion to allow supplemental direct testimony.
- On February 22, 2024, SWG, BCP, Staff, and SNGG filed an amended stipulation, adding SNGG to the Rate Design Stipulation. Additionally, SWG, BCP, and Staff filed exhibit lists; and BCP and Staff filed responses to NCA's motion.
- On February 23, 2024, NCA filed an exhibit list.
- On February 26, 2024, the Presiding Officer held a hearing attended by the parties, wherein testimony was taken regarding the cost of capital, the Stipulations were discussed, and testimony was taken regarding rate design. At the conclusion of the hearing, the Presiding Officer granted an oral motion to accept Exhibit Nos. 100-102, 107-114, 118-125, 178-181, 185-192, 300-312, 400-402, 406, 600, and 603, and Confidential Exhibit Nos. 103C and 602C, into the record pursuant to NAC 703.730.
- On February 28, 2024, SWG and NCA filed affidavits regarding out-of-state witness testimony.
- On March 1, 2024, SWG submitted late-filed Exhibit 186, pursuant to Commission direction.

V. APPLICATION

A. Cost of Capital

1. Through its Certification, SWG requests an increase in its authorized ROR from the current rates to a proposed rate of 7.25% in Southern Nevada and 7.26% in Northern Nevada, based on the cost of debt, cost of equity, and capital structure. (Ex. 125 at 4-5, Ex. 180 at 2.) SWG further requests an increase in its ROE from 9.4% to 10.0% and a capital structure of 50.0% debt and 50.0% equity. (*Id.*)

a. Capital Structure

2. SWG recommends the use of SWG's currently-effective target capital structure, which consists of 50.00% total debt and 50.00% common equity, primarily due to recent events out of the control of SWG's management, which has put temporary downward pressure on SWG's common equity ratio. SWG maintains that a target capital structure of 50.00% total debt and 50.00% common equity is consistent with SWG's capital structure after adjusting for the significant temporary impact of historically high gas prices, the capital structures maintained by the Utility Proxy Group (both current and projected), and the operating subsidiaries of the Utility Proxy Group; moreover, this recommended capital structure supports SWG's credit ratings, which provides long-term cost benefits to customers. (Ex. 179 at 16.)

3. SWG states that its proposed common equity ratio of 50.00% is appropriate for ratemaking purposes in the current proceeding because it is consistent with the common equity ratio that SWG likely would have obtained but for historically high gas costs and could obtain in the future as unrecovered purchased gas costs ("UGPA") balances are received. (*Id.* at 23.)

BCP's Position

4. BCP states that SWG's actual capital structure is 54.24% debt and 45.76% equity, and that SWG is not employing the actual capital structure, but instead requesting a

hypothetical capital structure that is referred to by SWG as a target capital structure and explained as due to recent events out of the control of SWG's management which has put temporary downward pressure on SWG's common equity ratio such as the impact of Winter Storm Uri on increased natural gas prices causing higher short-term debt balances and the December 2022 through January 2023 natural gas price spike. (Ex. 400 at 32-33.)

5. BCP states that historically, the sources of debt and equity capital in Nevada rate proceedings have been actual company consolidated (not target or hypothetical) levels of debt and equity on the books of the company and that the capital structure in the 2018 case (decided on or about February 15, 2019) was 50.68% debt and 49.32% equity; the authorized capital structure in the 2020 case (decided on or about September 23, 2020) was 50.74% debt and 49.26% equity; in the most recent case, Docket No. 21-09001, a settlement resulted in an approved hypothetical capital structure of 50% debt and 50% equity; and now, in this case, SWG's actual capital structure is 54.24% debt and 45.76% equity, and SWG continues to target, but never achieve, a 50% equity and 50% debt capital structure. (*Id.* at 33.)

6. BCP states that the advantages of debt in the capital structure are that debt costs less than equity, and interest charges are deductible for income tax purposes and act to reduce taxes; thus, the more debt in the capital structure, the lower the cost of capital will be. (*Id.* at 34.)

7. BCP states that the question of economy is addressed by examining whether increases in the debt ratio act to increase the cost rates of both debt and equity so as to over-balance the benefits of the larger proportion of debt. In addition, there is always the overriding question of financial risk. In other words, financial risk is increased if the proportion of debt is

increased by such a magnitude that interest obligations cannot be covered during periods of depressed earnings. (*Id.* at 34-35.)

8. BCP, therefore, recommends a capital structure of 51.5% debt and 48.5% equity for several reasons: the average capital structure from Docket No. 18-05031, Docket No. 20-02023, Docket No. 21-09001 (Settlement), and the current actual capital structures are consistent with the recommended alternative of 51.5% debt and 48.5% equity level of capitalization; SWG's proposed target/hypothetical capital structure is not supported by the Commission-authorized or historical capitalization levels; comparable group average equity ratios for 2024 through 2028 capital structures are consistent with the 51.5% debt and 48.5% equity level; and the proposed 51.5% debt and 48.5% equity capital structure is consistent with current SWG forecasts of capital structure over the 2024 — 2025 period. (*Id.* at 35-36.)

Staff's Position

9. Staff states that it does not have any issues with SWG's proposed hypothetical capital structure, as it is the same capital structure that was adopted in SWG's last rate case and appears consistent with SWG's most recent three-year plan. (Ec. 300 at 9.)

10. Staff states that use of SWG's proposed target capital structure instead of SWG's actual capital structure results in a ROR that is approximately 21 basis points higher for Southern Nevada and 22 basis points higher for Northern Nevada (using SWG's proposed ROE) because the capital cost of equity is more than the capital cost of debt. (*Id.*)

SWG's Rebuttal

11. SWG states that the hypothetical capital structure recommended by BCP does not reflect the capital structure expected to be maintained by SWG in the future and is not representative of how SWG plans on financing capital improvements longer-term. SWG states

that it expects the balance of its UPGC account to continue to decline over the coming months and anticipates continuing to trend towards its target capital structure of 50.00% debt and 50.00% equity. (Ex. 181 at 52-53.)

12. SWG states that Moody's Investors Service ("Moody's") acknowledges that SWG's credit metrics have been weaker due to the increased UPGC balance and expects the situation to improve as the balance decreases. SWG states that rating agencies will analyze the effect of the authorized capital structure and return on common equity on the utility's projected financial performance. (*Id.* at 53.)

13. SWG states that a reduction in the authorized common equity ratio will be viewed as credit-negative, as will a common equity ratio that is below the average authorized, and states that in response to SWG's downgrade in January 2021, commenting on the outcome of SWG's then-recent Arizona general rate case, Moody's pointed to the ROE being lowered from 9.5% to a "below-industry average 9.1%" and the fact that "equity capitalization was lowered to 51.1% from 51.7%, both credit negatives" (*Id.* at 53-54.)

14. SWG states that use of SWG's requested target capital structure will be seen as constructive by the rating agencies and will augment SWG's efforts, via the infusion of additional equity capital from the parent company resulting from stock offerings, in preserving SWG's strong investment-grade credit ratings. (*Id.* at 54.)

Commission Discussion and Findings

15. The Commission finds that the consolidated certified capital structure, reflecting an equity-to-debt ratio of 50.00% to 50.00%, is appropriate. Accordingly, the Commission accepts SWG's certified consolidated corporate capital structure.

16. The Commission accepts SWG's explanation regarding the higher-than-average UPGC. The Commission finds that the record in this case supports SWG's expectation that the balance of SWG's UPGC account should continue to decline over the coming months and that the utility will continue to trend towards its target capital structure of 50.00% debt and 50.00% equity.

b. Cost of Debt

17. SWG requests an overall embedded cost of debt of 4.50% for the Southern Nevada rate jurisdiction and 4.51% for the Northern Nevada rate jurisdiction, as updated and certified for the certification period ending November 30, 2023, and maintains such rates are required to service SWG's debt. SWG states that the projected cost of debt is comprised of the cost of fixed-rate debentures and notes, fixed-rate medium-term notes, a variable-rate term facility, short-term debt, and customer deposits; and for the Southern Nevada rate jurisdiction, the cost of debt includes the variable-rate Clark County Industrial Development Revenue Bonds. The components of the cost of debt are displayed in Schedule F-1, Sheet 1 of 12, for each respective division. (Ex. 179 at 23-24, Ex. 180 at 2, Ex. 113 at 27, Ex. 114 at 5.)

BCP's Position

18. BCP states that it reviewed and is satisfied with the Certification cost of debt provided by SWG. BCP adds that it based its analysis, in part, on said Certification cost of debt. (Tr. at 72-74.)

Staff's Position

19. Staff states that following review of the Certification Statement F and the associated workpapers, Staff takes no issue with SWG's certified cost of debt, which is 4.50% for the Southern Nevada rate jurisdiction and comprised of the weighted cost of the Southern

Nevada rate jurisdiction's cost of long-term debt (4.42%), cost of short-term debt (6.20%), and cost of customer deposits (5.29%); and 4.51% for the Northern Nevada rate jurisdiction, comprised of the Northern Nevada rate jurisdiction's cost of long-term debt (4.40%), cost of short-term debt (6.20%), and cost of customer deposits (5.29%). Staff states that the Clark County industrial development revenue bonds were correctly allocated to the Southern Nevada rate jurisdiction only, consistent with the Commission's Order in Docket Nos. 12-02019 and 12-04005. (Ex. 300 at 10-11.)

20. Staff further states that it is satisfied with the customer deposit rate used by SWG as pursuant to NRS 704.655, the Commission issued a letter on June 12, 2023, regarding the statutory interest paid on customer deposits and established a 5.290% interest rate for the period July 1, 2023, through December 31, 2023. Staff notes that because SWG's certification period ended on November 30, 2023, the interest rate of 5.290% applies to SWG's customer deposits at the time of certification. (*Id.* at 11.)

SWG's Rebuttal

21. SWG affirms that the cost of debt sought by SWG in the present docket is 4.50% for the Southern Nevada rate jurisdiction and 4.51% for the Northern Nevada rate jurisdiction. (Ex. 181 at 4, Tr. at 102-104.)

Commission Discussion and Findings

22. The Commission finds that SWG's proposed costs of long-term debt, short-term debt, and customer deposits are appropriate and therefore adopts them accordingly.

c. Return on Equity

23. SWG recommends a range of common equity costs rates from 9.65% to 12.15% (unadjusted) and 10.08% to 12.58% (adjusted). SWG assessed the market-based common equity

cost rates of companies of relatively similar, but not necessarily identical, risk to SWG; however, no proxy group can be identical in risk to any single company. Consequently, SWG maintains that there must be an evaluation of relative risk between the company and the proxy group to determine if it is appropriate to adjust the proxy group’s indicated rate of return. (Ex. 179 at 4-5.)

24. SWG states that its recommendation results from the application of several cost-of-common-equity models, specifically the Discounted Cash Flow (“DCF”) model, the Risk Premium Model (“RPM”), and the Capital Asset Pricing Model (“CAPM”), to the market data of the Utility Proxy Group whose selection criteria will be discussed below. In addition, SWG applied the DCF model, RPM, and CAPM to a Non-Price Regulated Proxy Group. The results derived from each are as follows:

Summary of Common Equity Cost Rate

Discounted Cash Flow Model (DCF)	9.65%
Risk Premium Model (RPM)	10.85%
Capital Asset Pricing Model (CAPM)	11.69%
Cost of Equity Models Applied to Comparable Risk, Non-Price Regulated Companies	12.15%
Indicated Range of Common Equity Cost Rates Before Adjustments	9.65% - 12.15%
Business Risk Adjustment	0.10%
Credit Risk Adjustment	0.23%
Flotation Cost Adjustment	0.10%
Recommended Range	10.08 % - 12.58%

(Id. at 5.)

25. SWG states that the indicated range of common equity cost rates applicable to the Utility Proxy Group is between 9.65% and 12.15% before any company-specific adjustments, but to reflect SWG’s specific risks, SWG adjusted the indicated common equity

cost rate model results upward by 0.10% and 0.23% to reflect the company's greater relative business risk and lower bond rating, as compared to the Utility Proxy Group, and adjusted the indicated common equity cost rate upward by 0.10% to account for flotation costs, which resulted in a company-specific indicated range of common equity cost rates between 10.08% and 12.58%. (*Id.* at 5-6.)

26. SWG states that its requested ROE of 10.00% is within its derived unadjusted range of ROEs, but slightly below its derived adjusted range of ROEs, and, as such, should be considered conservative. (*Id.* at 6.)

27. SWG states that its objective in developing a proxy group was to select companies that are comparable to SWG, and because SWG is a 100% rate-regulated natural gas utility, SWG applied the following criteria to select the utilities in a Utility Proxy Group: they were included in the Natural Gas Utility Group of Value Line's Standard Edition (May 26, 2023) ("Value Line"); they have 60% or greater of fiscal year 2022 total operating income derived from, or 60% or greater of fiscal year 2022 total assets attributable to, regulated gas distribution operations; they have not publicly announced that they were involved in any major merger or acquisition activity (i.e., one publicly-traded utility merging with or acquiring another) or any other major development; they have not cut or omitted their common dividends during the five years ended 2022 or through the time of preparation of this testimony; they have Value Line and Bloomberg Professional Services ("Bloomberg") adjusted Beta coefficients (beta); they have positive Value Line five-year dividends per share (DPS) growth rate projections; and they have Value Line, Zacks, or Yahoo! Finance consensus five-year earnings per share (EPS) growth-rate projections. (*Id.* at 15-16.)

28. SWG states that the following six companies met these criteria:

Utility Proxy Group Companies

Company Name	Ticker Symbol
Atmos Energy Corporation	ATO
New Jersey Resources Corporation	NJR
NiSource Inc.	NI
Northwest Natural Gas Company	NWN
ONE Gas, Inc.	OGS
Spire Inc.	SR

(*Id.* at 16.)

29. SWG states that it must compete for equity in capital markets along with all other companies of comparable risk, which includes non-utilities, and the cost of common equity is thus determined based on equity market expectations for the returns of those companies; thus, if an individual investor is choosing to invest its capital among companies of comparable risk, it will choose a company providing a higher return over a company providing a lower return. (*Id.* at 32-33.)

30. SWG relied on the DCF model, the RPM, and the CAPM, applied to the Utility Proxy Group described above, and also applied to a Non-Price Regulated Proxy Group. SWG states that reasonable investors use a variety of tools and do not rely exclusively on a single source of information or single model. (*Id.* at 33.)

31. SWG states that the models focus on different aspects of return requirements and provide different insights to investors' views of risk and return. The DCF model, for example, estimates the investor-required return assuming a constant expected dividend yield and growth rate in perpetuity, while Risk-Premium-based methods (i.e., the RPM and CAPM approaches) provide the ability to reflect investors' views of risk, future market returns, and the relationship between interest rates and the cost of common equity; just as the use of market data for the Utility Proxy Group adds the reliability necessary to inform expert judgment in arriving at a recommended common equity cost rate, the use of multiple generally-accepted common equity

cost rate models also adds reliability and accuracy when arriving at a recommended common equity cost rate. (*Id.* at 33-34.)

32. SWG states that for the Utility Proxy Group, the mean result of applying the single-stage DCF model is 9.79%, the median result is 9.50%, and the average of the two is 9.65%, and in arriving at a conclusion for the constant growth DCF-indicated common equity cost rate for the Utility Proxy Group, SWG relied on an average of the mean and the median results of the DCF. (*Id.* at 36-37.)

33. SWG states that to derive its indicated cost of common equity under the RPM, SWG used two risk premium methods, the PRPM and a risk premium model using a total market approach. SWG states that the PRPM estimates the risk-return relationship directly, while the total market approach indirectly derives a risk premium by using known metrics as a proxy for risk. (*Id.* at 37-38.)

34. SWG states that it calculated an RPM-derived common equity cost rate of 10.85%, which gives equal weight to the PRPM (10.74%) and the adjusted-market approach results (10.95%). (*Id.* at 52.)

35. SWG states that the mean result of its CAPM/ECAPM analyses is 11.68%, the median is 11.70%, and the average of the two is 11.69%; and that consistent with its reliance on the average of mean and median DCF results discussed above, the indicated common equity cost rate using the CAPM/ECAPM is 11.69%. (*Id.* at 57-58.)

36. SWG states that the results of the common equity models applied to a Non-Price Regulated Proxy Group — which group SWG states is comparable in total risk to the Utility Proxy Group — are as follows: 10.60% (DCF), 13.10% (RPM), and 12.30% (CAPM); the

average of the mean and median of these models is 12.15%, which SWG used as the indicated common equity cost rates for the Non-Price-Regulated Proxy Group. (*Id.* at 61.)

37. SWG states that the range of indicated ROEs that its analysis derived is from 9.65% (DCF model) to 12.15% (Non-Price Regulated Market Models), which is applicable to the Utility Proxy Group; however, SWG claims that it has greater risk than the Utility Proxy Group and that the indicated range of model results based on the Utility Proxy Group must be adjusted to reflect SWG's greater relative risk. Therefore, SWG applied a 0.10% size adjustment, a 0.23% credit risk adjustment, and a 0.10% flotation cost adjustment to the indicated range of common equity cost rates between 9.65% and 12.15%, resulting in a SWG-specific range of common equity rates between 10.08% and 12.58%. (*Id.* at 61-66.)

BCP's Position

38. BCP states that the Nevada regulatory process provides a supportive regulatory framework, as noted by independent credit rating agencies such as Moody's, as SWG is able to employ an updated test year (employing the Certification Period 6-month update) in setting rates that reduces the impact of regulatory lag. By employing an updated test period, operating cost and investment changes beyond the historical test year end are included in the rate calculus without the need of future filings to recover such changes occurring beyond the historical test period, which allows for enhanced cost recovery for SWG. Additionally, BCP states that SWG has the advantage of a revenue decoupling mechanism, which helps stabilize cash flow regardless of changes in customer usage (BCP notes that Moody's points out that one of SWG's credit strengths is that "85% of margin [is] under decoupled rate structure." BCP adds that SWG has a mechanism which authorizes recovery of expansion costs to provide services to unserved and underserved areas in Nevada through expansion and economic development legislation, and

SWG was recently authorized to create a deferred asset for COVID-19-related costs. (Ex. 400 at 15-16; *citing* Moody's Investor Service, Credit Opinion, Southwest Gas Corporation Update to Credit Analysis at 1, (December 5, 2023).)

39. BCP states that such rate mechanisms reduce SWG's business risks through enhancing cash flow and improving the timing of cost expenditure recovery; thus, SWG has lower risk due to these mechanisms, and there is no basis to conclude that Southwest Gas has increased business risks. (*Id.* at 16.)

40. BCP states that a December 5, 2023, credit opinion from Moody's stated, in pertinent part, "Southwest Gas Corporation's credit profile risk reflects its low business risk;" the regulatory environments including Nevada "have been generally credit supportive, including decoupled rate structures in all three states;" SWG "continues to experience some cost recovery regulatory lag in Arizona, its largest jurisdiction;" and while the current long-term credit rating for SWG's debt is Baa1 with a stable outlook, Moody's also points out that credit metrics have been weak due to temporary increased gas costs, but as SWG collects on the excess fuel balances, the utility's credit metrics are expected to improve; and the parent company's Mountain West Pipeline sale reduces risk through strengthening the parent company's financial metrics. (*Id.* at 17-18; *citing* Moody's Investor Service, Credit Opinion, Southwest Gas Corporation Update to Credit Analysis, (December 5, 2023).)

41. BCP states that it performed ROE analyses using the DCF Model, the Two-Stage DCF Model, the CAPM Model, the ECAPM Model, and the Bond Yield Risk Premium Model, and the results showed the following:

Cost of Equity Estimates

MODE	RANGE	MIDPOINT
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DCF Model	8.60% - 10.10%	9.35%
Two-stage DCF	8.19% - 9.88%	9.04 %
CAPM	9.13% - 9.44%	9.29%
ECAPM	9.36% 9.59%	9.47%
Bond Yield Risk Premium	10.20% - 10.54%	10.37
Average All	9.09% - 9.90%	9.50%
Median All	9.13% 9.88%	9.35%

(*Id.* at 3.)

42. BCP states that based on the model results and business and financial risk considerations, an equity return of 9.30% is appropriate in this case, based on the two DCF midpoint results range of 9.04% to 9.35% indicating a 9.2%-point estimate while also considering the CAPM and ECAPM midpoint estimate range of 9.29% to 9.47% indicating a 9.4% point estimate, thus, giving equal weight to both DCF (9.20%) and the CAPM and ECAPM models (9.40%) suggests a 9.30% estimate for this proceeding, which is further supported by the median of all five model results shown above. (*Id.*)

Staff's Position

43. Staff recommends a 9.45% ROE, employing two DCF models, the Constant Growth DCF and Three-Stage DCF; the CAPM, including the ECAPM; and an Allowed ROE/Bond Yield model, which analyzes the relationship between ROEs awarded by state regulators and the long-term U.S. Treasury bond yields that prevailed when those ROEs were awarded. (Ex. 300 at 2.)

44. The Table below summarizes Staff's ROE analysis results:

Method	Average	Median	Range
Constant Growth	10.62%	9.92%	9.89% - 10.65%
Three-Stage DCF	9.55%	9.57%	9.01% - 10.14%
CAPM & ECAPM	10.90%	10.74%	10.24% - 11.37%
Allowed ROE/Bond Yield	10.00%		
Average (All Models)	10.33%	10.16%	9.01% - 11.37%
Average (excl. CAPM)	10.04%	9.87%	9.02%-10.65%
Recommended ROE	9.45%		9.20% - 9.80%

(*Id.* at 3.)

45. Staff states that its recommended ROE of 9.45% and the reasonable range of 9.20 - 9.80 percent are based on the following factors: the simple average over all methods is 10.33%, and the median is 10.16%; however, a median that is lower than the average suggests certain outliers are influencing the average result, particularly the average result for the Constant Growth DCF model; when the CAPM-based and ECAPM-based ROEs are excluded from Staff's analysis, the average ROE is 10.04%, and the median is 9.87%; CAPM-based and ECAPM-based ROEs are very sensitive to the movement of long-term U.S. Treasury bond yields, which are used as the risk-free rate in those models; the U.S. Treasury bond yields have increased significantly over the last year; because of the CAPM model's sensitivity to the U.S. Treasury bond yields, the Commission recently found it appropriate to view CAPM results with caution. (*Id.*)

46. Staff provides that the results of the analysis, especially the CAPM, ECAPM, and Allowed ROE results, seem to be heavily driven by the increase of long-term U.S. Treasury bond yields, which in turn were driven by the Federal Reserve's rapid increases to the federal funds rate between 2022 and the first half of 2023, mainly due to concerns about inflation levels that have reached 40-year highs. Staff states that since March 2022, the Federal Reserve raised interest rates 11 times from zero to 5.25%, including four 75-basis point increases and its most recent 25-basis-point increase in July 2023, one of the Federal Reserve's fastest and steepest interest rate increases;

however, the Federal Reserve is expected to lower interest rates in 2024. Staff adds that state regulators have granted an average of 9.58% ROE for gas utilities in the first half of 2023, an increase from the 2022 average of 9.53%. Staff also refers to SWG stating that it continues to see strong customer growth across its service territories, as customer growth is above average and was approximately 1.9% for 2022; SWG further expects to have an elevated capital program for 2023-2025, largely related to significant pipe replacement activities, and capital expenditures are higher than the average yearly capital expenditures before 2018, and some program costs can be recovered through infrastructure trackers. Finally, Staff states that the Commission's awarding of a 9.40% ROE in the 2021 GRC did not adversely affect SWG's credit ratings. Staff explains that SWG's credit ratings from Moody's and S&P were maintained at Baa1 and BBB, respectively, while Fitch recently downgraded SWG's credit rating to BBB+ which reflects leverage at the utility in excess of Fitch's downgrade threshold throughout the forecast period, but does not appear to be due to the outcome of the 2021 GRC in Nevada, as Fitch cited a balanced outcome and constructive resolution in that proceeding; and SWG's parent company's (Southwest Gas Holdings) sale of MountainWest and planned divestiture of Centuri reduce potential contagion risk from non-utility operations. (*Id* at 4-5.)

SWG's Rebuttal

47. SWG states that it updated its ROE analyses as of January 12, 2024, and based on these updated analyses, SWG's range of reasonable ROEs is between 10.29% and 12.12% (unadjusted) and 10.68% to 12.51% (adjusted), yet despite the increase in the analytical results, SWG continues to request an ROE of 10.00%. SWG maintains that in view of current markets and the updated results of its ROE models, recommended ROEs of 9.45% (Staff) and 9.30% (BCP) are insufficient at this time. (Ex. 181 at 2.)

48. SWG's rebuttal models result in the following common equity cost rates:

Discounted Cash Flow Model	10.29%
Risk Premium Model	10.82%
Capital Asset Pricing Model	11.97%
Cost of Equity Models Applied to Comparable Risk, Non-Price Regulated Companies	<u>12.12%</u>
Indicated Range of Common Equity Cost Rates Before Adjustments	10.29%- 12.12%
Size Adjustment	0.10%
Credit Risk Adjustment	0.17%
Flotation Cost Adjustment	<u>0.12%</u>
Indicated Range of Common Equity Cost Rates After Adjustment	<u>10.68% - 12.51%</u>

(*Id.* at 5.)

49. SWG states that Staff's ROE model results have increased substantially from Staff's analyses in Docket No. 21-09001, SWG's last general rate case, and justify a larger increase in recommended ROE than offered by Staff. (*Id.* at 6-7.)

50. SWG states that BCP's ROE model results have increased substantially from BCP's analyses in Docket No. 21-09001, SWG's last general rate case, and justify a larger increase in recommended ROE than offered by BCP. (*Id.* at 51-52.)

Commission Discussion and Findings

51. In determining an appropriate ROE, the Commission relies upon frameworks contained in Nevada law and the two seminal Supreme Court decisions regarding ratemaking: *Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591 (1942) and *Bluefield Water Works and Improvement Company v. Public Service Company Commission of West Virginia*, 262 U.S. 679 (1923). Pursuant to *Hope* and *Bluefield*, regulators must consider numerous factors when setting a utility's ROR. (*Hope* 320 U.S. at 605; *Bluefield* 262 U.S. at

692.) As the *Hope* Court stated, regulators can and should consider “appropriate protection to the relevant public interests, both existing and foreseeable,” and “it is the result reached, not the method employed, which is controlling.” (*Hope*, 320 U.S. at 605.) Nevada utilities are entitled to the opportunity to earn an authorized and reasonable ROR which is “adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.” (*Nevada Power Co. v. Pub. Serv. Comm’n*, 91 Nev. 816, 825, 544 P.2d 428, 434-35 (1975)). In establishing a zone of reasonableness and determining an ROE within that range, the Commission relies upon expert testimony and evidence which apply the principles of finance, accounting, and economics to the cost of a particular utility’s common equity. This evidence includes the results of each expert’s ROE studies, the expert’s judgment in assessing macroeconomic conditions, capital markets, and SWG’s particular circumstances (e.g., capital structure, risk profile, and regulatory environment.) The Commission finds, based upon the evidence in the record, that the range or zone of reasonableness for SWG’s ROE falls between 9.20 percent and 9.80 percent, as recommended by Staff.

52. The ROE range of reasonableness by each party in this case is reflected in Table 1 below:

Table 1¹

Party	Average ROE Range	Recommended ROE
SWG	9.65% to 12.15%	10.0%

¹ Ex. 179 at 5 (Table 3), SWG range of reasonableness excluding company-specific adjustments, as the Commission agrees with BCP and Staff that SWG is not riskier than a comparable company. (Ex. 400 at 3.) BCP bases its range of reasonableness on DCF, CAPM, and ECAPM midpoint results, which range from 9.04% to 9.47%. (Ex. 300 at 3.).

BCP	9.04% to 9.47%	9.30%
Staff	9.20% to 9.80%	9.45%

53. The recommended ROEs in Table 1 reflect a 55- to 70-basis-point spread between the recommendations of BCP and Staff and the request made by SWG.

54. The expert cost of capital witnesses in this case primarily rely on the results of several commonly-used economic models, applied to a proxy group of comparable companies (with the exception of the SWG Cost of Equity Models Applied to Comparable Risk, Non-Price Regulated Companies, which the Commission finds to be not relevant and comparable to the utility proxy group as discussed below), to reach their respective recommendations for an appropriate ROE for SWG. The average ROE recommendation for each party and specific economic models employed are reflected in Table 2:

Table 2

Modeling Method Average Result	SWG Mid ROE ²	BCP Mid ROE ³	Staff Mid ROE ⁴
Constant Growth DCF:	9.65%	9.35%	9.92%
2-Stage DCF — BCP, 3 Stage DCF - Staff		9.04%	9.57%
Capital Asset Pricing Model (CAPM)	11.40%	9.29%	10.61%
Empirical Capital Asset Pricing Model (ECAPM)	11.98%	9.47%	10.88%
Risk Free Bond Yield + Allowed ROE for Gas Utilities, Risk Premium Model - SWG	10.85%	10.37%	10.00%
Cost of Equity Models Applied to Comparable Risk, Non-Price Regulated Companies	12.15%		
<i>Average</i>	<i>11.21%</i>	<i>9.50%</i>	<i>10.20%</i>

² See Ex.179 Table 3 at 5 and DWD-6, p.1.

³ See Ex. 400 at 3.

⁴ See Ex. 300 Table 2 at 3 and Table 8 at 23.

Recommended ROE	10.00%	9.30%	9.45%

55. All parties rely on the results from at least five ROE models in determining their recommended fair return on equity. The use of any unsupportable model input can skew the overall average ROE result.

56. All parties relied upon the following yields on Treasury Bonds for the risk-free rate used in the CAPM and ECAPM models:

Table 3

	Time Period used for Yield on Treasury Bonds	Risk-Free Rate
SWG	<i>Projected Risk Free Rate on 30 yr. Treasury Bonds</i>	3.85 ⁵
BCP	Three-month average on 30 yr. Treasury Bonds 10/2023-12/2023	4.58% ⁶
Staff	Three-month avg. on 20 yr. Treasury Bonds; 9/1/2023 — 11/30/2023	4.88% ⁷

57. The information in Table 3 suggests that the significant spread difference between the SWG's CAPM and ECAPM results and Staff's and BCP's model results is not due to the selection of the risk-free rate used as an input because the risk-free rate used by SWG was 103 and 73 basis points lower than the risk-free rate used by Staff and BCP, respectively. If similar market risk premiums ("MRP") were used by the parties in producing CAPM and ECAPM estimates, the lower risk-free rate used by SWG would have produced ROE estimates lower than Staff's and BCP's.

⁵ See Ex.179 at DWD-6, p. 2.

⁶ See Ex. 400 at 29.

⁷ See Ex. 300 at 20.

58. However, SWG used an MRP of 9.87% (Ex. 179, DWD-6, p.1) to produce its CAPM and ECAPM ROE estimates, which was 270 points higher than the 7.17% MRP premium used by Staff (Ex. 300, p. 21) and 383 basis points higher than the 6.04% MRP used by BCP (Ex. 400, p. 30), in producing its respective CAPM- and ECAPM-based ROE estimates. The higher MRP estimate used by SWG results in its CAPM and ECAPM ROE estimates being considerably higher than those estimated by Staff and BCP, despite SWG using a lower risk-fee rate.

59. In contrast to the significantly higher CAPM and ECAPM ROE estimates produced by SWG, the DCF-based estimates produced by SWG, and included on Table 2 above, are consistent with the DCF-based ROE estimates produced by Staff and BCP.

60. The Commission adopts an ROE of 9.50% based on Staff's ROE estimation and range of reasonableness, including its Constant Growth and Three-stage DCF model, CAPM, ECAPM, and an Allowed ROE/Bond Yield analysis, the results of which are as follows:

Method	Average	Range
Constant Growth DCF	10.62%	9.89%-10.65%
Three-stage DCF	9.55%	9.01%-10.04%
CAPM & ECAPM	10.90%	10.24%-11.37%
Allowed ROE/Bond Yield	10.00%	
Average (All Models)	10.33%	9.01%-11.37%
Average (excluding CAPM/ECAPM)	10.04%	9.02%-10.65%
Recommended ROE	9.45%	9.20%-9.80%

61. Staff's recommended ROE and range of reasonableness is based on the following: 1) the average and median of all Staff methods demonstrating 10.33% and 10.16 percent, respectively, with the higher median indicative of outlier estimates influencing the lower average result; 2) Staff construing its CAPM and ECAPM results as outliers given the models' sensitivity to the movement of long-term Treasury yields, which when excluded, change the average of all methods from 10.33% to 9.87%; 3) the stated expectation of the Federal Reserve that it plans to lower interest rates in 2024; 4) the fact that state regulators have granted an average ROE of 9.58% for gas utilities in the first half of 2023 compared to an average of 9.53% for 2022; and 5) the 9.40% ROE agreed to by SWG in its 2021 GRC not adversely affecting SWG's credit ratings. In light of the record, the Commission finds Staff's ROE recommendations to be the most supported.

62. The Commission notes that the average ROEs granted by state regulators in the first half of 2023 of 9.58% (Ex. 300 at 4) fall within Staff's ROE model ranges and just above BCP's recommended upper range limit of 9.47%, while falling well outside of SWG's recommended range of reasonableness of 10.08% to 12.58%. (Ex. 179 at 5.) While BCP's recommendation of 9.30% fell within the Commission's adopted range of reasonableness, the Commission finds an ROE of 9.50% based on Staff's recommendation to be most reflective of current market conditions.

63. The Commission finds that SWG's recommended ROE is based upon models that produced significantly inflated results. BCP notes that since SWG agreed to a 9.40% ROE in its last GRC in early 2022, regulatory authorities around the county have authorized ROEs in the general range of 9.50% to 10.0%. (Ex. 400 at 43.) BCP adds that it has been several decades since regulatory Commissions have considered SWG's higher-end range of

ROE estimates, which SWG uses to support the appropriateness of its 10.0% ROE recommendation, reasonable. (Ex. 400 at 43-44.)

64. The Commission finds that SWG's ROE analysis resulted in inflated CAPM and ECAPM results. The Commission agrees with Staff's analysis that SWG's CAPM models relied on overstated MRPs. SWG's prospective MRPs of 10.29% to 12.19% (Ex. 179 at 54) are overinflated compared to the historical MRP and the survey results shown in the publications reviewed by Staff, which estimated the MRP to be between 5.6% to 5.94% (Ex. 300 at 22), making SWG's prospective MRPs almost 540 to 660 basis points higher, and inflating its ROE analysis.

65. In SWG's 2018 GRC in Docket No. 18-05031 and 2020 GRC in Docket No. 20-02023, SWG used MRPs that were higher than Staff's and other published estimates, which the Commission found to be significantly above historical or published data and inadequately supported by SWG. The Commission further found that the MRPs resulting from SWG's method significantly overstated the ROE in its CAPM and ECAPM models and rejected the overstatement of MRP in its CAPM and ECAPM analysis. The Commission finds that, in the instant proceeding, SWG used similar methods and offered no additional support or evidence to justify its use of significantly higher MRPs. Accordingly, the Commission continues to be unpersuaded by SWG's CAPM and ECAPM models.

66. SWG applies its cost-of-equity models to Comparable Risk, non-price-regulated companies and calculates risk adjustments specific to SWG for business risk, credit risk, and flotation costs to inform its ROE analysis and recommendation. The Commission agrees with Staff and BCP that the 46-company, non-price-regulated group of

companies is not a reasonable proxy for a regulated monopoly local distribution company gas provider and that the specific risk adjustments proposed by SWG are not supported and should be rejected for the reasons noted by Staff and BCP. To the extent that SWG's non-price-regulated proxy group ROE estimate and company-specific risk adjustments have been factored into SWG's estimate that an ROE of 10% is just and reasonable, excluding those two factors from consideration, as the Commission does here, would lower that estimate to within the range of reasonableness adopted by the Commission.

67. The Commission notes that it is important to consider the fact that SWG's ROE of 9.40% agreed to in its 2021 GRC did not adversely affect its credit ratings with Moody's and S&P, which maintained their SWG ratings at Baa1 and BBB, respectively. (Ex. 300 at 4) Fitch recently downgraded SWG's credit rating to BBB+ based on leverage at the utility in-excess of Fitch's downgrade threshold throughout the forecast period, but the rating action by Fitch does not appear to be in response to the outcome of the 2021 GRC in Nevada, which Fitch cited as a balanced outcome and constructive resolution of that proceeding. (*Id.*)

68. For all of the reasons stated above, and consistent with the substantial evidence provided in this docket, the Commission finds that an ROE of 9.50% balances the interests of ratepayers and shareholders and results in just and reasonable rates. The Commission further finds that, based upon the evidence, an ROE of 9.50% is commensurate with returns on investments in other enterprises having similar corresponding risks and is both sufficient to assure confidence in the financial integrity of the enterprise and for SWG to attract capital.

B. Revenue Requirement

69. SWG, BCP, and Staff agree to a “black box” statewide revenue requirement increase, prior to adjustments made with respect to the cost of capital,⁸ of \$56.09 million in Southern Nevada and \$9.47 million in Northern Nevada. (Attachment A at 3.)

70. SWG, BCP, and Staff request that the Commission authorize SWG to: continue tracking incremental costs associated with the Annual Leak Survey, consistent with Docket No. 19-09001, in a regulatory asset; continue with a 2-year regulatory amortization period; and request approval of depreciation rates as provided in Attachment 1 to the Stipulation, to which SWG, BCP, and Staff agree. (*Id.*)

71. SWG, BCP, and Staff agree that SWG shall establish regulatory liability account(s) to record any amounts related to the amortization of regulatory assets authorized in this docket if amortized beyond the 2-year amortization period agreed to in Attachment A. (*Id.*)

72. SWG, BCP, and Staff request that the 2020 wage increase currently embedded in SWG’s cost of service be accepted by the Commission and no longer be required to be included in Statement P in SWG’s future general rate case filings. (*Id.* at 4.)

73. SWG, BCP, and Staff request that the Commission issue directives requiring SWG to include a schedule of itemized Board of Directors expenses in its next general rate case, clearly showing the portion requested from ratepayers; and to file a schedule of itemized investor relations expenses in its next general rate case, clearly showing the portion requested from ratepayers. (*Id.*)

⁸ The Stipulated revenue requirement increase amounts are projected based upon SWG’s requested Rate of Return, which is itself based upon SWG’s requested Capital Structure and Return on Equity. A Commission approval of any different amount in those areas would change those projected increase amounts.

74. SWG, BCP, and Staff request that the Commission include in its final order in this case a compliance item requiring SWG to file, within ninety days of issuance of the order, an accounting of all final costs incurred to present and prepare this general rate case. (*Id.*)

75. SWG, BCP, and Staff agree that SWG shall maintain its decoupled rate structure, and agree to use, in this docket, SWG's billing determinants, as provided in its certification filing, including its weather-normalized adjustments. (*Id.*)

76. SWG, BCP, and Staff request that the Commission issue directives requiring SWG to continue evaluating a method that incorporates the warming trend; and to provide, as part of its next general rate case filing, a guide for its COSS models, which shall include an overview of foundational concepts and principles, the cost allocation process, issues associated with empirical implementations, the primary inputs and structure of SWG's COSS models, and a description of the workings of SWG's COSS models. (*Id.*)

SNGG's Position

77. SNGG does not object to the Revenue Requirement Stipulation. (Tr. at 167, lines 4-6.)

NCA's Position

78. NCA does not object to the Revenue Requirement Stipulation. (Tr. at 167, lines 14-17.)

Commission Discussion and Findings

79. The Commission accepts the Revenue Requirement Stipulation.

80. The Commission finds that the Stipulation complies with the requirements of NAC 703.845, in that it settles only issues relating to the instant proceedings and does not seek relief that the Commission is not otherwise empowered to grant. The Stipulation is a consensus

resolution of the issues pursuant to the Parties' negotiations and is a reasonable recommendation and resolution of the issues in these proceedings.

81. All arguments of the Parties raised in the Revenue Requirement phase of this proceeding not expressly addressed herein have been considered and either rejected or found to be non-essential for further discussion in this order. Any agreements and recommendations contained in the Stipulation but not expressly addressed herein are either agreements by the Parties regarding matters non-essential to the disposition of this docket or are recommendations for specific findings that do not require delineation given the Commission's acceptance of the Stipulation and corresponding approval of the Application as modified by the Stipulation.

C. Rate Design

82. SWG, BCP, Staff, and SNGG state that billing determinants and revenue for the one customer that started receiving service under rate schedule SG-G5 prior to 1/1/2024, the one customer that started receiving service under rate schedule SG-G6 prior to 1/1/2024, and the one customer that started receiving service under rate schedule SG-G6 on 1/1/2024 should be included in the customer class revenue allocations and the calculation of rate design for the Southern Nevada rate jurisdiction. (Attachment C at 3.)

83. SWG, BCP, Staff, and SNGG state that Southern and Northern Nevada rates for schedules with demand charges will be calculated to recover 45% of the customer class revenue requirement through the applicable basic service charge, transportation service charge, and demand charge; and 55% of the class revenue requirement through the variable commodity charge of the rate design. (*Id.*)

84. SWG, BCP, Staff, and SNGG state that the percentages outlined below were calculated based on SWG's proposed Certification revenue increase for the Southern Nevada rate

jurisdiction of \$63.5 million dollars and the stipulated revenue increase (before any adjustments to SWG’s proposed cost of capital) of \$56.09 million. (*Id.*)

Description	Settlement Allocation at Certification Revenue Requirement	Settlement Allocation at Settlement Revenue Requirement
Single-Family Residential Gas Service	25.29%	20.91%
Multi-Family Residential Gas Service	20.56%	13.65%
Air Conditioning Residential Gas Service	33.51%	37.46%
General Gas Service - 1	2.80%	7.27%
General Gas Service - 2	(1.27%)	12.69%
General Gas Service - 3	13.41%	22.60%
General Gas Service - 4	29.91%	26.91%
General Gas Service - 5	20.29%	31.51%
General Gas Service - 6	17.47%	24.80% ²
Air Conditioning Gas Service	0.53%	17.77%
Water Pumping Gas Service	(24.43%)	11.47%
Small Electric Generation Gas Service	17.62%	30.30%
Gas Service for Compression on Customer's Premises	24.93%	33.61%
Street and Outdoor Lighting Gas Service	39.99%	26.28%
Total Tariff Sales and Transportation	22.27%	19.44%

(*Id.* at 4.)

85. SWG, BCP, Staff, and SNGG state that the percentages outlined below were calculated based on SWG’s proposed Certification revenue increase for the Northern Nevada rate jurisdiction of \$10.47 million dollars and the stipulated revenue increase (before any adjustments to SWG’s proposed cost of capital) of \$9.47 million. (*Id.* at 4-5.)

Description	Settlement Allocation at Certification Revenue Requirement	Settlement Allocation at Settlement Revenue Requirement
Single-Family Residential Gas Service	24.27%	20.64%
Multi-Family Residential Gas Service	15.25%	11.74%
Air Conditioning Residential Gas Service	(5.45%)	(3.79%)
General Gas Service - 1	26.95%	24.22%
General Gas Service - 2	8.23%	14.92%
General Gas Service - 3	15.15%	26.12%
General Gas Service - 4	31.78%	36.98%
General Gas Service - 5	0.00%	0.00%
Air Conditioning Gas Service	36.60%	34.74%
Water Pumping Gas Service	27.10%	23.83%
Small Electric Generation Gas Service	37.59%	39.61%
Gas Service for Compression on Customer's Premises	20.44%	26.40%
Street and Outdoor Lighting Gas Service	60.01%	40.89%
Total Tariff Sales and Transportation	22.61%	20.44%

(*Id.* at 5.)

86. SWG, BCP, Staff, and SNGG state that, under the terms of their Rate Design Stipulation, the final revenue requirement, after adjustments to cost of capital, will be allocated to customer classes in proportion to the stipulated revenue allocation percentages reflected in the tables above. (*Id.*)

87. SWG, BCP, Staff and SNGG request that the Commission issue a directive requiring, at least six months prior to the filing of SWG's next general rate case, the parties to meet informally to discuss alternate methods of classifying and allocating the cost of SWG's transmission system mains, distribution system mains, and distribution system service lines to customer classes in its next rate case. (*Id.* at 5-6.)

88. Additionally, pursuant to the Stipulation, SWG agrees to provide additional cost-of-service studies that utilize other allocation methodologies, including throughput, and proposed noticing in its next general rate case application that moves customers in Schedule Nos. SG-RAC/NG-RAC, SG-AC/NG-AC, SG-WP/NG-WP, SG-EG/NG-EG, and SG-CNG/NG-CNG to their otherwise applicable rate schedules to ensure that these customers receive proper noticing should SWG, Staff, or another intervening party propose to eliminate any of these rate schedules in that future proceeding. (*Id.* at 6.)

89. Additionally, pursuant to the Stipulation, SWG agrees to revise its Contract Transition Adjustment Provision as shown in Attachment 2 to Attachment B and to implement a Large Customer Adjustment Provision as shown in Attachment 3 to Attachment B. (Attachment B at 6.)

90. SGW, BCP, and Staff all state that they believe that the Rate Design Stipulation is in the public interest. (Tr. at 178-179.)

91. The panel of witnesses supporting the Stipulation testified that agreement paragraph one of Attachment B and Attachment C made a reclassification adjustment, as was done for other rate classes, to move the billing determinants for the customers mentioned in agreement paragraph one to their appropriate schedule and use those adjusted billing determinants for cost allocation and rate design, as opposed to SWG's Certification cost allocation, where SWG co-mingled the billing determinants of those customers, whose contracts had terminated, with the billing determinants of customers who remain on contracts, resulting in a total of approximately three customers on G-5, and approximately three or four on G-6, and then used that larger set of customers in volumes in the class cost of service and rate design to design rates for those two schedules, and simply applied those resulting rates to the two customers that were presently being served on G-5 and G-6. (Tr. at 180-181.)

92. The panel of witnesses supporting the Stipulation further testified that the increase in the Stipulation to the proposed rates for the G-6 Rate Class is due to changes in the revenue allocation in paragraph 2 of Attachment C, and the throughput months being used. (*Id.* at 185.)

93. The panel of witnesses supporting the Stipulation further testified that SWG tracked total distribution main investment, with no distinction between high-pressure distribution mains and low-pressure distribution mains, and that high-pressure distribution mains were more expensive to install than low-pressure distribution mains; thus, NCA's assertion that it was overpaying because NCA only uses high-pressure distribution mains is not necessarily accurate. (*Id.* at 195-196.)

94. The panel of witnesses supporting the Stipulation further testified that, as participants of a system, residential customers, who do not use high-pressure distribution mains, do pay for system costs, which include costs for high-pressure distribution mains, and that the

entire system could, potentially, have been designed and built more economically with fewer or even no high-pressure distribution mains if customers such as NCA or other G-6 customers did not require the high-pressure mains; therefore, NCA and other G-6 customers, as participants in the system, should also pay system costs, which include costs for low-pressure distribution mains. (*Id.* at 196-199.)

95. The panel of witnesses supporting the Stipulation further testified that NCA did, in fact, use the low-pressure distribution system; while NCA is not directly connected to the low-pressure system, a contractual provision allows NCA, while directly connected to the Kern River Interstate Gas Pipeline, to, for economic reasons, schedule gas deliveries off of the El Paso and Transwestern Interstate Gas Pipelines, which gas flows into and through SWG's low-pressure distribution system, providing a benefit to NCA that would not exist without the low-pressure distribution system. (*Id.* at 201-205)

NCA's Position

96. NCA states that it does not have any problem with paragraph 1 of the stipulation and does not take issue with making adjustments to correctly reflect various customers in the correct rate classes for the revenue portion and rate design. (*Id.* at 228.)

97. NCA further states that it was excluded from settlement negotiations in terms of rate design and revenue spread and that it would have welcomed the opportunity to participate in those discussions to provide input and work towards negotiating a just and reasonable outcome. (*Id.*)

98. NCA states that SWG allocates transmission and distribution capacity costs using a peak throughput month allocation factor, which is inconsistent with cost-causation, as

transmission and distribution capacity is designed to meet system coincident peak (i.e., design day) demand. (Ex. 600 at 2, 5-7.)

99. NCA states that SWG estimates system design day demand for gas planning purposes and that it should be directed to estimate customer class design day demand for use in the COSS. (*Id.* at 2, 9-14.)

100. NCA states that SWG's allocation of a slice of system distribution costs to transportation customers served from high-pressure or transmission mains should be rejected. Low-pressure distribution mains comprise the majority of the distribution system and are not, and cannot, be used to provide service to large customers served from high-pressure distribution or transmission mains. (*Id.* at 2, 14-21.)

101. NCA states that its primary recommendation is that a direct assignment of dedicated high-pressure distribution system costs to the recourse rates would best model cost-causation, as the Commission recognized in Docket No. 20-02023. (*Id.* at 2, 21.)

102. NCA states that if the Commission does not accept its primary recommendation to directly assign a limited portion of distribution costs to the recourse rates, then at a minimum, an adjustment should be made to the distribution capacity cost allocation factor for each class to reflect only the portion of peak demand (or in this case, peak month throughput) served from the distribution mains. (*Id.* at 2, 21-24.)

103. NCA states that SWG's proposed revenue apportionment should be rejected, as it is based on an inaccurate COSS. (*Id.* at 3, 5.)

104. NCA recommends an alternate revenue apportionment based on the results of its modified COSS, which reflects a direct assignment of distribution costs to the recourse rates. (*Id.* at 3, 27-28.)

105. NCA states that its recommended revenue apportionment is generally based on the results of its recommended modifications to SWG's COSS, but with adjustments in consideration of gradualism. (*Id.* at 3, 29.)

106. NCA states that its proposed revenue apportionment better reflects cost-causation and promotes rate equity for all of SWG's customers. (*Id.* at 3, 30.)

Commission Discussion and Findings

107. The Commission accepts the Rate Design Stipulation.

108. The Commission finds that the Stipulation complies with the requirements of NAC 703.845, in that it settles only issues relating to the instant proceedings and does not seek relief the Commission is not otherwise empowered to grant. The Stipulation is a resolution of the issues pursuant to the signatories' negotiations and is a reasonable recommendation and resolution of the issues in these proceedings.

109. All arguments of the Parties raised in the Revenue Requirement phase of this proceeding not expressly addressed herein have been considered and either rejected or found to be non-essential for further discussion in this order. Any agreements and recommendations contained in the Stipulation but not expressly addressed herein are either agreements by the Parties regarding matters non-essential to the disposition of this docket or are recommendations for specific findings that do not require delineation given the Commission's acceptance of the Stipulation and corresponding approval of the Application as modified by the Stipulation.

110. The Commission rejects NCA's alternative COSS. As a participant in a system, NCA has a responsibility to pay system costs. Just as customers who do not benefit from the high-pressure system pay system costs that cover part of the high-pressure system, NCA should

not avoid paying system costs for the low-pressure system by claiming not to benefit from the low-pressure system.

111. Additionally, the Commission finds that NCA, contrary to its assertion, does, in fact, benefit from the low-pressure distribution system. While it is not directly connected to said system, NCA derives economic benefit from being able, pursuant to NCA's contract with SWG, to schedule gas deliveries off of the El Paso and Transwestern Interstate Gas Pipelines, which, presumably, NCA would do when gas off of the El Paso and Transwestern Interstate Gas Pipelines is cheaper than gas off of the Kern River Interstate Gas Pipeline, to which NCA is directly connected. That cheaper gas is then delivered to the SWG low-pressure system, and SWG buys an equal amount of more expensive gas off of the Kern River Pipeline and serves it to NCA. The Commission finds that this is a direct subsidy to NCA, funded by users of the low-pressure system, which is only permissible because NCA provides some benefits to the system, by paying system costs, as described above, counteracting the subsidy.

112. If NCA's COSS and subsequent pricing model were accepted, that benefit would be eliminated, and only the subsidy would remain, which would not be just and reasonable. At that point, either NCA's contract with SWG would need to be abrogated, or the amount of any such subsidy would need to be borne by SWG's shareholders.

113. The Commission agrees with NCA that it is disappointing that NCA was excluded from settlement negotiations regarding Rate Design. While not fatal to the Stipulation, the Commission encourages SWG, in the future, to involve all parties who have interest in a subject area in settlement negotiations.

THEREFORE, it is ORDERED:

1. The Stipulation filed by Southwest Gas Corporation, the Bureau of Consumer Protection, and the Regulatory Operations Staff of the Commission, attached hereto as Attachment A, is accepted.

2. The Stipulation filed by Southwest Gas Corporation, the Bureau of Consumer Protection, and the Regulatory Operations Staff of the Commission, attached hereto as Attachment B, is accepted.

3. The Stipulation filed by Southwest Gas Corporation, the Bureau of Consumer Protection, the Regulatory Operations Staff of the Commission, and the Southern Nevada Gaming Group, attached hereto as Attachment C, is accepted.

4. The Commission grants the Application of Southwest Gas Corporation for authority to increase its retail natural gas utility service rates for Southern and Northern Nevada as modified by the Stipulations, and as further modified by this order.

5. The Commission's acceptance of the Stipulations does not constitute precedent regarding any legal or factual issue.

Directives:

6. The Commission directs Southwest Gas Corporation to file a Schedule of Itemized Board of Directors expenses in its next General Rate Case, clearly showing the portion requested from ratepayers.

7. The Commission directs Southwest Gas Corporation to file a schedule of itemized investor relations expenses in its next General Rate Case, clearly showing the portion requested from ratepayers.

8. The Commission directs Southwest Gas Corporation to continue evaluating a method that incorporates the warming trend.

9. The Commission directs Southwest Gas Corporation to provide, as part of its next General Rate Case filing, a guide for its Cost of Service Study models, which shall include an overview of foundational concepts and principles, the cost allocation process, issues associated with empirical implementations, the primary inputs and structure of Southwest Gas Corporation's Cost of Service Study models, and a description of the workings of Southwest Gas Corporation's Cost of Service Study models.

10. The Commission directs Southwest Gas Corporation, the Bureau of Consumer Protection, the Regulatory Operations Staff of the Commission, the Southern Nevada Gaming Group, and Nevada Cogeneration Associates #1 and #2, to meet informally, at least six months prior to the filing of Southwest Gas Corporation's next general rate case, to discuss alternate methods of classifying and allocating the cost of Southwest Gas Corporation's transmission system mains, distribution system mains, and its distribution system service lines to customer classes in its next rate case.

Compliance:

11. Southwest Gas Corporation shall file, within ninety days of the final Commission Order in the present Docket, an accounting of all final costs incurred to present and prepare this General Rate Case.

By the Commission,

HAYLEY WILLIAMSON, Chair

TAMMY CORDOVA, Commissioner

RANDY J. BROWN, Commissioner

Attest: _____
TRISHA OSBORNE,
Assistant Commission Secretary

Dated: Carson City, Nevada

(SEAL)

DRAFT

ATTACHMENT A

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6 8360 South Durango Drive
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7 *Attorneys for Southwest Gas Corporation*

8 **PUBLIC UTILITIES COMMISSION OF NEVADA**

9
10 In the Matter of the Application of
11 Southwest Gas Corporation for Authority to
12 Increase its Retail Natural Gas Utility
Service Rates in its Southern and Northern
Nevada Rate Jurisdictions.

Docket No.: 23-09012

13
14 **STIPULATION**

15 Pursuant to Nevada Administrative Code (NAC) 703.750 and 703.845, Southwest Gas
16 Corporation (Southwest Gas or Company), the Regulatory Operations Staff (Staff) of the Public
17 Utilities Commission of Nevada (Commission), and the Office of the Attorney General's Bureau
18 of Consumer Protection (BCP) (collectively referred to as Signatories) enter into this Stipulation
19 to resolve certain issues (Stipulated Issues) related to the Company's Application for Authority to
20 Increase its Retail Natural Gas Utility Service Rates in its Southern and Northern Nevada Rate
21 Jurisdictions (Application).¹

22 **SUMMARY OF STIPULATION**

23 The Signatories agree that this Stipulation provides for a decrease of \$7.4 million dollars
24 to the Company's requested certification increase of \$63.5 million in its Southern Nevada rate
25 jurisdiction and a decrease of \$1.0 million dollars to the Company's requested certification
26 increase of \$10.5 million dollars in its Northern Nevada rate jurisdiction. The parties also agree

27
28 ¹ Nevada Cogeneration Associates #1 and #2 (NCA) and Southern Nevada Gaming Group (SNGG) are also parties to this proceeding. While neither NCA nor SNGG are Signatories, it is the collective understanding of the Company, Staff and BCP that NCA and SNGG do not oppose the Stipulation.

1 to file written testimony on cost of capital, which may result in further reduction to the state-wide
2 net revenue increase agreed to in this stipulation, depending on the Commission's ruling on the
3 contested issues regarding cost of capital. Finally, the parties agree to file written testimony on
4 class cost of service/rate design, with the exception of the issues stated *infra*, which may result
5 in changes to the Company's proposed allocation in its application of its general rate revenues
6 to the various customer classes. Nevertheless, the parties reserve the right to settle any and all
7 remaining issues. If the parties reach a settlement on any remaining issue(s), then they will file a
8 corresponding Stipulation forthwith.

9 This Stipulation only resolves the Stipulated Issues related to this Application and only
10 seeks relief the Commission is empowered to grant. As such, the Signatories recommend the
11 Commission approve the Stipulation, with rates taking effect on April 1, 2024.

12 **RECITALS**

- 13 1. Southwest Gas is a public utility subject to the jurisdiction of the Commission pursuant
14 to Chapter 704 of the Nevada Revised Statutes (NRS). Southwest Gas is engaged in
15 the retail transmission, distribution, transportation, and sale of natural gas for
16 domestic, commercial, agricultural, and industrial uses.
- 17 2. Southwest Gas filed its Application September 11, 2023.
- 18 3. Staff participates as a matter of right pursuant to NRS 703.301.
- 19 4. On September 21, 2023, BCP filed its Notice of Intent to Intervene pursuant to NRS
20 Chapter 228 and participates as a matter of right.
- 21 5. On September 26, 2023, the Commission issued a Notice of Application and Notice
22 of Prehearing Conference.
- 23 6. On October 6 and 13, 2023, Southwest Gas filed an Amendment to its Application.
- 24 7. On October 18, 2023, SNGG filed its Petition for Leave to Intervene.
- 25 8. On October 20, 2023, NCA filed its Petition for Leave to Intervene.
- 26 9. On October 20, 2023, the Commission held a Prehearing Conference to determine a
27 procedural schedule and consider the Petitions for Leave to Intervene. A Procedural
28

1 Order and Order granting the Petition for Leave to Intervene filed by SNGG were
2 issued October 24, 2023.

3 10. On November 2, 2023, the Commission issued an Order granting NCA's Petition for
4 Leave to Intervene.

5 11. On November 8, 2023, the Commission issued a Notice of Consumer Session and
6 Notice of Hearing.

7 12. On December 14, 2023, the Commission held a consumer session regarding the
8 Application.

9 13. On January 5, 2024, the Company made its Certification filing.

10 **AGREEMENT**

11 The Signatories agree, and request the Commission approve, this Stipulation as follows:

12 **REVENUE REQUIREMENT**

- 13 1. The Signatories agree to a "black box" statewide revenue requirement increase, prior
14 to adjustments made with respect to the Company's authorized Cost of Capital, of
15 \$56.09 million in Southern Nevada and \$9.47 million in Northern Nevada.
- 16 2. The "black box" revenue requirement includes authorization for the Company to: 1)
17 continue tracking incremental costs associated with the Annual Leak Survey,
18 consistent with Docket No. 19-09001, in a regulatory asset; 2) continuation of a 2-year
19 regulatory amortization period; and, 3) approval of depreciation rates as provided in
20 Attachment 1.
- 21 3. The parties agree with the Southern Nevada, Northern Nevada and System Allocable
22 Depreciation Rates included herein as Attachment 1 to the Stipulation.
- 23 4. Southwest Gas agrees to establish regulatory liability account(s) to record any
24 amounts related to the amortization of regulatory assets, authorized in this Docket, if
25 amortized beyond the 2-year amortization period agreed to herein.
- 26
27
28

- 1 5. The parties agree that the 2020 wage increase currently embedded in the Company's
2 cost of service should be accepted by the Commission and no longer be required to
3 be included in Statement P in the Company's future general rate case filings.
- 4 6. As a directive, Southwest Gas will file a Schedule of itemized Board of Director
5 expenses in its next General Rate Case and clearly show the portion requested from
6 ratepayers.
- 7 7. As a directive, Southwest Gas will file a schedule of itemized investor relations
8 expenses in its next General Rate Case and clearly show the portion requested
9 from ratepayers.
- 10 8. As a compliance item, Southwest Gas will file within ninety days of the final
11 Commission Order, a compliance filing accounting for all final costs incurred to present
12 and prepare this General Rate Case.

13 **CLASS COST OF SERVICE / RATE DESIGN**

- 14 1. Southwest Gas will maintain its decoupled rate structure.
- 15 2. The parties agree to use, in this Docket, Southwest Gas' billing determinants as
16 provided in its certification filing, including its weather normalized adjustments.
- 17 3. As a directive, Southwest Gas agrees to continue evaluating a method that
18 incorporates the warming trend.
- 19 4. As a directive, Southwest Gas agrees to provide as part of its next General Rate Case
20 filing, a guide for its Class Cost of Service Study ("COSS") models. The guide shall
21 include an overview of foundational concepts and principles, the cost allocation
22 process, issues associated with empirical implementations, the primary inputs and
23 structure of Southwest Gas' COSS models, and a description of the workings of
24 Southwest Gas' COSS models.

1 **GENERAL PROVISIONS**

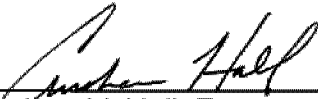
- 2 1. This Stipulation is entered into with the express understanding that it is a negotiated
3 resolution of the Stipulated Issues in this proceeding. The provisions of this Stipulation
4 are not severable. If the Commission does not accept this Stipulation, it shall be
5 withdrawn without prejudice to any claim made by any party to this proceeding.
- 6 2. This Stipulation represents a compromise of the positions of the Signatories. As such,
7 the conduct, statements and documents disclosed in the confidential negotiation of
8 this Stipulation shall not be admissible as evidence in this Docket or in any other
9 proceeding. Unless otherwise stated herein, neither this Stipulation nor its terms, nor
10 the Commission's acceptance or rejection of this Stipulation and its terms, shall have
11 any precedential effect in future proceedings.
- 12 3. The Signatories agree and represent that all terms in this Stipulation are reasonable
13 and in the public interest, and that this Stipulation only grants relief that the
14 Commission is empowered to grant.
- 15 4. The Signatories agree and represent that all terms in this Stipulation settle only issues
16 that relate to the instant proceeding.
- 17 5. This Stipulation may be executed in counterparts, all of which together shall constitute
18 the original executed agreement. Signatories may execute this Stipulation by
19 electronic transmission, which signatures shall be as binding and effective as original
20 signatures.

21
22 [signature pages to follow]
23
24
25
26
27
28

1 This Stipulation is entered into by each Signatory as of the date entered below.

3 SOUTHWEST GAS CORPORATION

5 Date: 02/01/2024

4
6 
7 Andrew V. Hall, Esq.
8 Assistant General Counsel
9 Vincent J. Vitatoe, Esq.
10 Associate General Counsel

11 REGULATORY OPERATIONS STAFF OF
12 THE PUBLIC UTILITIES COMMISSION
13 OF NEVADA

13 Date: 02/01/2024

14 /s/ Donald J. Lomoljo
15 Jesse N. Panoff, Esq.
16 Assistant Staff Counsel
17 Rost C. Olsen, Esq.
18 Assistant Staff Counsel
19 Donald J. Lomoljo, Esq.
20 Staff Counsel

19 BUREAU OF CONSUMER PROTECTION

20 Date: 02/01/2024

21 /s/ Michael T. Saunders
22 Michael T. Saunders, Esq.
23 Senior Deputy Attorney General
24 Paul E. Stuhff, Esq.
25 Senior Deputy Attorney General
26 Michelle C. Newman, Esq.
27 Senior Deputy Attorney General
28 Whitney F. Digesti, Esq.
Senior Deputy Attorney General

27 Respectfully submitted this 1st day of February 2024.

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that on the 1st day of February 2024, and pursuant to NAC 703.610 of the
3 rules and regulations of the Public Utilities Commission of Nevada, I served a copy of the
4 foregoing Stipulation on all parties identified below via email electronic service:

5
6 Donald Lomoljo
7 Public Utilities Commission of Nevada
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9 Carson City, NV 89701
10 dlomoljo@puc.nv.gov

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19 Counsel for: Southern Nevada Gaming Group Counsel for: NCA #1 and #2

20 with a copy to:
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22 cdavis@mcdonaldcarano.com

with a copy to:
deb@alcantar-law.com

23 
24 an employee of Southwest Gas Corporation

ATTACHMENT 1

**SOUTHWEST GAS CORPORATION
SYSTEM ALLOCABLE
DEPRECIATION AND AMORTIZATION RATES**

Line No.	Description (a)	Account Number (b)	Current Rate (c)	As Stipulated Rate (d)	Line No.
<u>Intangible Plant</u>					
1	Organization	301	N/A	N/A	1
2	Miscellaneous Intangible	303	Amortized	Amortized	2
<u>General Plant</u>					
3	Land and Land Rights	389	N/A	N/A	3
4	Structures and Improv - Co. Owned	390.1	2.25%	2.34%	4
5	Structures and Improv - Leasehold	390.2	12.31%	12.31%	5
6	Office Furniture and Fixtures	391	6.67%	6.67%	6
7	Computer Software and Hardware	391.1	19.80%	20.00%	7
8	Transportation Equipment - Light	392.11	10.13%	9.38%	8
9	Transportation Equipment - Heavy	392.12	6.00%	6.00%	9
10	Transportation Equipment - Aircraft	392.21	4.00%	4.00%	10
11	Stores Equipment	393	6.67%	5.00%	11
12	Tool, Shop, and Garage Equip.	394	6.67%	6.67%	12
13	Laboratory Equipment	395	5.00%	6.67%	13
14	Power Operated Equipment	396	5.67%	6.00%	14
15	Communication Equipment	397	6.67%	6.67%	15
16	Telemetry Equipment	397.2	16.67%	-	16
17	Miscellaneous Equipment	398	6.67%	6.67%	17

[1] If new additions are recorded, this rate is $((1-0\%)/15=6.67\%)$.

**SOUTHWEST GAS CORPORATION
NORTHERN NEVADA
DEPRECIATION AND AMORTIZATION RATES**

Line No.	Description (a)	Account Number (b)	Current Rate (c)	As Stipulated Rate (d)	Line No.
<u>Intangible Plant</u>					
1	Organization	301	N/A	N/A	1
2	Franchise and Consents	302	Amortized	Amortized	2
3	Miscellaneous Intangible	303	Amortized	Amortized	3
<u>Distribution Plant</u>					
4	Land and Land Rights	374.1	N/A	N/A	4
5	Rights of Way	374.2	1.11%	1.21%	5
6	Structures and Improvements	375	0.00%	-	6
7	Mains	376	1.94%	1.64%	7
8	Measuring and Reg. Stations	378	2.22%	2.16%	8
9	Services	380	1.59%	1.56%	9
10	Meters	381	2.98%	3.72%	10
11	Industrial Measuring and Reg. Sta.	385	2.14%	2.16%	11
12	Miscellaneous Equipment	387	2.32%	0.93%	12
<u>General Plant</u>					
13	Land and Land Rights	389	N/A	N/A	13
14	Structures and Improv - Co. Owned	390.1	2.17%	2.37%	14
15	Structures and Improv - Leasehold	390.2	2.33%	2.33%	15
16	Office Furniture and Fixtures	391	5.00%	6.67%	16
17	Computer Software and Hardware	391.1	19.80%	20.00%	17
18	Transportation Equipment - Light	392.11	10.75%	10.00%	18
19	Transportation Equipment - Heavy	392.12	6.20%	6.00%	19
20	Stores Equipment	393	5.00%	5.00%	20
21	Tool, Shop, and Garage Equip.	394	5.00%	6.67%	21
22	Laboratory Equipment	395	5.00%	6.67%	22
23	Power Operated Equipment	396	5.73%	5.73%	23
24	Communication Equipment	397	6.67%	6.67%	24
25	Telemetry Equipment	397.2	0.00%	-	25
26	Miscellaneous Equipment	398	6.67%	6.67%	26
<u>Renewable Natural Gas Projects</u>					
27	Renewable Natural Gas Owned	342	-	3.33%	27
28	Renewable Natural Gas Contract	342	-	5.00%	28

[1] Account 375 has no balance. If future additions are recorded, the existing parameters (45 year life and -10% net salvage) is included, which results in a rate of 2.44%.

[2] If new additions are recorded, this rate is $((1-0\%)/15=6.67\%)$.

**SOUTHWEST GAS CORPORATION
SOUTHERN NEVADA
DEPRECIATION AND AMORTIZATION RATES**

Line No.	Description (a)	Account Number (b)	Current Rate (c)	As Stipulated Rate (d)	Line No.
<u>Intangible Plant</u>					
1	Organization	301	N/A	N/A	1
2	Franchise and Consents	302	Amortized	Amortized	2
3	Miscellaneous Intangible	303	Amortized	Amortized	3
<u>Transmission Plant</u>					
4	Land and Land Rights	365.1	N/A	N/A	4
5	Rights of Way	365.2	1.31%	1.96%	5
6	Structures - Compressor Stations	366.1	1.16%	0.93%	6
7	Structures - General	366.2	2.19%	2.31%	7
8	Mains	367	1.72%	1.71%	8
9	Mains - Bridge	367.2	0.00%	0.00%	9
10	Compressor Station Equipment	368	1.81%	2.01%	10
11	Measuring and Reg. Stations	369	2.45%	1.79%	11
12	Communication Equipment	370	2.30%	7.12%	12
13	Miscellaneous Equipment	371	0.00%	[2] -	13
<u>Distribution Plant</u>					
14	Land and Land Rights	374.1	N/A	N/A	14
15	Rights of Way	374.2	1.33%	1.33%	15
16	Structures and Improvements	375	0.45%	[1] -	16
17	Mains	376	2.04%	1.96%	17
18	Measuring and Reg. Stations	378	3.62%	3.93%	18
19	Services	380	2.40%	2.39%	19
20	Meters	381	3.92%	4.86%	20
21	Industrial Measuring and Reg. Sta.	385	2.31%	2.14%	21
22	Miscellaneous Equipment	387	0.00%	[2] -	22
<u>General Plant</u>					
23	Land and Land Rights	389	N/A	N/A	23
24	Structures and Improv - Co. Owned	390.1	2.20%	2.39%	24
25	Structures and Improv - Leasehold	390.2	20.00%	20.00%	25
26	Office Furniture and Fixtures	391	5.00%	6.67%	26
27	Computer Software and Hardware	391.1	19.80%	20.00%	27
28	Transportation Equipment - Light	392.11	11.13%	10.63%	28
29	Transportation Equipment - Heavy	392.12	5.67%	5.67%	29
30	Stores Equipment	393	4.00%	5.00%	30
31	Tool, Shop, and Garage Equip.	394	6.67%	6.67%	31
32	Laboratory Equipment	395	5.00%	6.67%	32
33	Power Operated Equipment	396	5.67%	5.33%	33
34	Communication Equipment	397	6.67%	6.67%	34
35	Telemetry Equipment	397.2	6.67%	6.67%	35
36	Miscellaneous Equipment	398	6.67%	6.67%	36
<u>Renewable Natural Gas Projects</u>					
37	Renewable Natural Gas Owned	342	-	3.33%	37
38	Renewable Natural Gas Contract	342	-	5.00%	38

[1] Account 375 has no balance. If future additions are recorded, the existing parameters (45 year life and -10% net salvage) is included, which results in a rate of 2.44%.

[2] Accounts 371 and 387 are fully accrued. If future additions are recorded a 25 year life is included and a whole life rate of 4.00%.

ATTACHMENT B

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4 vincent.vitatoe@swgas.com
5 Telephone No. 702.364.3227
6 8360 South Durango Drive
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Attorneys for Southwest Gas Corporation

7 **PUBLIC UTILITIES COMMISSION OF NEVADA**

8
9
10 In the Matter of the Application of Southwest
Gas Corporation for Authority to Increase its
11 Retail Natural Gas Utility Service Rates in its
Southern and Northern Nevada Rate
12 Jurisdictions.

Docket No.: 23-09012

13 **STIPULATION**

14 Pursuant to Nevada Administrative Code (NAC) 703.750 and 703.845, Southwest Gas
15 Corporation (Southwest Gas or Company), the Regulatory Operations Staff (Staff) of the Public
16 Utilities Commission of Nevada (Commission), and the Office of the Attorney General's Bureau
17 of Consumer Protection (BCP) (collectively referred to as Signatories) enter into this Stipulation
18 to resolve certain issues (Stipulated Issues) related to the Company's Application for Authority to
19 Increase its Retail Natural Gas Utility Service Rates in its Southern and Northern Nevada Rate
20 Jurisdictions (Application).¹

21 **SUMMARY OF STIPULATION**

22 The Signatories agree that this Stipulation provides for resolution of the remaining issues
23 associated with class cost of service/rate design. Specifically, the Signatories agree to the class
24 revenue allocation/rate design described below. This Stipulation only modifies the previously
25 filed Stipulation by obviating the need for Southwest Gas to file rebuttal testimony on certain class
26

27 ¹ Nevada Cogeneration Associates #1 and #2 (NCA) and Southern Nevada Gaming Group (SNGG) are also
28 parties to this proceeding. Neither NCA nor SNGG are Signatories to the Stipulation, and it is currently unclear
whether either party supports the Stipulation.

1 revenue allocation and rate design issues agreed to herein. The parties reserve the right to settle
2 any and all remaining issues. If the parties reach a settlement on any remaining issue(s), then
3 they will file a corresponding Stipulation forthwith.

4 This Stipulation only resolves the Stipulated Issues related to this Application and only
5 seeks relief the Commission is empowered to grant. As such, the Signatories recommend the
6 Commission approve the Stipulation, with rates taking effect on April 1, 2024.

7 **RECITALS**

- 8 1. Southwest Gas is a public utility subject to the jurisdiction of the Commission pursuant
9 to Chapter 704 of the Nevada Revised Statutes (NRS). Southwest Gas is engaged in
10 the retail transmission, distribution, transportation, and sale of natural gas for
11 domestic, commercial, agricultural, and industrial uses.
- 12 2. Southwest Gas filed its Application September 11, 2023.
- 13 3. Staff participates as a matter of right pursuant to NRS 703.301.
- 14 4. On September 21, 2023, BCP filed its Notice of Intent to Intervene pursuant to NRS
15 Chapter 228 and participates as a matter of right.
- 16 5. On September 26, 2023, the Commission issued a Notice of Application and Notice
17 of Prehearing Conference.
- 18 6. On October 6 and 13, 2023, Southwest Gas filed an Amendment to its Application.
- 19 7. On October 18, 2023, SNGG filed its Petition for Leave to Intervene.
- 20 8. On October 20, 2023, NCA filed its Petition for Leave to Intervene.
- 21 9. On October 20, 2023, the Commission held a Prehearing Conference to determine a
22 procedural schedule and consider the Petitions for Leave to Intervene. A Procedural
23 Order and Order granting the Petition for Leave to Intervene filed by SNGG were
24 issued October 24, 2023.
- 25 10. On November 2, 2023, the Commission issued an Order granting NCA's Petition for
26 Leave to Intervene.

1 11. On November 8, 2023, the Commission issued a Notice of Consumer Session and
2 Notice of Hearing.

3 12. On December 14, 2023, the Commission held a consumer session regarding the
4 Application.

5 13. On January 5, 2024, the Company made its Certification filing.

6 14. On February 2, 2024, the Signatories filed a partial Stipulation.

7 15. On February 2, 2024, Staff, BCP, SNGG, and NCA filed prepared direct testimony.

8 **AGREEMENT**

9 The Signatories agree, and request the Commission approve, this Stipulation as follows:

10 **CLASS REVENUE ALLOCATIONS / RATE DESIGN**

- 11 1. Billing determinants and revenue for the one customer that started receiving service
12 under rate schedule SG-G5 prior to 1/1/2024, the one customer that started receiving
13 service under rate schedule SG-G6 prior to 1/1/2024, and the one customer that
14 started receiving service under rate schedule SG-G6 on 1/1/2024 are included in the
15 customer class revenue allocations and the calculation of rate design for the Southern
16 Nevada rate jurisdiction.
- 17 2. Southern and Northern Nevada rates for schedules with demand charges will be
18 calculated to recover forty-five percent of the customer class revenue requirement
19 through the applicable basic service charge, transportation service charge and
20 demand charge, and fifty-five percent of the class revenue requirement through the
21 variable commodity charge of the rate design.
- 22 3. Percentage increases in margin revenue calculated based on Southwest Gas'
23 proposed Certification revenue increase for the Southern Nevada rate jurisdiction of
24 \$63.5 million dollars and the Settlement revenue increase before cost of capital of
25 \$56.09 million are shown in the table below. Attachment 1 includes the agreed upon
26 Settlement Revenue Allocation at the Settlement Revenue increase of \$56.09 million
27 in Southern Nevada.

**Southern Nevada
Revenue Allocation Percentages**

Description (a)	Southwest Gas Proposed at Certification (b)	Settlement Allocation at Settled Revenue Requirement ¹ (c)
Single-Family Residential Gas Service	25.29%	20.91%
Multi-Family Residential Gas Service	20.56%	13.65%
Air Conditioning Residential Gas Service	33.51%	37.46%
General Gas Service - 1	2.80%	7.27%
General Gas Service - 2	(1.37%)	12.69%
General Gas Service - 3	13.41%	22.60%
General Gas Service - 4	29.91%	26.91%
General Gas Service - 5	20.29%	31.51%
General Gas Service - 6	17.47%	24.80% ²
Air Conditioning Gas Service	0.53%	17.77%
Water Pumping Gas Service	(24.43%)	11.47%
Small Electric Generation Gas Service	17.62%	30.30%
Gas Service for Compression on Customer's Premises	24.93%	33.61%
Street and Outdoor Lighting Gas Service	39.99%	26.28%
Total Tariff Sales and Transportation	22.27%	19.44%

[1] Reflects the agreed upon Settlement revenue increase before adjustments to cost of capital (\$56.09 million in the Company's Southern Nevada rate jurisdiction) as filed on February 2, 2024 in the partial Stipulation in this docket. The final revenue requirement will be allocated in proportion to each rate class's percent of the total revenue increase.

[2] The General Gas Service – 6 revenue increase is based on current margin revenue of \$4,700,417.

Percentage increases in margin revenue calculated based on Southwest Gas' proposed Certification revenue increase for the Northern Nevada rate jurisdiction of \$10.47 million dollars and the Settlement revenue increase before cost of capital of \$9.47 million are shown in the table below. Attachment 1 includes the agreed upon Settlement Revenue Allocation at the Settlement Revenue increase of \$9.47 million in Northern Nevada.

**Northern Nevada
Revenue Allocation Percentages**

Description (a)	Southwest Gas Proposed at Certification (b)	Settlement Allocation at Settled Revenue Requirement ¹ (c)
Single-Family Residential Gas Service	24.27%	20.64%
Multi-Family Residential Gas Service	15.25%	11.74%
Air Conditioning Residential Gas Service	(5.45%)	(3.79%)
General Gas Service - 1	26.95%	24.22%
General Gas Service - 2	8.23%	14.92%
General Gas Service - 3	15.15%	26.12%
General Gas Service - 4	31.78%	36.98%
General Gas Service - 5	0.00%	0.00%
Air Conditioning Gas Service	36.60%	34.74%
Water Pumping Gas Service	27.10%	23.83%
Small Electric Generation Gas Service	37.59%	39.61%
Gas Service for Compression on Customer's Premises	20.44%	26.40%
Street and Outdoor Lighting Gas Service	60.01%	40.89%
Total Tariff Sales and Transportation	22.61%	20.44%

[1] Reflects the agreed upon Settlement revenue increase before adjustments to cost of capital (\$9.47 million in the Company's Northern Nevada rate jurisdiction) as filed on February 2, 2024 in the partial Stipulation in this docket. The final revenue requirement will be allocated in proportion to each rate class's percent of the total revenue increase.

4. The final revenue requirement after adjustments to cost of capital will be allocated to customer classes in proportion to the Settlement revenue allocation percentages reflected in the tables above.
5. As a directive(s), at least six months prior to the filing of Southwest Gas' next general rate case the parties agree to meet informally to discuss alternate methods of classifying and allocating the cost of the Company's transmission system mains, distribution system mains, and its distribution system service lines to customer classes in its next rate case.

- 1 6. Southwest Gas agrees to provide additional cost of service studies that utilize other
2 allocation methodologies, including throughput, and proposed noticing in its next
3 general rate case application that moves customers in Schedules Nos. SG-RAC/NG-
4 RAC, SG-AC/NG-AC, SG-WP/NG-WP, SG-EG/NG-EG, and SG-CNG/NG-CNG to
5 their otherwise applicable rate schedules to ensure these customers receive proper
6 noticing should Southwest Gas, Staff, or another intervening party propose to
7 eliminate any of these rate schedules in that future proceeding.
- 8 7. Southwest Gas agrees to revise its Contract Transition Adjustment Provision as
9 shown in Attachment 2 to this Stipulation and to implement a Large Customer
10 Adjustment Provision as shown in Attachment 3 to this Stipulation.

GENERAL PROVISIONS

- 12 1. This Stipulation is entered into with the express understanding that it is a negotiated
13 resolution of the Stipulated Issues in this proceeding. The provisions of this Stipulation
14 are not severable. If the Commission does not accept this Stipulation, it shall be
15 withdrawn without prejudice to any claim made by any party to this proceeding.
- 16 2. This Stipulation represents a compromise of the positions of the Signatories. As such,
17 the conduct, statements and documents disclosed in the confidential negotiation of
18 this Stipulation shall not be admissible as evidence in this Docket or in any other
19 proceeding. Unless otherwise stated herein, neither this Stipulation nor its terms, nor
20 the Commission's acceptance or rejection of this Stipulation and its terms, shall have
21 any precedential effect in future proceedings.
- 22 3. The Signatories agree and represent that all terms in this Stipulation are reasonable
23 and in the public interest, and that this Stipulation only grants relief that the
24 Commission is empowered to grant.
- 25 4. The Signatories agree and represent that all terms in this Stipulation settle only issues
26 that relate to the instant proceeding.

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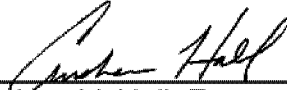
5. This Stipulation may be executed in counterparts, all of which together shall constitute the original executed agreement. Signatories may execute this Stipulation by electronic transmission, which signatures shall be as binding and effective as original signatures.

[signature pages to follow]

1 This Stipulation is entered into by each Signatory as of the date entered below.

3 SOUTHWEST GAS CORPORATION

5 Date: 02/16/2024

4
6 
7 _____
8 Andrew V. Hall, Esq.
9 Assistant General Counsel
10 Vincent J. Vitatoe, Esq.
11 Associate General Counsel

12 REGULATORY OPERATIONS STAFF OF
13 THE PUBLIC UTILITIES COMMISSION
14 OF NEVADA

13 Date: 02/16/2024

14 _____
15 /s/ Jesse N. Panoff
16 Jesse N. Panoff, Esq.
17 Assistant Staff Counsel
18 Rost C. Olsen, Esq.
19 Assistant Staff Counsel
20 Donald J. Lomoljo, Esq.
21 Staff Counsel

18 BUREAU OF CONSUMER PROTECTION

20 Date: 02/16/2024

21 _____
22 /s/ Michael T. Saunders
23 Michael T. Saunders, Esq.
24 Senior Deputy Attorney General

24 Respectfully submitted this 16th day of February 2024.

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that on the 16th day of February 2024, and pursuant to NAC 703.610 of
3 the rules and regulations of the Public Utilities Commission of Nevada, I served a copy of the
4 foregoing Stipulation on all parties identified below via email electronic service:

5
6 Donald Lomoljo
7 Public Utilities Commission of Nevada
8 1150 E. William St.
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Bureau of Consumer Protection
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18 Reno, NV 89501

Donald Brookhyser
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Bend, OR 97701

19 Counsel for Southern Nevada Gaming Group Counsel for NCA #1 and #2

20 with a copy to:
21 lfoletta@mcdonaldcarano.com
22 cdavis@mcdonaldcarano.com

with a copy to:
deb@alcantar-law.com

23 
24 _____
25 an employee of Southwest Gas Corporation
26
27
28

ATTACHMENT 1

**SOUTHERN NEVADA
REVENUE ALLOCATION PERCENTAGES**

Rate Schedule	Southwest Gas Proposed Revenue Allocation at Certification [1]				Settlement Revenue Allocation at Certification Revenue Requirement [2]			
	Present Margin		Increase \$	Increase %	Present Margin		Increase %	% of Total Increase
	Revenue	Increase \$			Revenue	Increase \$		
Single-Family Residential Gas Service	\$200,762,529	\$50,770,675	25.29%	79.95%	\$200,762,529	\$46,798,545	23.31%	74.84%
Multi-Family Residential Gas Service	\$30,629,681	\$6,298,952	20.56%	9.92%	\$30,629,681	\$4,661,903	15.22%	7.46%
Air Conditioning Residential Gas Service	\$22,623	\$7,581	33.51%	0.01%	\$22,623	\$9,447	41.76%	0.02%
General Gas Service - 1	\$17,004,126	\$476,357	2.80%	0.75%	\$17,004,126	\$1,378,332	8.11%	2.20%
General Gas Service - 2	\$13,183,333	-\$180,272	(1.37%)	-0.28%	\$13,183,333	\$1,864,490	14.14%	2.98%
General Gas Service - 3	\$3,784,947	\$507,435	13.41%	0.80%	\$3,784,947	\$953,485	25.19%	1.52%
General Gas Service - 4	\$17,037,783	\$5,096,610	29.91%	8.03%	\$17,037,783	\$5,111,335	30.00%	8.17%
General Gas Service - 5 (Full Tariff)	\$515,072	\$104,513	20.29%	0.16%	\$515,388	\$181,025	35.12%	0.29%
General Gas Service - 6 (Full Tariff)	\$1,425,742	\$249,104	17.47%	0.39%	\$4,700,418	\$1,299,657	27.65%	2.08%
Air Conditioning Gas Service	\$29,222	\$156	0.53%	0.00%	\$29,222	\$5,789	19.81%	0.01%
Water Pumping Gas Service	\$21,499	-\$5,252	(24.43%)	-0.01%	\$21,499	\$2,749	12.79%	0.00%
Small Electric Generation Gas Service Gas Service for Compression on Customer's Premises	\$574,033	\$101,141	17.62%	0.16%	\$574,588	\$194,079	33.78%	0.31%
Customer's Premises	\$60,334	\$15,041	24.93%	0.02%	\$60,334	\$22,604	37.46%	0.04%
Street and Outdoor Lighting Gas Service	\$157,800	\$63,097	39.99%	0.10%	\$157,800	\$46,236	29.30%	0.07%
Total Tariff Sales and Transportation	\$285,208,724	\$63,505,138	22.27%	100.00%	\$288,484,271	\$62,529,674	21.68%	100.00%

Rate Schedule	Settlement Revenue Allocation at Settlement Revenue of \$56.09 Million [3]				
	Present Margin		Increase \$	Increase %	% of Total Increase
	Revenue	Increase \$			
Single-Family Residential Gas Service	\$200,762,529	\$41,978,955	20.91%	74.84%	
Multi-Family Residential Gas Service	\$30,629,681	\$4,181,793	13.65%	7.46%	
Air Conditioning Residential Gas Service	\$22,623	\$8,474	37.46%	0.02%	
General Gas Service - 1	\$17,004,126	\$1,236,383	7.27%	2.20%	
General Gas Service - 2	\$13,183,333	\$1,672,474	12.69%	2.98%	
General Gas Service - 3	\$3,784,947	\$855,289	22.60%	1.52%	
General Gas Service - 4	\$17,037,783	\$4,584,940	26.91%	8.17%	
General Gas Service - 5 (Full Tariff)	\$515,388	\$162,382	31.51%	0.29%	
General Gas Service - 6 (Full Tariff)	\$4,700,418	\$1,165,810	24.80%	2.08%	
Air Conditioning Gas Service	\$29,222	\$5,192	17.77%	0.01%	
Water Pumping Gas Service	\$21,499	\$2,466	11.47%	0.00%	
Small Electric Generation Gas Service Gas Service for Compression on Customer's Premises	\$574,588	\$174,092	30.30%	0.31%	
Customer's Premises	\$60,334	\$20,276	33.61%	0.04%	
Street and Outdoor Lighting Gas Service	\$157,800	\$41,474	26.28%	0.07%	
Total Tariff Sales and Transportation	\$288,484,271	\$56,090,000	19.44%	100.00%	

[1] Southwest Gas proposed Certification amounts included one SG-G5 customer and one SG-G6 customer receiving service under those schedules at the end of the Certification period.

[2] Settlement revenue allocation includes one additional SG-G6 customer whose negotiated rate contract expired on December 31, 2023, and is currently served under schedule SG-G6.

[3] Reflects the agreed upon Settlement revenue increase before adjustments to cost of capital (\$56.09 million in the Company's Southern Nevada rate jurisdiction) as filed on February 2, 2024 in the partial Stipulation in this docket. The final revenue requirement will be allocated in proportion to each rate class's percent of the total revenue increase.

**NORTHERN NEVADA
REVENUE ALLOCATION PERCENTAGES**

Rate Schedule	Southwest Gas Proposed Revenue Allocation at Certification				Settlement Revenue Allocation at Certification Revenue Requirement			
	Present Margin		Increase \$	Increase %	Present Margin		Increase %	% of Total Increase
	Revenue	Increase \$			Revenue	Increase \$		
Single-Family Residential Gas Service	\$30,548,222	\$7,415,165	24.27%	70.80%	\$30,548,222	\$6,971,304	22.82%	66.57%
Multi-Family Residential Gas Service	\$4,763,441	\$726,390	15.25%	6.94%	\$4,763,441	\$618,274	12.98%	5.90%
Air Conditioning Residential Gas Service	\$1,507	-\$82	(5.45%)	0.00%	\$1,507	-\$63	(4.19%)	0.00%
General Gas Service - 1	\$5,124,847	\$1,381,252	26.95%	13.19%	\$5,124,847	\$1,372,685	26.78%	13.11%
General Gas Service - 2	\$3,120,848	\$256,702	8.23%	2.45%	\$3,120,848	\$514,950	16.50%	4.92%
General Gas Service - 3	\$1,123,192	\$170,192	15.15%	1.63%	\$1,123,192	\$324,485	28.89%	3.10%
General Gas Service - 4	\$1,629,151	\$517,798	31.78%	4.94%	\$1,629,151	\$666,187	40.89%	6.36%
General Gas Service - 5 (Full Tariff)	\$0	\$0	0.00%	0.00%	\$0	\$0	0.00%	0.00%
General Gas Service - 6 (Full Tariff)	\$0	\$0	0.00%	0.00%	\$0	\$0	0.00%	0.00%
Air Conditioning Gas Service	\$589	\$216	36.60%	0.00%	\$589	\$226	38.42%	0.00%
Water Pumping Gas Service	\$1,070	\$290	27.10%	0.00%	\$1,070	\$282	26.36%	0.00%
Small Electric Generation Gas Service	\$4,831	\$1,816	37.59%	0.02%	\$4,831	\$2,116	43.80%	0.02%
Gas Service for Compression on Customer's Premises	\$137	\$28	20.44%	0.00%	\$137	\$40	29.20%	0.00%
Street and Outdoor Lighting Gas Service	\$4,851	\$2,911	60.01%	0.03%	\$4,851	\$2,194	45.22%	0.02%
Total Tariff Sales and Transportation	\$46,322,686	\$10,472,678	22.61%	100.00%	\$46,322,686	\$10,472,680	22.61%	100.00%

Rate Schedule	Settlement Revenue Allocation at Settlement Revenue of \$9.47 Million [1]				
	Present Margin		Increase \$	Increase %	% of Total Increase
	Revenue	Increase \$			
Single-Family Residential Gas Service	\$30,548,222	\$6,303,854	20.64%	66.57%	
Multi-Family Residential Gas Service	\$4,763,441	\$559,079	11.74%	5.90%	
Air Conditioning Residential Gas Service	\$1,507	-\$57	(3.79%)	0.00%	
General Gas Service - 1	\$5,124,847	\$1,241,261	24.22%	13.11%	
General Gas Service - 2	\$3,120,848	\$465,647	14.92%	4.92%	
General Gas Service - 3	\$1,123,192	\$293,418	26.12%	3.10%	
General Gas Service - 4	\$1,629,151	\$602,405	36.98%	6.36%	
General Gas Service - 5 (Full Tariff)	\$0	\$0	0.00%	0.00%	
General Gas Service - 6 (Full Tariff)	\$0	\$0	0.00%	0.00%	
Air Conditioning Gas Service	\$589	\$205	34.74%	0.00%	
Water Pumping Gas Service	\$1,070	\$255	23.83%	0.00%	
Small Electric Generation Gas Service	\$4,831	\$1,913	39.61%	0.02%	
Gas Service for Compression on Customer's Premises	\$137	\$36	26.40%	0.00%	
Street and Outdoor Lighting Gas Service	\$4,851	\$1,984	40.89%	0.02%	
Total Tariff Sales and Transportation	\$46,322,686	\$9,470,000	20.44%	100.00%	

[1] Reflects the agreed upon Settlement revenue increase before adjustments to cost of capital (\$9.47 million in the Company's Northern Nevada rate jurisdiction) as filed on February 2, 2024 in the partial Stipulation in this docket. The final revenue requirement will be allocated in proportion to each rate class's percent of the total revenue increase.

ATTACHMENT 2

**CONTRACT TRANSITION ADJUSTMENT PROVISION (CTAP)
STIPULATED TARIFF LANGUAGE**

PUCN SHEET NOS. 91A(1) & 91A(2)

APPLICABILITY

The Contract Transition Adjustment Provision (CTAP) applies to all rate schedules in this Nevada Gas Tariff. The Company will maintain separate CTAP accounting for its Northern Nevada Division and Southern Nevada Division.

The CTAP specifies the procedures to allow the utility to recover or return the difference in the Company's actual Base Tariff General Rate (BTGR) revenues derived from customers with discounted rate contracts or contracts for special services (collectively, Contracts) who transition to Schedule No. SG-G5, SG-G6 or NG-G5, and the amount for each customer that was included in the calculation of the Company's authorized BTGR revenues, adjusted for any increase in contract rates and revenues resulting from annual escalations of those rates and revenues due to annual changes in the gross domestic product deflator or consumer price index as applicable in the customer's Contracts.

BTGR revenues are those revenues collected through the margin portion of the fixed and variable delivery charge components of the Company's rates as stated on the Statement of Rates in this Nevada Gas Tariff and inflation adjusted revenues collected from customers served under Contracts.

TRACKING PERIOD

The initial tracking period shall be the first period including at least twelve (12) months ending September 30 following the transition of the customer from a Contract to Schedule No. SG-G5, SG-G6 or NG-G5, and each twelve (12) month period ending September 30 thereafter.

The Company will cease tracking the CTAP for a transitioning customer when that customer is included in a cost-of-service study as a Schedule No. SG-G5, SG-G6 or NG-G5 customer when rates are effective in the first general rate case filed after the customer transitions from a Contract to Schedule No. SG-G5, SG-G6 or NG-G5.

CTAP REVENUES ADJUSTMENT DEFERRALS

An annual CTAP revenues adjustment deferral will be calculated as follows:

1. For each month of the tracking period, the difference between each transitioning customer's monthly BTGR revenues included in the calculation of the Company's authorized BTGR rates, adjusted for any increase in contract rates and revenues resulting from annual escalations of those rates and revenues due to annual changes in the gross domestic product deflator or consumer price index as applicable in the customer's Contract and the actual monthly BTGR revenues received from each customer served under Schedule Nos. SG-G5, SG-G6, and NG-G5.
2. The annual CTAP revenue deferral is equal to the sum of the tracking period monthly computations as described above. The annual CTAP deferrals calculated above shall be recorded in a separate sub-account of Account No. 182.3 (CTAP sub-account) and included in the determination of the balance used to calculate the CTAP rate. The Company shall separately track deferrals for each transitioning customer in the CTAP sub-account.

CONTRACT TRANSITION ADJUSTMENT PROVISION RATE

The CTAP rate is a per therm charge or credit applicable to each rate schedule to recover or refund any CTAP deferrals. The Company shall update the CTAP rate in its Annual Rate Adjustment Application. The CTAP rates will be calculated by dividing the balance in the CTAP sub-account at the end of the tracking period by the total therms delivered to all full margin customer classes during the tracking period.

ATTACHMENT 3

**LARGE CUSTOMER ADJUSTMENT PROVISION (LCAP)
STIPULATED TARIFF LANGUAGE
PUCN SHEET NOS. 91B(1) & 91B(2)**

APPLICABILITY

The Large Customer Adjustment Provision (LCAP) applies to all Southern Nevada rate schedules in this Nevada Gas Tariff. The (LCAP) specifies the procedures to allow the utility to recover or return the difference in the Company's actual Base Tariff General Rate (BTGR) revenues derived from customers served under Schedule Nos. SG-G5 and SG-G6, and the amount for each customer that was included in the calculation of the Company's authorized BTGR revenues. BTGR revenues are those revenues collected through the margin portion of the fixed and variable delivery charge components of the Company's rates as stated on the Statement of Rates in this Nevada Gas Tariff.

CUSTOMER CLASS DETERMINATION & TRACKING PERIOD

On September 30 of each year during the rate effective period of a general rate case application, the Company will determine if any customer that was classified as a SG-G5 or SG-G6 customer during the test year of the general rate case application should be reclassified to the other rate schedule.

If a customer qualifies for reclassification, the Company will track the difference in revenues for that customer that were included in the general rate case application and the actual revenues for the 12 months beginning on October 1.

LCAP REVENUES ADJUSTMENT DEFERRALS

An annual LCAP revenues adjustment deferral will be calculated as follows:

1. For each month of the tracking period, the difference between each reclassified customer's monthly BTGR revenues included in the calculation of the Company's authorized BTGR rates and the actual monthly BTGR revenues received from each reclassified customer served under Schedule Nos. SG-G5 and SG-G6.
2. The annual LCAP revenue deferral is equal to the sum of the tracking period monthly computations as described above. The annual LCAP deferrals calculated above shall be recorded in a separate sub-account of Account No. 182.3 LCAP sub-account) and included in the determination of the balance used to calculate the LCAP rates. The Company shall separately track deferrals for each reclassified customer in the LCAP sub-account.

LARGE CUSTOMER ADJUSTMENT PROVISION RATE

The LCAP rate is a per therm charge or credit applicable to each rate schedule to recover or refund any LCAP deferrals. The Company shall update the LCAP rate in its Annual Rate Adjustment Application. The LCAP rates will be calculated by dividing the balance in the LCAP sub-account at the end of the tracking period by the total therms delivered to all full margin customer classes during the tracking period.

ATTACHMENT C

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7
8 **PUBLIC UTILITIES COMMISSION OF NEVADA**

9
10 In the Matter of the Application of Southwest
Gas Corporation for Authority to Increase its
11 Retail Natural Gas Utility Service Rates in its
Southern and Northern Nevada Rate
12 Jurisdictions.

Docket No.: 23-09012

13
14 **AMENDED STIPULATION**

15 Pursuant to Nevada Administrative Code (NAC) 703.750 and 703.845, Southwest Gas
16 Corporation (Southwest Gas or Company), the Regulatory Operations Staff (Staff) of the Public
17 Utilities Commission of Nevada (Commission), the Office of the Attorney General's Bureau of
18 Consumer Protection (BCP), and Southern Nevada Gaming Group (SNGG) (collectively referred
19 to as Signatories) enter into this Stipulation to resolve certain issues (Stipulated Issues) related
20 to the Company's Application for Authority to Increase its Retail Natural Gas Utility Service Rates
21 in its Southern and Northern Nevada Rate Jurisdictions (Application).¹

22 **SUMMARY OF STIPULATION**

23 The Signatories agree that this Stipulation provides for resolution of the remaining issues
24 associated with class cost of service/rate design. Specifically, the Signatories agree to the class
25 revenue allocation/rate design described below. This Stipulation only modifies the previously
26 filed Stipulation on class revenue allocation/rate design by adding SNGG as a signatory to the
27 Stipulation. The parties reserve the right to settle any and all remaining issues. If the parties

28

¹ Nevada Cogeneration Associates #1 and #2 (NCA) is also a party to this proceeding, but not a signatory.

1 reach a settlement on any remaining issue(s), then they will file a corresponding Stipulation
2 forthwith.

3 This Stipulation only resolves the Stipulated Issues related to this Application and only
4 seeks relief the Commission is empowered to grant. As such, the Signatories recommend the
5 Commission approve the Stipulation, with rates taking effect on April 1, 2024.

6 **RECITALS**

- 7 1. Southwest Gas is a public utility subject to the jurisdiction of the Commission pursuant
8 to Chapter 704 of the Nevada Revised Statutes (NRS). Southwest Gas is engaged in
9 the retail transmission, distribution, transportation, and sale of natural gas for
10 domestic, commercial, agricultural, and industrial uses.
- 11 2. Southwest Gas filed its Application September 11, 2023.
- 12 3. Staff participates as a matter of right pursuant to NRS 703.301.
- 13 4. On September 21, 2023, BCP filed its Notice of Intent to Intervene pursuant to NRS
14 Chapter 228 and participates as a matter of right.
- 15 5. On September 26, 2023, the Commission issued a Notice of Application and Notice
16 of Prehearing Conference.
- 17 6. On October 6 and 13, 2023, Southwest Gas filed an Amendment to its Application.
- 18 7. On October 18, 2023, SNGG filed its Petition for Leave to Intervene.
- 19 8. On October 20, 2023, NCA filed its Petition for Leave to Intervene.
- 20 9. On October 20, 2023, the Commission held a Prehearing Conference to determine a
21 procedural schedule and consider the Petitions for Leave to Intervene. A Procedural
22 Order and Order granting the Petition for Leave to Intervene filed by SNGG were
23 issued October 24, 2023.
- 24 10. On November 2, 2023, the Commission issued an Order granting NCA's Petition for
25 Leave to Intervene.
- 26 11. On November 8, 2023, the Commission issued a Notice of Consumer Session and
27 Notice of Hearing.

1 12. On December 14, 2023, the Commission held a consumer session regarding the
2 Application.

3 13. On January 5, 2024, the Company made its Certification filing.

4 14. On February 2, 2024, the Signatories filed a partial Stipulation.

5 15. On February 2, 2024, Staff, BCP, SNGG, and NCA filed prepared direct testimony.

6 **AGREEMENT**

7 The Signatories agree, and request the Commission approve, this Stipulation as follows:

8 **CLASS REVENUE ALLOCATIONS / RATE DESIGN**

9 1. Billing determinants and revenue for the one customer that started receiving service
10 under rate schedule SG-G5 prior to 1/1/2024, the one customer that started receiving
11 service under rate schedule SG-G6 prior to 1/1/2024, and the one customer that
12 started receiving service under rate schedule SG-G6 on 1/1/2024 are included in the
13 customer class revenue allocations and the calculation of rate design for the Southern
14 Nevada rate jurisdiction.

15 2. Southern and Northern Nevada rates for schedules with demand charges will be
16 calculated to recover forty-five percent of the customer class revenue requirement
17 through the applicable basic service charge, transportation service charge and
18 demand charge, and fifty-five percent of the class revenue requirement through the
19 variable commodity charge of the rate design.

20 3. Percentage increases in margin revenue calculated based on Southwest Gas'
21 proposed Certification revenue increase for the Southern Nevada rate jurisdiction of
22 \$63.5 million dollars and the Settlement revenue increase before cost of capital of
23 \$56.09 million are shown in the table below. Attachment 1 includes the agreed upon
24 Settlement Revenue Allocation at the Settlement Revenue increase of \$56.09 million
25 in Southern Nevada.

**Southern Nevada
Revenue Allocation Percentages**

Description (a)	Southwest Gas Proposed at Certification (b)	Settlement Allocation at Settled Revenue Requirement ¹ (c)
Single-Family Residential Gas Service	25.29%	20.91%
Multi-Family Residential Gas Service	20.56%	13.65%
Air Conditioning Residential Gas Service	33.51%	37.46%
General Gas Service - 1	2.80%	7.27%
General Gas Service - 2	(1.37%)	12.69%
General Gas Service - 3	13.41%	22.60%
General Gas Service - 4	29.91%	26.91%
General Gas Service - 5	20.29%	31.51%
General Gas Service - 6	17.47%	24.80% ²
Air Conditioning Gas Service	0.53%	17.77%
Water Pumping Gas Service	(24.43%)	11.47%
Small Electric Generation Gas Service	17.62%	30.30%
Gas Service for Compression on Customer's Premises	24.93%	33.61%
Street and Outdoor Lighting Gas Service	39.99%	26.28%
Total Tariff Sales and Transportation	22.27%	19.44%

[1] Reflects the agreed upon Settlement revenue increase before adjustments to cost of capital (\$56.09 million in the Company's Southern Nevada rate jurisdiction) as filed on February 2, 2024 in the partial Stipulation in this docket. The final revenue requirement will be allocated in proportion to each rate class's percent of the total revenue increase.

[2] The General Gas Service – 6 revenue increase is based on current margin revenue of \$4,700,417.

Percentage increases in margin revenue calculated based on Southwest Gas' proposed Certification revenue increase for the Northern Nevada rate jurisdiction of \$10.47 million dollars and the Settlement revenue increase before cost of capital of \$9.47 million are shown in the table

below. Attachment 1 includes the agreed upon Settlement Revenue Allocation at the Settlement Revenue increase of \$9.47 million in Northern Nevada.

**Northern Nevada
Revenue Allocation Percentages**

Description (a)	Southwest Gas Proposed at Certification (b)	Settlement Allocation at Settled Revenue Requirement ¹ (c)
Single-Family Residential Gas Service	24.27%	20.64%
Multi-Family Residential Gas Service	15.25%	11.74%
Air Conditioning Residential Gas Service	(5.45%)	(3.79%)
General Gas Service - 1	26.95%	24.22%
General Gas Service - 2	8.23%	14.92%
General Gas Service - 3	15.15%	26.12%
General Gas Service - 4	31.78%	36.98%
General Gas Service - 5	0.00%	0.00%
Air Conditioning Gas Service	36.60%	34.74%
Water Pumping Gas Service	27.10%	23.83%
Small Electric Generation Gas Service	37.59%	39.61%
Gas Service for Compression on Customer's Premises	20.44%	26.40%
Street and Outdoor Lighting Gas Service	60.01%	40.89%
Total Tariff Sales and Transportation	22.61%	20.44%

[1] Reflects the agreed upon Settlement revenue increase before adjustments to cost of capital (\$9.47 million in the Company's Northern Nevada rate jurisdiction) as filed on February 2, 2024 in the partial Stipulation in this docket. The final revenue requirement will be allocated in proportion to each rate class's percent of the total revenue increase.

4. The final revenue requirement after adjustments to cost of capital will be allocated to customer classes in proportion to the Settlement revenue allocation percentages reflected in the tables above.
5. As a directive(s), at least six months prior to the filing of Southwest Gas' next general rate case the parties agree to meet informally to discuss alternate methods of classifying and allocating the cost of the Company's transmission system mains,

1 distribution system mains, and its distribution system service lines to customer classes
2 in its next rate case.

- 3 6. Southwest Gas agrees to provide additional cost of service studies that utilize other
4 allocation methodologies, including throughput, and proposed noticing in its next
5 general rate case application that moves customers in Schedules Nos. SG-RAC/NG-
6 RAC, SG-AC/NG-AC, SG-WP/NG-WP, SG-EG/NG-EG, and SG-CNG/NG-CNG to
7 their otherwise applicable rate schedules to ensure these customers receive proper
8 noticing should Southwest Gas, Staff, or another intervening party propose to
9 eliminate any of these rate schedules in that future proceeding.
- 10 7. Southwest Gas agrees to revise its Contract Transition Adjustment Provision as
11 shown in Attachment 2 to this Stipulation and to implement a Large Customer
12 Adjustment Provision as shown in Attachment 3 to this Stipulation.

13 **GENERAL PROVISIONS**

- 14 1. This Stipulation is entered into with the express understanding that it is a negotiated
15 resolution of the Stipulated Issues in this proceeding. The provisions of this Stipulation
16 are not severable. If the Commission does not accept this Stipulation, it shall be
17 withdrawn without prejudice to any claim made by any party to this proceeding.
- 18 2. This Stipulation represents a compromise of the positions of the Signatories. As such,
19 the conduct, statements and documents disclosed in the confidential negotiation of
20 this Stipulation shall not be admissible as evidence in this Docket or in any other
21 proceeding. Unless otherwise stated herein, neither this Stipulation nor its terms, nor
22 the Commission's acceptance or rejection of this Stipulation and its terms, shall have
23 any precedential effect in future proceedings.
- 24 3. The Signatories agree and represent that all terms in this Stipulation are reasonable
25 and in the public interest, and that this Stipulation only grants relief that the
26 Commission is empowered to grant.

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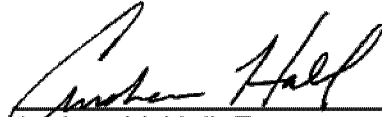
- 4. The Signatories agree and represent that all terms in this Stipulation settle only issues that relate to the instant proceeding.
- 5. This Stipulation may be executed in counterparts, all of which together shall constitute the original executed agreement. Signatories may execute this Stipulation by electronic transmission, which signatures shall be as binding and effective as original signatures.

[signature pages to follow]

1 This Amended Stipulation is entered into by each Signatory as of the date entered
2 below.

3 SOUTHWEST GAS CORPORATION

4
5 Date: 2/22/2024



6 Andrew V. Hall, Esq.
7 Assistant General Counsel
8 Vincent J. Vitatoe, Esq.
9 Associate General Counsel

10 REGULATORY OPERATIONS STAFF OF
11 THE PUBLIC UTILITIES COMMISSION
12 OF NEVADA

13 Date: 02/22/2024

14 /s/ Jesse N. Panoff

Jesse N. Panoff, Esq.
15 Assistant Staff Counsel
16 Rost C. Olsen, Esq.
17 Assistant Staff Counsel
18 Donald J. Lomoljo, Esq.
19 Staff Counsel

20 BUREAU OF CONSUMER PROTECTION

21 Date: 02/22/2024

22 /s/ Michael T. Saunders

23 Michael T. Saunders, Esq.
24 Senior Deputy Attorney General

25 SOUTHERN NEVADA GAMING GROUP

26 Date: 02/22/2024

27 /s/ Lucas Foletta

28 Lucas Foletta, Esq.
McDonald Carano

Respectfully submitted this 22nd day of February 2024.

ATTACHMENT D

SOUTHWEST GAS CORPORATION
DOCKET NO. 23-09012
LATE FILED EXHIBIT NO. 186
SOUTHERN AND NORTHERN NEVADA RATE JURISDICTIONS
GAS COST RATES (BTER AND DEAA)

	SOUTHERN NEVADA									
	ACTUAL					PROJECTED				
	Jan-23 [1]	Apr-23 [2]	Jul-23 [3]	Oct-23 [4]	Jan-24 [5]	Apr-24 [6]	Jul-24 [7]	Oct-24 [7]	Jan-25 [7]	Apr-25 [7]
BTER	\$ 0.65812	\$ 0.87743	\$ 1.33639	\$ 1.24274	\$ 1.19058	\$ 0.95169	\$ 0.41769	\$ 0.43005	\$ 0.42178	\$ 0.46515
UGCE	\$ 0.00437	\$ 0.00437	\$ 0.00711	\$ 0.00711	\$ 0.00711	\$ 0.00711	\$ 0.00996	\$ 0.00996	\$ 0.00996	\$ 0.00996
Total Tariff BTER	\$ 0.66249	\$ 0.88180	\$ 1.34350	\$ 1.24985	\$ 1.19769	\$ 0.95880	\$ 0.42765	\$ 0.44001	\$ 0.43174	\$ 0.47511
DEAA	\$ 0.14028	\$ 0.16528	\$ 0.19028	\$ 0.21528	\$ 0.24028	\$ 0.26528	\$ 0.24028	\$ 0.21528	\$ 0.19028	\$ 0.16528
Total Gas Cost	\$ 0.80277	\$ 1.04708	\$ 1.53378	\$ 1.46513	\$ 1.43797	\$ 1.22408	\$ 0.66793	\$ 0.65529	\$ 0.62202	\$ 0.64039
% Change In Per Therm Rate		30.4%	46.5%	-4.5%	-1.9%	-14.9%	-45.4%	-1.9%	-5.1%	3.0%
Annualized Revenue Increase (Decrease) [8]	\$ 30,008,358	\$ 113,137,547	\$ 238,801,828	\$ (34,992,380)	\$ (13,913,580)	\$ (105,475,547)	\$ (274,250,697)	\$ (6,236,308)	\$ (16,404,294)	\$ 9,058,542

	NORTHERN NEVADA									
	ACTUAL					PROJECTED				
	Jan-23 [1]	Apr-23 [2]	Jul-23 [3]	Oct-23 [4]	Jan-24 [5]	Apr-24 [6]	Jul-24 [7]	Oct-24 [7]	Jan-25 [7]	Apr-25 [7]
BTER	\$ 0.91214	\$ 1.17260	\$ 1.54902	\$ 1.44174	\$ 1.39744	\$ 1.10304	\$ 0.66933	\$ 0.75101	\$ 0.72797	\$ 0.74428
UGCE	\$ 0.00404	\$ 0.00404	\$ 0.00763	\$ 0.00763	\$ 0.00763	\$ 0.00763	\$ 0.00877	\$ 0.00877	\$ 0.00877	\$ 0.00877
Total Tariff BTER	\$ 0.91618	\$ 1.17664	\$ 1.55665	\$ 1.44937	\$ 1.40507	\$ 1.11067	\$ 0.67810	\$ 0.75978	\$ 0.73674	\$ 0.75305
DEAA	\$ 0.12500	\$ 0.15000	\$ 0.17500	\$ 0.20000	\$ 0.22500	\$ 0.25000	\$ -	\$ (0.02500)	\$ (0.05000)	\$ -
Total Gas Cost	\$ 1.04118	\$ 1.32664	\$ 1.73165	\$ 1.64937	\$ 1.63007	\$ 1.36067	\$ 0.67810	\$ 0.73478	\$ 0.68674	\$ 0.75305
% Change In Per Therm Rate		27.4%	30.5%	-4.8%	-1.2%	-16.5%	-50.2%	8.4%	-6.5%	9.7%
Annualized Revenue Increase (Decrease) [8]	\$ 5,708,017	\$ 29,786,825	\$ 44,755,795	\$ (9,386,580)	\$ (2,208,715)	\$ (30,045,647)	\$ (76,125,880)	\$ 6,320,766	\$ (5,357,206)	\$ 7,395,487

[1] BTER and DEAA approved in 22-11029. UGCE approved in 21-11011.
 [2] BTER and DEAA approved in 23-02029. UGCE approved in 21-11011.
 [3] BTER and DEAA approved in 23-05033. UGCE approved in 22-11017.
 [4] BTER and DEAA approved in 23-08014. UGCE approved in 22-11017.
 [5] BTER and DEAA approved in 23-11021. UGCE approved in 22-11017.
 [6] BTER and DEAA filed in 24-02024. UGCE approved in 22-11017.
 [7] Estimated BTER and DEAA based on market forwards prices and estimated recoveries. UGCE proposed in 23-11017.
 [8] July 2024 through April 2025 Annualized Revenue changes are estimates based on the aforementioned footnotes.