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21-09001

Public Utilities Commission of Nevada
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Filed For: Southwest Gas Corporation

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by: /s Tashia Garry

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This filing has been electronically filed and deemed to be signed by an authorized
agent or
representative of the signer(s) and
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10 **PUBLIC UTILITIES COMMISSION OF NEVADA**

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

Docket No. 21-09001

15
16 **STIPULATION**

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

24 **SUMMARY OF STIPULATION**

25 The Signatories agree that this Stipulation provides a reasonable resolution to the
26 Company's Application and is in the public interest. Specifically, the Stipulation reflects the

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

1 Signatories' agreement that the Company's return on common equity (ROE) will be set at 9.40
2 percent on a capital structure consisting of 50 percent common equity. The Stipulation also
3 provides for an annual revenue increase of \$14.05 million, comprised of an increase of \$12.75
4 million in the Company's Southern Nevada rate jurisdiction and \$1.30 million in the Company's
5 Northern Nevada rate jurisdiction.

6 This Stipulation only resolves issues related to this Application and only seeks relief
7 the Commission is empowered to grant. As such, the Signatories recommend the Commission
8 approve the Stipulation, with rates taking effect on April 1, 2022.

9 **RECITALS**

- 10 1. Southwest Gas is a public utility subject to the jurisdiction of the Commission
11 pursuant to Chapter 704 of the Nevada Revised Statutes (NRS). Southwest Gas
12 is engaged in the retail transmission, distribution, transportation, and sale of natural
13 gas for domestic, commercial, agricultural, and industrial uses.
- 14 2. Southwest Gas filed its Application September 1, 2021.
- 15 3. Staff participates as a matter of right pursuant to NRS 703.301.
- 16 4. On September 3, 2021, BCP filed its Notice of Intent to Intervene pursuant to NRS
17 Chapter 228 and participates as a matter of right.
- 18 5. On September 15, 2021, the Commission issued a Notice of Application and Notice
19 of Prehearing Conference.
- 20 6. On October 5, 2021, NCA filed its Petition for Leave to Intervene.
- 21 7. On October 6, 2021, NPC filed its Petition for Leave to Intervene.
- 22 8. On October 12, 2021, the Commission held a Prehearing Conference to determine
23 a procedural schedule and consider the Petitions for Leave to Intervene. A
24 Procedural Order and Order granting the Petitions for Leave to Intervene filed by
25 NCA and NPC was issued October 19, 2021.
- 26 9. On November 18, 2021, the Commission issued a Notice of Consumer Session and
27 Notice of Hearing.

1 10. On December 15, 2021, the Commission held a consumer session regarding the
2 Application.

3 11. On December 17, 2021, the Company made its Certification filing.

4 12. On January 14, 2022, Staff and BCP filed direct testimony.

5 13. On January 31, 2022, the Company filed rebuttal testimony.

6 14. On January 26, 2022, the Commission issued Procedural Order No. 2.

7 **AGREEMENT**

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

10 **Cost of Capital**

- 11 1. The Company's ROE will be set at 9.40 percent.
- 12 2. The Company's capital structure will consist of 50 percent common equity and 50
13 percent debt.
- 14 3. The Company's total cost of debt will be set at 3.19 percent for its Southern Nevada
15 rate jurisdiction and 3.71 percent for its Northern Nevada rate jurisdiction.

16 **Revenue Requirement**

- 17 1. The Signatories agree to a "black box" statewide revenue requirement increase of
18 \$14.05 million, comprised of \$12.75 million in Southern Nevada and \$1.30 million
19 in Northern Nevada.
- 20 2. The "black box" revenue requirement includes the removal of \$2,207 in general rate
21 case expense; an adjustment of approximately \$1.6 million (\$1.29 million net of tax)
22 to the Lead/Lag study to account for the District 22 regulatory liability; and a
23 regulatory amortization period of 2 years.
- 24 3. Southwest Gas agrees to establish a regulatory liability account to record any
25 amounts related to previously authorized regulatory amortizations potentially
26 amortized beyond the 2-year amortization period agreed to herein.
- 27 4. As a directive, Southwest Gas agrees that in future general rate case filings, any
28 previously authorized regulatory assets and liabilities that the Company seeks to

1 re-amortize will be included in rate base at the fully amortized balance as of the rate
2 effective date.

- 3 5. As a directive, Southwest Gas agrees to file in its next general rate case, a ledger
4 of adjusted expenses for the following items that Southwest Gas is seeking
5 recovery of: food and beverage, travel, lodging, incidentals, real estate, and
6 entertainment. The ledger will be filed as a separate volume and will include a
7 cumulative summary sheet of the costs being requested by account, which
8 references back to the adjusted expenses included in the ledger.
- 9 6. As a directive, Southwest Gas agrees to file in its next general rate case, a schedule
10 delineating every Board of Directors (BOD) charge included for recovery, including
11 reference to the schedule that each BOD charge is itemized on and the amount
12 requested for recovery in Southern Nevada and Northern Nevada revenue
13 requirements, respectively, with corresponding allocation factors.
- 14 7. As a compliance item, Southwest Gas agrees to file in this Docket an accounting of
15 the final costs incurred to prepare and present this general rate case (Docket No.
16 21-09001) within 90 days of the final Commission Order approving this Stipulation.

17 **COVID Regulatory Asset**

- 18 1. On March 13, 2020, Southwest Gas voluntarily implemented a moratorium on
19 disconnections of service for non-payment in response to the COVID-19 pandemic.
- 20 2. On March 27, 2020, the Commission issued an Emergency Order in Docket No.
21 20-03021, "...to facilitate the review and recovery of prudently-incurred costs
22 associated with utilities' efforts to accommodate customers...including costs
23 associated with suspending the termination, discontinuance, and/or disconnection
24 of services..." The Commission ordered all rate-regulated public utilities to establish
25 regulatory asset accounts, "...for the purpose of recording amounts that reflect the
26 costs, beginning March 12, 2020, of maintaining service to customers affected by
27 COVID-19 whose service would have been terminated, discontinued and/or
28 disconnected under normally-applicable terms of service."

- 1 3. From April 1, 2020 through March 31, 2021, Southwest Gas deferred suppressed
2 late pay charges to the regulatory asset established pursuant to the Commission's
3 Order (COVID Regulatory Asset).² The suppressed late pay charges were
4 suppressed and not applied to customer accounts to avoid having those customers
5 disconnected for non-payment upon the lifting of the Company's voluntary
6 moratorium.
- 7 4. Southwest Gas' Application seeks to recover approximately \$6.6 million in
8 suppressed late pay charges recorded to its COVID Regulatory Asset. No party to
9 this proceeding disputes the amount in question, but some parties questioned
10 whether "late pay charges" were intended by the Commission to be an eligible item
11 for recovery in the COVID Regulatory Asset.
- 12 5. The Signatories agree that "late pay charges" were not specifically identified by the
13 Commission in its March 27, 2020 Order. Therefore, the Signatories respectfully
14 request that the Commission determine whether suppressed late pay charges are
15 an eligible item to be included in the COVID Regulatory Asset.
- 16 6. The Signatories agree that if the Commission determines that suppressed late pay
17 charges are not eligible to be included in the COVID Regulatory Asset, the \$6.6
18 million will not be recovered by the Company.
- 19 7. The Signatories agree that if the Commission determines that suppressed late pay
20 charges are eligible to be included in the COVID Regulatory Asset, the \$6.6 million
21 will be recovered by the Company as follows:
- 22 a. The \$6.6 million COVID Regulatory Asset balance will be amortized over 4
23 years, at approximately \$1.65 million per year (approximately \$1.45 million
24 in Southern Nevada and approximately \$194,000 in Northern Nevada).
- 25 b. These amounts will not include carrying charges or be included in rate base.
- 26

27
28 ² For purposes of this proceeding, suppressed late pay charges are defined as past due receivables that were calculated and assessed pursuant to the Company's tariff, and would have resulted in disconnection of service but for the Company's voluntary moratorium on disconnections.

1 **Cost of Service / Rate Design**

- 2 1. The Signatories agree for this proceeding to adopt Southwest Gas' billing
3 determinants, Class Cost of Service Study (CCOSS), and rate design as filed at
4 Certification, except as otherwise modified herein.
- 5 2. BCP's agreement to this stipulation is not an agreement by BCP to SWG's
6 classification of the costs of distribution mains as 50 percent customer and 50
7 percent demand. BCP reserves its right in the next general rate case to recommend
8 a classification of the costs of distribution mains consistent with BCP's direct
9 testimony in this proceeding or Staff's direct testimony in Docket No. 20-02023 or
10 some other classification.
- 11 3. Southwest Gas will maintain its decoupled rate structure and decouple its SG-G4
12 and NG-G4 rate schedules.
- 13 4. Southwest Gas will combine its SG-G7 customer class with its SG-G6 customer
14 class and eliminate its SG-G7 customer class.
- 15 5. Southwest Gas will decrease the basic service charge for its SG-G2 and NG-G2
16 customer classes as recommended by Staff.
- 17 6. Southwest Gas will move City Center Cogen to the SG-EG rate schedule.
- 18 7. Southwest Gas will revise its full margin tariff rates such that for the SG/NG-G4
19 through SG/NG-G6 customer classes, rates will be calculated as the basic service
20 charge, and demand rates will recover 50 percent of the class revenue requirement,
21 with the remaining 50 percent recovered through the commodity rate.
- 22 8. The maximum tariff rates for each recourse rate schedule will be derived from the
23 revenues allocated to that customer class in the recourse CCOSS, unless the
24 increase in rates for a recourse customer class exceeds the system average rate
25 increase plus 10 percent of the imputed annual revenues from the current
26 Commission-approved tariff rates for that customer class.
- 27 9. The minimum tariff rates for each of the recourse rate schedules will be set at 50
28 percent of the maximum tariff rates of the respective rate schedule.

1 10. As a directive, Southwest Gas agrees to include the following weather normalization
2 information in its next general rate case:

3 a. Propose a method to incorporate the warming trend into the weather
4 normalization process and support the proposal with an analysis containing
5 at least 20 years of historical data.

6 b. Make a weather normalization adjustment to transportation volumes if the
7 transportation service customer is in a similar category as a weather-
8 normalized general sales service category.

9 c. Make a weather normalization adjustment to the commercial A/C schedule.

10 d. Make a weather normalization adjustment to the transportation small electric
11 generation service schedule and the contracts for special services
12 transportation electric generation service schedule.

13 11. As a directive, Southwest Gas agrees to meet with Staff, BCP and any other
14 interested parties to this proceeding to explain and demonstrate the inputs
15 necessary to calculate its Rule No. 9 allowances within 180 days of the final
16 Commission order approving this Stipulation.

17 12. The Signatories agree to adopt Southwest Gas' proposed tariff modifications, with
18 the exception of Southwest Gas' proposed modifications to Rule No. 16.

19 13. Southwest Gas will incorporate the anti-bypass tariff language proposed by BCP to
20 Schedule No. ST-1/NT-1, which clarifies rate schedule eligibility for anti-bypass
21 rates.

22 **GENERAL PROVISIONS**

23 1. This Stipulation is entered into with the express understanding that it is a negotiated
24 resolution of the issues in this proceeding. The provisions of this Stipulation are
25 not severable. If the Commission does not accept this Stipulation, it shall be
26 withdrawn without prejudice to any claim made by any party to this proceeding.

27 2. This Stipulation represents a compromise of the positions of the Signatories. As
28 such, the conduct, statements and documents disclosed in the confidential

1 negotiation of this Stipulation shall not be admissible as evidence in this Docket or
2 in any other proceeding. Unless otherwise stated herein, neither this Stipulation
3 nor its terms, nor the Commission's acceptance or rejection of this Stipulation and
4 its terms, shall have any precedential effect in future proceedings.

- 5 3. Except as otherwise stated in this Stipulation, the requests set forth in the
6 Company's Application will be deemed approved as filed.³
- 7 4. This Signatories agree and represent that all terms in this Stipulation are
8 reasonable and in the public interest, and that this Stipulation only grants relief that
9 the Commission is empowered to grant.
- 10 5. This Stipulation may be executed in counterparts, all of which together shall
11 constitute the original executed agreement. Signatories may execute this
12 Stipulation by electronic transmission, which signatures shall be as binding and
13 effective as original signatures.


14
15 [signature pages to follow]
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26 ³ The Signatories agree that the Application's request to adjust test year revenues—attributable to
27 Southwest Gas overstating revenues in Southern Nevada and understating revenues in Northern Nevada—
28 shall not be deemed approved as filed. Southwest Gas shall not request relief for these revenue errors,
which were described in an August 7, 2020, Errata that Southwest Gas filed in Docket No. 20-02023.

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

3 SOUTHWEST GAS CORPORATION

5 Date: 02/07/2022

4
5 
6 Catherine M. Mazzeo, Esq.
7 Managing Counsel
8 Kyle O. Stephens, Esq.
9 Managing Counsel
10 Andrew V. Hall, Esq.
11 Associate General Counsel

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

13 Date: _____

14 _____
15 Meredith Barnett, Esq.
16 Assistant Staff Counsel
17 Jesse Panoff, Esq.
18 Assistant Staff Counsel
19 Donald Lomoljo, Esq.
20 Staff Counsel

18 BUREAU OF CONSUMER PROTECTION

20 Date: _____

21 _____
22 Paul Stuhff, Esq.
23 Senior Deputy Attorney General
24 Michael Saunders, Esq.
25 Senior Deputy Attorney General
26 Whitney Digesti, Esq.
27 Senior Deputy Attorney General
28 Michelle Newman, Esq.
Senior Deputy Attorney General

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7 Managing Counsel
Kyle O. Stephens, Esq.
8 Managing Counsel
Andrew V. Hall, Esq.
9 Associate General Counsel

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

13 Date: 02/07/2022

14 /s/ Meredith Barnett
Meredith Barnett, Esq.
15 Assistant Staff Counsel
Jesse Panoff, Esq.
16 Assistant Staff Counsel
Donald Lomoljo, Esq.
17 Staff Counsel

18 BUREAU OF CONSUMER PROTECTION

20 Date: _____

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22 Senior Deputy Attorney General
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Whitney Digesti, Esq.
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Michelle Newman, Esq.
25 Senior Deputy Attorney General

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3 SOUTHWEST GAS CORPORATION

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5 Date: _____

6 _____
Catherine M. Mazzeo, Esq.
Managing Counsel
7 Kyle O. Stephens, Esq.
Managing Counsel
8 Andrew V. Hall, Esq.
Associate General Counsel

9
10 REGULATORY OPERATIONS STAFF OF
11 THE PUBLIC UTILITIES COMMISSION
12 OF NEVADA

13 Date: _____

14 _____
Meredith Barnett, Esq.
Assistant Staff Counsel
15 Jesse Panoff, Esq.
Assistant Staff Counsel
16 Donald Lomoljo, Esq.
Staff Counsel

17
18 BUREAU OF CONSUMER PROTECTION

19
20 Date: 2/7/2022

21 _____
Paul Stuhff
Paul Stuhff, Esq.
Senior Deputy Attorney General
22 Michael Saunders, Esq.
Senior Deputy Attorney General
23 Whitney Digesti, Esq.
Senior Deputy Attorney General
24 Michelle Newman, Esq.
Senior Deputy Attorney General

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that on the 7th day of February, and pursuant to the rules and
3 regulations of the Public Utilities Commission of Nevada, I served a copy of the foregoing
4 Stipulation upon all parties identified below via email electronic service:

5
6 Public Utilities Commission of Nevada
7 1150 E. William St.
8 Carson City, NV 89701

Bureau of Consumer Protection
100 N. Carson St.
Carson City, NV 89701

9 with a copy to:
10 pucn.sc@puc.nv.gov
11 mbarnett@puc.nv.gov
12 jpanoff@puc.nv.gov

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