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BEFORE THE ARIZONA CORPORATION COMMISSION

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**COMMISSIONERS**

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2005 SEP 29 P 2: 16

AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST GAS CORPORATION FOR THE  
ESTABLISHMENT OF JUST AND REASONABLE  
RATES AND CHARGES DESIGNED TO  
REALIZE A REASONABLE RATE OF RETURN  
ON THE FAIR VALUE OF THE PROPERTIES OF  
SOUTHWEST GAS CORPORATION DEVOTED  
TO ITS OPERATIONS THROUGHOUT THE  
STATE OF ARIZONA.

Docket No. G-01551A-04-0876

**STAFF'S NOTICE OF FILING  
TESTIMONY SUMMARIES**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Testimony  
Summaries of James J. Dorf, Dennis R. Rogers, Stephen G. Hill, Robert Miller, William Gehlen,  
Prem Bahl, William H. Musgrove, Robert G. Gray and Steve P. Irvine, in the above-referenced matter.

Staff is also filing revised rate design Schedule RGG3, attached as Exhibit A. This revised  
schedule reflects the change in Staff's recommended revenue requirement - from \$369,865,063  
contained in Staff's direct testimony - to \$374,491,113 in its surrebuttal testimony. As explained in  
Mr. Gray's summary, the purpose of this is to provide the Commission with an updated Staff rate  
design proposal. Also attached, as Exhibit B, is a three-page document summarizing Staff's  
recommendations for each rate component per customer classes from Mr. Gray's direct and  
supplemental testimonies through these revised schedules.

RESPECTFULLY SUMMITTED this 29<sup>th</sup> day of September, 2005.

Jason D. Gellman, Attorney  
Diane Targovnik  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
(602) 542-3402

1 The original and thirteen (13) copies  
2 of the foregoing were filed this 29<sup>th</sup> day  
of September, 2005, with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
Phoenix, Arizona 85007

6 COPIES of the foregoing were mailed  
this 29<sup>th</sup> day of September, 2005 to:

7 Andrew W. Bettwy  
8 Karen S. Haller  
9 Southwest Gas Corporation  
5241 Spring Mountain Road  
Las Vegas, Nevada 89102

10 Michael W. Patten, Esq.  
11 J. Matthew Derstine  
ROSHKA, DeWULF & PATTEN, PLC  
12 One Arizona Center  
400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004  
13 Attorneys for Tucson Electric Power Company

14 Raymond S. Heyman, Esq.  
TUCSON ELECTRIC POWER COMPANY  
15 One South Church Street, Suite 200  
Tucson, Arizona 85702

16 Thomas L. Mumaw  
17 Karilee S. Ramaley  
Pinnacle West Capital Corporation, MS 8695  
18 Phoenix, Arizona 85004  
19 Attorneys for APS

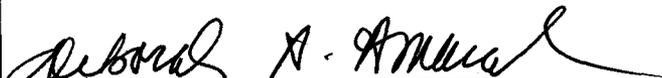
20 Cynthia Zwick  
Executive Director  
Arizona Community Action Association  
21 2700 3<sup>rd</sup> Street, Suite 3040  
Phoenix, AZ 85004

22 Peter Q. Nyce, Jr., Esq.  
23 General Attorney  
Regulatory Law Office  
24 Department of the Army  
901 North Stuart Street  
25 Arlington, VA 22203-1837

26 Dan Neidlinger  
Neidlinger & Associates  
27 3020 North 17<sup>th</sup> Drive  
Phoenix, AZ 85015

28

1 David L. Diebel  
City Attorney's Office  
2 Civil Division  
City Gall Tower, 7<sup>th</sup> Floor West  
3 255 W. Alameda Street  
Tucson, Arizona 85701  
4  
5 Scott S. Wakefield, Esq.  
RUCO  
1110 West Washington Street, Suite 220  
6 Phoenix, Arizona 85007  
7  
8 Walter W. Meek  
AUIA  
2100 N. Central Avenue  
Suite 210  
9 Phoenix, Arizona 85004  
10  
11 Tim Hogan, Esq.  
Arizona Center for Law in the Public Interest  
202 East McDowell, Suite 153  
Phoenix, Arizona 85004  
12  
13 Tom Campbell, Esq.  
Lewis and Roca LLP  
40 North Central Avenue  
14 Phoenix, Arizona 85004  
15  
16 Dwight D. Nodes  
Assistant Chief Administrative Law Judge  
Arizona Corporation Commission  
1200 West Washington Street  
17 Phoenix, Arizona 85007  
18  
19 Ernest G. Johnson, Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
20 Phoenix, Arizona 85007  
21  
22 Christopher Kempley, Chief Counsel  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
23 Phoenix, Arizona 85007  
24

25   
26 Deborah Amaral, Secretary to  
Jason D. Gellman  
27  
28

**EXECUTIVE SUMMARY  
SOUTHWEST GAS CORPORATION  
DOCKET NO. G-01551A-04-0876  
JAMES J. DORF**

The testimony of Staff witness James J. Dorf addressed the following issues:

- 1) **Revenue Requirement Increase** – Staff’s recommended revenue requirement increase is now \$51,625,135 which is a 15.99 percent increase over adjusted test year revenue.
- 2) **Labor Annualization and In-Grade Wage Adjustment** – Southwest Gas Corporation (“Company”) has provided the actual in-grade wage adjustments as of August, 2005. Staff will accept the Company’s proposed in-grade adjust since the amount is now known and measurable.
- 3) **Transmission Integrity Management Program (“TRIMP”)** – While the Company has accepted the amount proposed by the Residential Utility Consumer Office (“RUCO”) in its direct testimony, Staff continues its support of utilization of a surcharge mechanism.
- 4) **Sarbanes-Oxley (“SOX”)** – Staff continues its recommendation offered in direct testimony that there is support for at least a 25 percent reduction in both the cost of implementing and related incremental outside audit fees associated with SOX. Additionally, Staff continues to recommend a sharing of the costs of SOX between ratepayers and shareholders.
- 5) **Injuries and Damages** – The Company has provided additional support for its adjustment of \$3,043,711 for increased premium costs and a provision for partial self-insurance for liability claims. However, Staff has reduced the adjustment by \$430,535 by using ten years of Company claims history rather than the fourteen year period used by the Company.
- 6) **Management Incentive Program (“MIP”)** – Staff continues to support its recommended sharing of the MIP between ratepayers and shareholders.
- 7) **Company Proposed Rate Base Adjustment** – The Company now proposes to increase rate base by approximately \$21 million due to a new Federal income tax regulation which was effective August 3, 2005. Due to the late submission of this adjustment Staff needs additional information to review this proposal.

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DENNIS R. ROGERS**

The **direct** testimony of Staff witness Dennis R. Rogers addresses the following issues:

Revenue Requirement – Staff recommends a \$46,999,085, or 14.56 percent, revenue increase over adjusted test year revenue of \$322,865,978 resulting in a revenue requirement of \$369,865,063. Staff's recommended revenue would produce an operating income of \$77,693,916 for an 8.40 percent rate of return on an original cost rate base of \$924,927,566 and a 6.63 percent rate of return on a fair value rate base of \$1,171,566,722.

Completed Construction Not Classified – Staff decreased Allocated System Allocable Plant by \$284,886 from \$88,146,046 to \$87,861,160 to reflect items not completed and the difference between actual and estimated costs.

Depreciation and Amortization – Staff decreased amortization expenses by \$94,962, from \$7,062,583 to \$6,967,621, to reflect its adjustment to remove Completed Construction Not Classified from plant in service.

Property Tax Expense – Staff decreased this expense by \$1,737,545 from \$33,447,313 to \$31,709,768 to reflect changes in the statutory assessment rate and the definition of "Plant" for property tax expense calculations.

Income Tax Expense – Staff increased test year expenses by \$4,698,493 from \$2,156,664 to \$6,855,157 to reflect federal and state statutory rates on Staff adjusted taxable income.

The **surrebuttal** testimony of Staff witness Dennis R. Rogers addresses the following issues:

Staff responds to Ms. Randi L. Aldridge's rebuttal testimony concerning interest on customer deposits. Staff has revised its schedules to include the interest expense to reflect Staff's recommended six percent interest expense on customer deposits (Schedule DRR-19). This adjustment increases interest expense on customer deposits by \$686,844, from \$717,364 to \$1,404,208.

Staff responds to Ms. Lisa E. Ross's rebuttal testimony regarding property tax expense. Staff has reassessed its property tax assessment rate increasing its recommended rate from 24.0 percent to 24.5 percent. Staff's revised property tax assessment rate agrees with the Company and RUCO (Schedule DRR-18). Staff's revised position increases property tax expense by \$660,620, from \$31,709,768 to \$32,370,388.

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**STAFF CONSULTANT STEPHEN G. HILL**

I recommend that the company be allowed a return on its equity capital that is equal to its cost. The cost of equity capital for a gas distribution utility operation with similar risks to that of the applicant, the Southwest Gas (SWG, Southwest, the Company), currently falls in the range of 9.00% to 9.50%, the mid-point of which is 9.25%. However, because SWG has slightly higher financial risk than the sample group of gas utilities, an appropriate return on equity for SWG should fall at the upper end of the market-determined cost of equity capital for the sample of publicly-traded gas utility companies. Therefore, I recommended that the Commission set rates for SWG so that the Company is allowed the opportunity to earn a 9.50% return on a reasonable level of equity capital investment.

In determining the overall cost of capital, I recommend that the Commission rely on a capital structure consisting of 40% common equity, 5% preferred stock and 55% long-term debt. Southwest's actual capital structure contains less equity and more debt capital than the capital structure I recommend for ratemaking purposes. The Company has traditionally been heavily leveraged and this Commission has, in the past, utilized a capital structure identical to the 40% equity, 5% preferred, 55% debt capitalization I recommend in this proceeding.

Using an appropriate ratemaking capital structure of 40% common equity, 5% preferred stock and 55% long-term debt, with a 9.50% return on equity capital and the embedded cost methodology requested by the Company, Southwest Gas' overall cost of capital will be 8.40%. That level of overall capital costs will afford the Company an opportunity to achieve a pre-tax interest coverage level of 2.38 times. That level of pre-tax interest coverage is substantially above the average level of interest coverage earned by Southwest Gas over the past three years—1.83x<sup>1</sup>. Also, according to Standard & Poor's published bond rating benchmarks, that level of coverage is sufficient for Southwest to maintain its current bond rating. Therefore, the equity return I recommend allows the Company's gas utility operations a level of interest coverage which exceeds that which it has realized in the past, and thus also affords the Company an opportunity to maintain its financial integrity and continue to attract capital.

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<sup>1</sup> Southwest Gas 2004, S.E.C. Form 10-K.

**EXECUTIVE SUMMARY**  
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**STAFF CONSULTANT STEPHEN G. HILL**

My Direct Testimony is organized into four sections:

• **Section I, Economic Environment.** In the initial section of my testimony I provide evidence available in the marketplace, which indicates that a cost of equity capital in the 9.0% to 9.5% range for gas utilities is reasonable and represents a fair return to investors. First, the general level of capital costs remains near a 40-year low, as evidenced by current interest rate levels. Second, investor services and investment analysts are advising clients to expect utility returns well below 10% and below the equity cost estimates I recommend. Third, changes in the tax law with respect to dividends have made utilities more valuable to investors and, thus, have reduced investor return requirements for that type of stock. Fourth, long-standing and widely-understood relationships between utility market price, book value and expected equity return indicate that equity returns below 10% are reasonable. Fifth, the most recent research in the field of financial economics regarding the market risk premium and investor-required returns supports forward-looking investor expectations for common equity returns in the 8% to 10% range.

• **Section II, Capital Structure.** Southwest Gas has traditionally had a highly-leveraged capital structure. That is, the Company has historically used considerably more debt to capitalize its operations than the gas utility industry, generally. When all the Company's debt is considered and unregulated common equity excluded from the capital structure, SWG exhibits a common equity ratio of only 34.4%. This debt-heavy capital structure has been recognized by this Commission in previous Southwest fully-adjudicated proceedings (Docket No. U-1551-90-322, A.C.C. Decision No. 57745; and Docket No. U-1551-92-253, A.C.C. Decision No. 58377). In those proceedings the Commission set rates for this Company using a hypothetical capital structure consisting of 40% common equity, 5% preferred stock and 55% long-term debt. In so doing, the Commission noted that Southwest was relatively heavily leveraged and its actual capital structure would not be representative of a gas distribution operation. The Commission also noted that a capital structure with 40% equity more closely matched the actual manner in which the Company capitalized its operations and, therefore, allowed ratepayers an opportunity to share in the lower cost of debt versus equity. Moreover, the Commission found that a ratemaking capital structure comprised of 40% common equity and 60% fixed-income capital (preferred and debt) would protect the Company's financial integrity. I recommend that the Commission continue its long-standing ratemaking capital structure policy for SWG.

However, it is important to note that in setting rates for Southwest Gas with a hypothetical common equity ratio that is higher than its actual common equity ratio, ratepayers are, effectively, providing a financial subsidy to the Company. Ratepayers are providing an equity return on a portion of the Company's rate base that is actually capitalized (paid for) with debt capital. That financial subsidy, going forward, represents about \$8 Million in additional capital costs annually. Most importantly, that type of financial subsidization has been borne by Arizona ratepayers for many years. That

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subsidy is unnecessary, uneconomic and unfairly enriches Southwest stockholders at ratepayer expense.

Therefore, I recommend that the Commission require the Company to submit a plan to re-capitalize its operations with at least 40% common equity. That recapitalization plan should be designed to reach the 40% equity goal prior to the Southwest's next rate proceeding in Arizona. If, following a clear request by this Commission that the Company increase its common equity ratio to at least 40% of total capital, Southwest management elects not to do so, then Staff reserves the right to recommend that the actual common equity ratio and capital structure be used to set rates, thereby ending the ratepayer subsidy.

• **Section III, Methods of Equity Cost Evaluation.** In this section of my Direct Testimony, I describe in detail the DCF analysis I perform using the market data of a sample of gas distribution utility companies. A sample of gas distributors was chosen as a basis for determining the cost of equity capital because those companies were generally similar in risk to Southwest. In addition, I describe the theory and the mechanics of three other cost of equity estimation techniques I use to corroborate my DCF results -- the Modified Earnings-Price Ratio Analysis, the Market-to-Book Ratio Analysis and the Capital Asset Pricing Model Analysis. My estimate of the cost of equity capital for the gas utilities included in the sample group, presented in my Direct Testimony, ranges from 9.0% to 9.5%.

In the conclusion of the third section of my Direct Testimony, I discuss the fact that the ratemaking equity ratio of SWG is lower than the sample of gas distributors I studied in my equity cost analysis. An appropriate return on common equity for Southwest, therefore, would fall at the upper end of a reasonable range—9.5%. I also provide several reasons why it is not appropriate to make an explicit adjustment to the cost of equity capital to account for issuance expenses related to sales of new common equity by the Company.

• **Section IV, Company Cost of Capital Analysis.** In the final section of my Direct Testimony, I discuss the practical and theoretical deficiencies contained in of the cost of capital testimony of Frank Hanley, the Company's cost of capital witness. SWG witness Hanley utilizes DCF, Capital Asset Pricing Model, Risk Premium and Comparable Earnings analyses to estimate the equity capital cost of the Company. Company witness Hanley recommends an 11.95% return on equity for SWG based on his analysis, which was undertaken about a year ago.

Mr. Hanley devotes a considerable portion of his testimony to the "reliability" of DCF cost of equity estimates. The DCF is now, and has for over thirty years, been the pre-eminent equity cost estimation methodology used in regulation for a very simple reason—it works, and it works well. This Commission has, as have most others in the U.S., traditionally relied on the DCF to determine the cost of equity in rate proceedings

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STAFF CONSULTANT STEPHEN G. HILL**

and should not be dissuaded from doing so on the basis of Mr. Hanley's testimony in this proceeding.

In my direct Testimony in this proceeding, I discussed in detail the shortcomings of the CAPM analysis when used in cost of equity analysis as rationale for reliance on that equity cost estimation methodology as a corroborative method rather than a primary indicator of equity costs in regulatory proceeding. Therefore, I did not revisit all of those issues in detail in the discussion of Mr. Hanley's CAPM analysis.

However, because all of Mr. Hanley's corroborative methodologies rely, in a fundamental way, on "beta" the primary risk measure used in the CAPM, I do discuss the shortcomings of that parameter as it relates to relative risk and the cost of capital. Mr. Hanley uses beta as the primary risk measure in his CAPM, Risk Premium and Comparable Earnings analyses. However, as I point out in Appendix D attached to my Direct Testimony, recent evidence presented by prominent economists (also cited as authority by Mr. Hanley), shows that over the past thirty years beta *has not been* a reliable indicator of relative risk. Therefore a primary assumption on which Mr. Hanley's non-DCF equity cost estimation methods are based is flawed and those results are not reliable for estimating the cost of equity capital which should be allowed in rates in this proceeding.

In my Surrebuttal Testimony I respond to issues raised by Company witnesses Wood and Hanley in their Rebuttal to my Direct Testimony. I point out that the Company witness' analyses produce results which overstate the Company's actual cost of capital.

I initially respond to Mr. Woods' concerns regarding my recommendation that the Commission continue to base rates on a ratemaking capital structure consisting of 40% common equity, 5% preferred stock and 55% long-term debt. Mr. Woods, in his Rebuttal, points to the fact that Southwest Gas has increased its common equity by 67% over the past ten years. In response, I note that that fact, alone, is not meaningful because, over that time period, Southwest's capital structure ratios (% equity and % debt) haven't changed to any substantial degree. The Company may have added 67% more common equity as they have added rate base over the past ten years, but they've added debt capital at the same rate and have not improved their capital structure or lowered financial risk.

Finally in response to Mr. Woods' rebuttal, I note that the financial community would not react negatively to a request by this Commission for Southwest to improve its common equity ratio. On the contrary, it would be seen as regulation supporting the credit quality of the utilities under its purview.

I address Mr. Hanley's concerns that my cost of equity recommendation in this proceeding relies too heavily on my DCF analysis. I point out that the DCF is, by far, the most widely utilized equity cost estimation method for utility regulators. The DCF is used

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far more than the CAPM or Risk Premium methods. I also point out that Mr. Haley's representations that certain utility commissions have "concerns" with regard to the DCF is not correct by citing more recent orders.

In his Rebuttal Testimony, Company witness Hanley presents a cite from a publication by Professor Gordon (the originator of the DCF) which Mr. Hanley believes supports his position regarding the efficacy of the DCF. I show in my Surrebuttal Testimony that Mr. Hanley has failed to accurately represent Professor Gordon's position on that issue.

I also address Mr. Hanley's concerns related to my reliance on market-to-book ratios and expected book equity returns, as well as the corroborative equity cost estimation methods I utilize, as indicators of the cost of equity capital, showing through simple examples that those concerns are without merit. With regard to the corroborative methods I utilize, I note in my Surrebuttal that Mr. Hanley has failed to provide any theoretical rationale as to why those methods should not be used as support for and to temper a DCF equity cost estimate. I also point out the flaws in Mr. Hanley's defence of his own testimony offered in response to issues regarding his analyses raised in my Direct Testimony.

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ROBERT MILLER**

The purpose of my testimony is to give a general update on the status of Southwest Gas Corporation's compliance with applicable federal and state pipeline safety regulations.

I believe that Southwest has been largely compliant with state and federal pipeline safety regulations, based on my audit inspections. While I have found noncompliances with regulations on each audit, those noncompliances are addressed satisfactorily in subsequent years.

The Commission issued its most recent rate order regarding Southwest in Decision No. 64172 on October 30, 2001. Since then, two incidents resulted in complaints by Staff against Southwest. I was not directly involved in investigating those incidents, but based on my general review of those cases, both involved probable noncompliances stemming from actions taken by Southwest after natural gas leaks were discovered. One incident occurred at 16<sup>th</sup> Street and Palm Lane in Phoenix on June 26, 2002, and the other occurred near 22895 South 210<sup>th</sup> Street in Queen Creek on January 15, 2004. Both cases were resolved by agreement in Decision Nos. 66166 and 66966 respectively.

The Commission issued its most recent rate order regarding Southwest in Decision No. 64172 on October 30, 2001. Since then, I am aware of only two incidents that resulted in complaints by Staff against Southwest. I was not directly involved in investigating those incidents, but based on my general review of those cases, both involved probable noncompliances stemming from actions taken by Southwest after natural gas leaks were discovered. One incident occurred at 16<sup>th</sup> Street and Palm Lane in Phoenix on June 26, 2002, and the other occurred near 22895 South 210<sup>th</sup> Street in Queen Creek on January 15, 2004. Both cases were resolved by agreement in Decision Nos. 66166 and 66966 respectively. I believe these meetings have fostered a more congenial relationship between Staff and Southwest in recent years on Pipeline Safety issues. This, in turn, has led to more cooperative efforts towards redressing noncompliances found during annual audits and incident investigations. The public health and safety has improved

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WILLIAM GEHLEN**

Southwest Gas Corporation (“Southwest” or “Company”) is engaged in the business of constructing infrastructure and purchasing, transporting, and distributing natural gas in Arizona service territories in Cochise, Gila, Graham, Greenlee, La Paz, Maricopa, Mohave, Pima, Pinal and Yuma counties. Southwest serves approximately 900,000 customers across its customer classifications in Arizona.

The rates paid by Arizona customers are directly influenced by the costs of construction and natural gas. Construction costs are rate based, while the gas costs are a direct pass through. The total cost to the customer is influenced by how professionally the company builds its infrastructure as well as the price it pays for gas. The Company’s purchasing department and fuel procurement functions were analyzed for efficiency of operation, appropriate procedures, presence of checks and balances, and conflicts of interest.

The results of Staff’s analysis indicate that the Southwest purchasing function properly documents its procurement decisions, has no apparent conflicts of interest, has a highly trained staff, and has been able to limit or control costs on pipe and meters during a period of price escalation. The gas procurement function is effective but can be improved by upgrading portfolio optimization software, utilizing a best practices study, evaluating risk management techniques and addressing the apparent lack of checks and balances in its gas procurement process.

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PREM BAHL**

In this testimony, Utilities Division Staff ("Staff") discusses its review of Southwest Gas Corporation's ("Southwest," or "Company") Class Cost of Service Study ("CCOSS") for the rate case filed with the Arizona Corporation Commission ("Commission"), and presents the results of Staff's analysis.

Based on its review of Southwest's CCOSS, Staff's conclusions and recommendations are as follows:

1. It is Staff's conclusion that Southwest performed the CCOSS consistent with the methodology generally accepted in the industry, and developed the allocation factors appropriately.
2. Except as noted, the CCOSS model ("Model") utilized by Southwest is consistent with what was approved by the Commission in its last rate case in Decision No. 64172. Southwest conducted a study for evaluating the allocation of costs of Distribution Mains to demand-related and customer-related expenses. Based on the results of this study, the Company changed this allocation to 60 percent customer-related costs to 40 percent demand-related costs, as compared to its allocation of such costs in the last rate case, which was a 50 percent split between these two costs. Based on Staff's review of Southwest's study concerning allocation of costs of Distribution Mains, Staff concurs with the results of the analysis made by the Company.
3. Staff further concludes that, based on its evaluation of the Model utilized by Southwest, the results are satisfactory.
4. Staff recommends the Commission approve Southwest's Cost of Service Study methodology for use in this case and future cases.
5. Staff further recommends that the Commission approve the Company's allocation factor for Distribution Mains in the ratio of 60 percent customer-related costs to 40 percent demand-related costs, as opposed to a 50 percent split between the two costs approved in the last rate case.

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WILLIAM MUSGROVE**

On July 26, 2005, Staff filed Direct Testimony addressing a proposal by Southwest Gas Corporation ("Southwest") to decouple margin recovery from sales. Southwest has named the proposed decoupling mechanism the Conservation Margin Tracker ("CMT"). Staff's Direct Testimony recommended that the Commission reject the proposed CMT on the grounds that it would create an unprecedented, inequitable and drastic rate making change for Arizona's rate payers served by Southwest. To further support its opposition to the proposed CMT, Staff's Direct Testimony also includes discussions on state commissions' treatment of proposed CMT-like mechanisms in states such as Nevada and California.

On August 23, 2005, Southwest filed Rebuttal Testimony addressing Staff's arguments and recommendations.

On September 13, 2005, Staff filed Surrebuttal Testimony addressing five major areas of separation between Southwest and Staff regarding the proposed CMT: 1) the appropriate use of a rate case venue in discussing the proposed margin tracking mechanism; 2) the inequitable application of the proposed CMT only to residential customers; 3) declining average residential consumption per customer; 4) the California Commission's treatment of Southwest's California margin tracking mechanism; and, 5) the non-traditional and experimental rate making nature of CMT-like mechanisms. Staff believes that its Surrebuttal Testimony clarifies the differences between Southwest's and Staff's positions in these five areas; and, further reinforces Staff's analyses and recommendations regarding the proposed Conservation Margin Tracker. In addition, Staff's Surrebuttal Testimony questions the illogical fit of Southwest's testimony regarding: increased residential sales, plus new residential customer hook-ups at authorized rate of return parity or higher, producing a residential rate of return of only 2.29 percent.

For the reasons summarized above and as discussed and recommended in detail in Staff's Direct and Surrebuttal Testimonies, Staff recommends that the Commission not accept the proposed Conservation Margin Tracker.

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ROBERT G. GRAY**

My testimony contains the following recommendations, listed by general subject:

*Gas Technology Institute Funding*

1. Staff recommends that the OTD and UTD programs be funded at a level of \$681,712, to be recovered from all Southwest customers except G-30 and B-1 customers through a GTI surcharge.
2. Staff further recommends that at least 30 days prior to Southwest notifying GTI of its program funding selections, that Southwest file its list of proposed GTI projects to fund, with a short description of each project, with Docket Control.
3. Staff further recommends that the GTI surcharge be reset annually beginning with the April billing cycle, based upon prior calendar year sales and prior year recoveries as well as projected spending for the upcoming calendar year, and that the GTI surcharge be reflected in the Rate Adjustment column of its Statement of Rates, with a separate footnote identifying the current level of the research and development surcharge.
4. Staff further recommends that to the extent Southwest wishes to fund some research and development activities other than those conducted by GTI, Southwest should identify an amount of funding it wishes to have for such research and development and should propose recovery of that amount in this rate case as Staff has with the GTI funding.
5. Staff recommends that Southwest provide in this proceeding a list of other potential entities which it might wish to direct research funds to and some background information on each of these entities.

*Base Cost of Gas*

6. Staff recommends that the base cost of gas be set at zero.
7. Staff further recommends that Southwest develop specific customer education materials to explain the changes resulting from setting the base cost of gas at zero.
8. Staff further recommends that when applying the \$0.10 per therm band for the first twelve months following the implementation of new rates that Southwest compare the new monthly PGA rate to the sum of the current base cost of gas and the monthly PGA rate in prior months when the base cost of gas was not zero.

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ROBERT G. GRAY**

*Purchased Gas Adjustor*

9. Staff recommends that the current PGA mechanism should be retained, with adjustments to the interest rate and bank balance trigger.
10. Staff further recommends that the PGA bank balance trigger be set at \$29.2 million.
11. Staff further recommends that the monthly one-year nominal Treasury constant maturities rate, contained in the Federal Reserve's H.15 statistical release or its successor be applied to the PGA bank balance.
12. Staff further recommends that if for some reason in the future the then applicable interest rate becomes unavailable for one or more months, the previous month's interest rate would apply to the month(s) where no interest rate is available. Further, Staff recommends that if the then applicable interest rate becomes unavailable on a recurrent basis, Southwest may file with the Commission to replace the interest rate with another interest rate, with the underlying presumption being that any replacement interest rate would be similar in nature to the then applicable rate.
13. Staff further recommends that a Southwest Officer certify, under oath, through an affidavit attached to each monthly PGA report that all information provided in the adjustor report is true and accurate to the best of his or her information and belief.
14. Staff further recommends that in Southwest's monthly PGA report, on the page where Southwest lists its purchases, that the term purchases be split into groups showing fixed price contracts and other contracts which vary such as index contracts.
15. Staff further recommends that Southwest begin specifically identifying in its monthly PGA reports what the average and median usage levels are for its G-5 and G10 schedules for that given month.

*Rate Design*

16. Staff recommends that the basic service charges, tariffed rates, and other charges as discussed in my direct, supplemental, and surrebuttal testimony, as adjusted for Staff's surrebuttal testimony revenue requirement in the attached revised Schedule RGG-3, be adopted.
17. Staff supports its rate structure proposal for residential customers, but does not oppose RUCO's proposed movement to a flat rate structure in this proceeding if the Commission wishes to do so.

**EXECUTIVE SUMMARY  
SOUTHWEST GAS CORPORATION  
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ROBERT G. GRAY**

18. Staff further recommends that within 90 days of the date of the final order in this proceeding, in addition to LIRA program information currently contained in the LIRA reports, that Southwest begin including in its LIRA reports a complete accounting of the LIRA bank balance for the most recent 12 month period, including individual listing of all inputs into the LIRA bank balance each month.
19. Staff further recommends that the G-16, Special Residential Gas Service for Electric Generation, be eliminated.
20. Staff further recommends that Schedule G-35 customers be given the option to take service on either Schedule G-35 or Schedule G-25.
21. Staff further recommends that Schedule G-60 be made available to smaller electric generation customers, as proposed by Southwest.
22. Staff further recommends that Southwest develop and propose provisions for Schedule G-60 which would provide sufficient protections for the system and other core customers from the potential impacts of 5 MW or larger electric generators, rather than banning such customers from taking service under Schedule G-60.
23. Staff further recommends that the monthly PGA rate be applied to Schedule G-60 customers.

*Other Issues*

24. Staff recommends that the monthly one-year nominal Treasury constant maturities rate, contained in the Federal Reserve's H.15 statistical release or its successor, be applied to Southwest's DSM adjustor bank balance and the bank balance for the LIRA tariff.
25. Staff further recommends that, at the time Southwest's new rates from this rate proceeding are reflected on customer bills, Southwest provide a place on its customer bill which would allow customers to elect to make a donation to the Energy Share program.
26. Staff further recommends that the current 12 month period for retaining customer deposits be retained.
27. Staff further recommends that the proposal as currently structured to allow Southwest to charge actual costs for subsequent customer requested meter tests for customers above 180,000 therms be adopted.

**EXECUTIVE SUMMARY  
SOUTHWEST GAS CORPORATION  
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ROBERT G. GRAY**

28. Staff further recommends that the current six percent interest rate applied to customer deposits be retained.
29. Staff further recommends that anytime Southwest initiates participation in a new natural gas docket at FERC which relates to its service in Arizona, Southwest be required to provide Staff with a copy of their initial filing in that docket.
30. Staff further recommends that Southwest rework the information on the back of its Arizona customer bill to explain all tariffed rate components as well as to reflect Arizona specific information rather than California and Nevada information, to improve the quality of information provided to Arizona customers.
31. Staff recommends that absent representation of the need to do otherwise by Southwest, the Company adopt, within six months of the date of the decision in this rate proceeding, a four hour service window as standard practice, as is used by other Arizona electric and gas utilities.
32. Staff recommends that as Southwest moves forward to develop its distribution system to serve customer demands, the Company should as a general practice build any needed laterals and related infrastructure itself, rather than having El Paso build such laterals, unless there are significant cost or other reasons why it would be preferable for El Paso to build a lateral or related infrastructure instead. Further, if reasonable opportunities occur for Southwest to acquire El Paso laterals in Arizona, Southwest should pursue such opportunities, assuming there are not significant cost or other reasons why it should not.

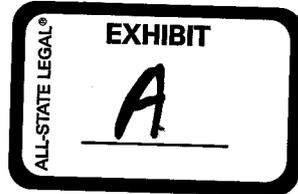
In addition, Staff Witness James Dorf's surrebuttal testimony reflected a change in the required revenue increase from \$369,865,063 contained in Staff's direct testimony to \$374,491,113. Staff's most recent filed rate design, contained in my Supplemental Testimony filed on August 2, 2005, reflects the lower \$369,865,063 required revenue level. To provide the Commission with an up to date rate design reflecting the higher required revenue increase level reflected in Mr. Dorf's surrebuttal testimony, I have adjusted my proposed rates contained in Schedule RGG-3. Attached is a complete, revised Schedule RGG-3. The approximate \$4.6 million increase is spread across the various rate schedules in a generally even manner and does not represent a change in the approach to rate design laid out in Staff's direct, supplemental, and surrebuttal testimony. To provide greater clarity I have also attached a three page document which summarizes what Staff's recommendations for each rate component for each customer class in my Direct and Supplemental testimonies and the current update.

**EXECUTIVE SUMMARY  
SOUTHWEST GAS CORPORATION  
DOCKET NO. G-01551A-04-876  
STEVE IRVINE**

On December 9, 2004, Southwest Gas Corporation filed an application with the Arizona Corporation Commission for an increase in its rates throughout the State of Arizona. The application seeks among other things approval for its proposed Demand Side Management programs. Southwest proposed continuation of two existing DSM programs and implementation of seven new DSM programs.

As Southwest has provided only brief descriptions of the proposed programs, Staff recommends that Southwest submit within 120 days of a decision in this matter to the Commission for approval a DSM plan that includes detailed descriptions of each of the proposed DSM programs. Staff recommends the filing include responses to specific criteria described by Staff in this testimony. Staff recommends that the DSM plan be filed under a new docket number and that for the purposes of compliance verification notice of the filing be made in this docket. Staff recommends approval at this time of a total DSM budget of \$4,335,000. Staff further recommends that the DSM adjustor mechanism be used to fund the newly proposed programs and that future filings for changes to the DSM adjustor level seek Commission approval rather than Staff approval. Staff also recommends that the DSM adjustor be applied to all rate classes. Finally Staff recommends that semi-annual DSM Progress Reports shall be certified by an Officer of the Company and its existing filing practices shall continue.

Having reviewed Southwest's rebuttal testimony of August 23, 2005, Staff proposes additional recommendations, including: future semi-annual DSM Progress Reports should be certified by and Officer of the Company; that the Commission evaluate the appropriateness of the bill assistance component of the low-income Energy Conservation DSM program as a separate and distinct program from DSM, but that Southwest's request to include \$50,000 in rate assistance as a part of its DSM program should not be approved; Southwest should implement and maintain a collaborate DSM working group to solicit and facilitate input from any interested party; finally, implementation of a performance incentive should not be approved.



Schedule RGG3-1

Comparison of Current Rates vs. Staff Proposed Rates

	Current Rates	Staff Proposed Rates
Proposed Base Cost of Gas	\$0.37034	\$0.53436 per therm
Assumed Monthly PGA Rate		\$0.07157 per therm

Rate Schedule G-5, Residential Gas Service

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

Basic Service Charge	\$8.00	\$9.70
Summer First	\$0.48762	\$0.54200 per therm
Summer Over	\$0.40344	\$0.50100 per therm
Winter First	\$0.48762	\$0.54200 per therm
Winter Over	\$0.40344	\$0.50100 per therm

Rate Schedule G-10, Low Income Residential Gas Service

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

Basic Service Charge	\$7.00	\$7.00
Summer First	\$0.48762	\$0.54200 per therm
Summer Over	\$0.40344	\$0.50100 per therm
Winter First	\$0.48762	\$0.54200 per therm
Winter Next	\$0.40344	\$0.50100 per therm
Winter Over	\$0.40344	\$0.50100 per therm

Rate Schedule G-15, Special Residential Gas Service for Air Conditioning

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

Basic Service Charge	\$8.00	\$9.70
Summer First	\$0.48762	\$0.54200 per therm
Summer Over	\$0.19125	\$0.28200 per therm
Winter First	\$0.48762	\$0.54200 per therm
Winter Over	\$0.40344	\$0.50100 per therm

Rate Schedule G-20, Master-Metered Mobile Home Park Service

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

Basic Service Charge	\$50.00	\$60.00
Commodity Charge, All Therms	\$0.31415	\$0.38400 per therm

Percent Margin Increase	16.93%	
Percent Revenue Increase	9.81%	
Current Rates Median January Bill	\$69.91	58
Proposed Rates Median January Bill	\$75.34	58
		7.76%
Current Rates Median Annual Bill	\$25.50	16
Proposed Rates Median Annual Bill	\$28.07	16
		10.07%

Percent Margin Increase	9.07%	
Percent Revenue Increase	5.17%	
Current Rates Median January Bill	\$61.37	64
Proposed Rates Median January Bill	\$64.82	64
		5.63%
Current Rates Median Annual Bill	\$21.87	17
Proposed Rates Median Annual Bill	\$22.61	17
		3.39%

Percent Margin Increase	24.27%	
Percent Revenue Increase	10.31%	
Current Rates Median January Bill	\$125.43	113
Proposed Rates Median January Bill	\$136.22	113
		8.60%
Current Rates Median Annual Bill	\$64.86	53
Proposed Rates Median Annual Bill	\$69.80	53
		7.62%

Percent Margin Increase	21.95%	
Percent Revenue Increase	8.84%	
Current Rates Median January Bill	\$694.06	700
Proposed Rates Median January Bill	\$752.95	700
		8.49%
Current Rates Median Annual Bill	\$350.87	327
Proposed Rates Median Annual Bill	\$383.71	327
		9.36%

Schedule RGG3-2

**Rate Schedule G-25, General Gas Service, Small**

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

19.95%      10.09%      \$131.44      \$144.00      \$53.53      \$60.11  
113      113      34      34      12.28%

Basic Service Charge      \$20.00      \$24.00  
Commodity Charge, All therms      \$0.38024      \$0.45600 per therm

**Rate Schedule G-25, General Gas Service, Medium**

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

14.99%      5.75%      \$1,662.57      \$1,749.01      \$1,075.16      \$1,134.92  
1791      1791      1122      1122      5.56%

Basic Service Charge      \$90.00      \$105.00  
Commodity Charge, All therms      \$0.27211      \$0.31200 per therm

**Rate Schedule G-25, General Gas Service, Large**

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

13.51%      4.70%      \$28,491.00      \$29,391.32      \$22,889.69      \$23,619.85  
36000      36000      28796      28796      3.19%

Basic Service Charge      \$500.00      \$550.00  
Commodity Charge, All therms      \$0.08548      \$0.10400 per therm  
Demand Charge      \$0.07270      \$0.07700 per therm

**Rate Schedule G-35, Gas Service to Armed Forces**

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

15.88%      4.35%      \$50,869.97      \$52,880.06      \$13,079.44      \$13,600.88  
63500      63500      16000      16000      3.99%

Basic Service Charge      \$350.00      \$370.00  
Commodity Charge, All therms      \$0.18966      \$0.22100 per therm

**Rate Schedule G-40, Air-Conditioning Gas Service**

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

27.28%      5.61%      \$139.36      \$147.36      \$388.31      \$404.66  
175      175      540      540      4.21%

Basic Service Charge, General Service - Small      \$20.00      \$24.00  
Basic Service Charge, General Service - Medium      \$90.00      \$105.00  
Basic Service Charge, General Service - Large      \$500.00      \$550.00  
Basic Service Charge, Essential Agriculture      \$75.00      \$90.00  
Commodity Charge, All therms      \$0.07613      \$0.09900 per therm

Schedule RGG3-3

**Rate Schedule G-45, Street Lighting Gas Service**

Median Usage (annual average usage used, see footnote) - therms 287

Increase in Median Bill From Current to Proposed Rates 6.42%

14.59%

6.88%

\$310.65

\$330.60  
287  
6.42%

Commodity Charge, All therms \$0.47648 \$0.54600 per therm

**Rate Schedule G-55, Gas Service for Compression on Customer's Premises**

Median Usage - therms 65

Increase in Median Bill From Current to Proposed Rates 7.41%

25.01%

5.92%

\$56.03

\$60.14  
65  
7.33%

Basic Service Charge, General Service - Small \$20.00 \$24.00

Basic Service Charge, General Service - Large \$170.00 \$190.00

Basic Service Charge, General Service - Residential \$8.00 \$9.70

Commodity Charge, All therms \$0.13305 \$0.17000 per therm

\$53.82

\$57.81  
62  
7.41%

**Rate Schedule G-60, Cogeneration Gas Service**

Median Usage - therms 5250

Increase in Median Bill From Current to Proposed Rates 3.86%

26.85%

4.00%

\$3,740.17

\$3,884.63  
5250  
3.86%

Basic Service Charge, General Service - Small \$20.00 \$24.00

Basic Service Charge, General Service - Medium \$90.00 \$105.00

Basic Service Charge, General Service - Large \$500.00 \$550.00

Basic Service Charge, Essential Agriculture \$75.00 \$90.00

Commodity Charge, All therms \$0.08934 \$0.11400 per therm

\$4,609.26

\$4,784.55  
6500  
3.80%

**Rate Schedule G-75, Small Essential Agriculture User Gas Service**

Median Usage - therms 950

Increase in Median Bill From Current to Proposed Rates 5.01%

14.76%

5.52%

\$835.58

\$877.48  
950  
5.01%

Basic Service Charge \$75.00 \$90.00

Commodity Charge, All therms \$0.19468 \$0.22300 per therm

\$1,776.30

\$1,851.48  
2125  
4.23%

**Rate Schedule G-80, Natural Gas Engine Gas Service**

Median Usage - therms 678

Increase in Median Bill From Current to Proposed Rates 4.44%

10.06%

2.41%

\$568.36

\$593.60  
678  
4.44%

Basic Service Charge, Off-Peak Season (Oct. - Mar) \$0.00 \$0.00

Basic Service Charge, On-Peak Season (Apr - Sep) \$60.00 \$95.00

Commodity Charge, All therms \$0.16189 \$0.17700 per therm

Cost of Gas \$0.55840 \$0.55840 per therm

\$27.37

\$27.95  
38  
2.10%

Note: For schedule G-45, there is no basic service charge and only a flag usage charge, so G-45 customers see the same rate increase regardless of usage levels.

Current and Proposed rate calculations apply the proposed base cost of gas of \$0.53436 per therm and a monthly PGA rate of \$0.07157 per therm.

For residential rates classes, the winter rates are applied when calculating the annual median bill.

For schedule G-40, a median customer is assumed to be in the small category.

For schedule G-55, a median customer is assumed to be in the residential category.

For schedule G-60, a median customer is assumed to be in the medium category.

For schedule G-80, a the median customer calculations assume an on-peak season month for the annual median use calculation and an off-peak season month for the January median use calculation.

Schedule RGG3-4

Margin and Revenue from Staff Proposed Rates for Southwest Gas

	Current Rates Margin	Current Rates Revenue	Staff Proposed Rates Margin	Staff Proposed Rates Revenue	Percent Margin Increase	Percent Revenue Increase
<b>Rate Schedule G-5, Residential Gas Service</b>						
Basic Service Charge						
Summer First			\$92,120,163	\$92,120,163		
Summer Over			\$24,440,717	\$24,440,717		
Winter First			\$7,109,752	\$7,109,752		
Winter First			\$68,145,319	\$68,145,319		
Base Cost of Gas			\$44,893,174	\$44,893,174		
Class Total	\$202,442,141	\$349,188,726	\$236,709,125	\$383,455,710	16.93%	9.81%

**Rate Schedule G-10, Low Income Residential Gas Service**

Basic Service Charge						
Summer First			\$2,588,285	\$2,588,285		
Summer Over			\$981,782	\$981,782		
Winter First			\$211,931	\$211,931		
Winter Next			\$2,753,756	\$2,753,756		
Winter Over			\$1,537,852	\$1,537,852		
Base Cost of Gas			\$77,819	\$77,819		
Class Total	\$7,473,828	\$13,106,007	\$8,151,425	\$13,783,604	9.07%	5.17%

**Rate Schedule G-15, Special Residential Gas Service for Air Conditioning**

Basic Service Charge						
Summer First			\$18,275	\$18,275		
Summer Over			\$6,433	\$6,433		
Winter First			\$28,780	\$28,780		
Winter First			\$15,721	\$15,721		
Base Cost of Gas			\$40,905	\$40,905		
Class Total	\$88,610	\$208,614	\$110,113	\$230,118	24.27%	10.31%

**Rate Schedule G-20, Master-Metered Mobile Home Park Service**

Basic Service Charge						
Commodity Charge, All Therms			\$136,080	\$136,080		
Base Cost of Gas			\$941,763	\$941,763		
Class Total	\$883,856	\$2,194,378	\$1,077,843	\$2,388,366	21.95%	8.84%

Schedule RGG3-5

**Rate Schedule G-25, General Gas Service, Small**

Basic Service Charge	\$9,444,408				
Commodity Charge, All therms	\$21,824,442				
Base Cost of Gas	\$25,476,513				
<b>Class Total</b>	<b>\$31,268,850</b>	\$51,545,375	\$26,068,862	19.95%	10.09%

**Rate Schedule G-25, General Gas Service, Medium**

Basic Service Charge	\$8,741,040				
Commodity Charge, All therms	\$43,769,076				
Base Cost of Gas	\$73,476,415				
<b>Class Total</b>	<b>\$125,986,531</b>	\$119,141,823	\$45,665,407	14.99%	5.75%

**Rate Schedule G-25, General Gas Service, Large**

Basic Service Charge	\$996,600				
Commodity Charge, All therms	\$7,661,453				
Demand Charge	\$6,719,806				
Base Cost of Gas	\$25,392,409				
<b>Class Total</b>	<b>\$40,770,268</b>	\$38,939,642	\$13,547,232	13.51%	4.70%

**Rate Schedule G-30, Optional Gas Service**

Basic Service Charge	\$61,408,388				
Commodity Charge, All therms	\$5,476,592				
Base Cost of Gas	\$39,960				
<b>Class Total</b>	<b>\$700,286</b>	\$2,332,014	\$638,779	15.88%	4.35%

**Rate Schedule G-35, Gas Service to Armed Forces**

Basic Service Charge	\$7,608				
Commodity Charge, All therms	\$2,520				
Base Cost of Gas	\$19,800				
<b>Class Total</b>	<b>\$1,080</b>	\$181,818	\$167,216	27.28%	5.61%

**Rate Schedule G-40, Air-Conditioning Gas Service**

Basic Service Charge, General Service - Small	\$7,608				
Basic Service Charge, General Service - Medium	\$2,520				
Basic Service Charge, General Service - Large	\$19,800				
Basic Service Charge, Essential Agriculture	\$1,080				
Commodity Charge, All therms	\$181,818				
Base Cost of Gas	\$645,312				
<b>Class Total</b>	<b>\$858,138</b>	\$812,528	\$167,216	27.28%	5.61%

Schedule RGG3-6

**Rate Schedule G-45, Street Lighting Gas Service**

Commodity Charge, All therms	\$54,536				\$54,536	
Base Cost of Gas	\$53,373				\$53,373	
<b>Class Total</b>		\$47,592	\$100,966		<b>\$54,536</b>	14.59% 6.88%

**Rate Schedule G-55, Gas Service for Compression on Customer's Premises**

Basic Service Charge, General Service - Small	\$6,336				\$6,336	
Basic Service Charge, General Service - Large	\$61,560				\$61,560	
Basic Service Charge, General Service - Residential	\$12,804				\$12,804	
Commodity Charge, All therms	\$367,343				\$367,343	
Base Cost of Gas	\$1,154,666				\$1,154,666	
<b>Class Total</b>		\$358,420	\$1,513,086		<b>\$448,043</b>	25.01% 5.92%

**Rate Schedule G-60, Cogeneration Gas Service**

Basic Service Charge, General Service - Small	\$1,440				\$1,440	
Basic Service Charge, General Service - Medium	\$8,820				\$8,820	
Basic Service Charge, General Service - Large	\$59,400				\$59,400	
Basic Service Charge, Essential Agriculture	\$2,160				\$2,160	
Commodity Charge, All therms	\$1,710,883				\$1,710,883	
Base Cost of Gas	\$8,019,537				\$8,019,537	
<b>Class Total</b>		\$1,405,352	\$9,424,889		<b>\$1,782,703</b>	26.85% 4.00%

**Rate Schedule G-75, Small Essential Agriculture User Gas Service**

Basic Service Charge	\$121,230				\$121,230	
Commodity Charge, All therms	\$2,805,169				\$2,805,169	
Base Cost of Gas	\$4,268,999				\$4,268,999	
<b>Class Total</b>		\$2,549,950	\$6,818,949		<b>\$2,926,399</b>	14.76% 5.52%

**Rate Schedule G-80, Natural Gas Engine Gas Service**

Basic Service Charge, Off-Peak Season (Oct - Mar)	\$0				\$0	
Basic Service Charge, On-Peak Season (Apr - Sep)	\$344,185				\$344,185	
Commodity Charge, All therms	\$3,765,032				\$3,765,032	
Base Cost of Gas	\$11,877,933				\$11,877,933	
<b>Class Total</b>		\$3,733,462	\$15,611,395		<b>\$4,109,217</b>	10.06% 2.41%

Special Contract Service, B-1

Special Contract Service, B-1	\$2,134,837				\$2,134,837	
Other Operating Revenues	\$11,398,614				\$11,398,614	
<b>Total Margin</b>		\$374,489,345	\$684,665,499			15.99% 7.54%
<b>Total Revenue</b>					<b>\$736,286,825</b>	

Target Revenue Requirement

Difference

-\$1,768

Schedule RGG3-7

Rate Schedule G-5, Residential Gas Service

**Current Rates**

	Therms	Bills	Current Rate	Revenue
Basic Service Charge		9,496,924	\$8.00	\$75,975,392
Commodity Charge				
Summer First	20 therms		\$0.48762	\$24,182,714
Summer Over	20 therms		\$0.40344	\$3,909,850
Winter First	40 therms		\$0.48762	\$66,607,817
Winter Over	40 therms		\$0.40344	\$31,766,367
Total - Excluding Cost of Gas				\$202,442,141
Base Cost of Gas (per therm)			\$0.53436	\$146,746,585
(applies proposed base cost of gas for comparability)				
Total Revenue				\$349,188,726

**Proposed Rates**

	Therms	Bills	Proposed Rate	Revenue	Percent Increase
Basic Service Charge		9,496,924	\$9.70	\$92,120,163	21.3%
Commodity Charge					
Summer First	15 therms		\$0.54200	\$24,440,717	
Summer Over	15 therms		\$0.50100	\$7,109,752	
Winter First	35 therms		\$0.54200	\$68,145,319	
Winter Over	35 therms		\$0.50100	\$44,893,174	
Total - Excluding Cost of Gas				\$236,709,125	16.9%
Base Cost of Gas (per therm)			\$0.53436	\$146,746,585	
Total Revenue				\$383,455,710	9.8%

Schedule RGG3-8

Customer Bill Impact - Summer Rates

Monthly Consumption (therms)	Staff Proposed Rates				Current Rates - Total Bill	Percent Increase
	Basic Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate		
5	\$9.70	\$2.67	\$2.71	\$0.36	\$15.44	14.6%
10 Aug. avg.	\$9.70	\$5.34	\$5.42	\$0.72	\$21.18	11.8%
15	\$9.70	\$8.02	\$8.13	\$1.07	\$26.92	10.3%
20	\$9.70	\$10.69	\$10.64	\$1.43	\$32.45	8.6%
25	\$9.70	\$13.36	\$13.14	\$1.79	\$37.99	8.8%
29 Annual avg.	\$9.70	\$15.50	\$15.14	\$2.08	\$42.42	8.9%
30	\$9.70	\$16.03	\$15.65	\$2.15	\$43.52	8.9%
40	\$9.70	\$21.37	\$20.66	\$2.86	\$54.59	9.1%
50	\$9.70	\$26.72	\$25.67	\$3.58	\$65.66	9.2%
60	\$9.70	\$32.06	\$30.68	\$4.29	\$76.73	9.2%
72	\$9.70	\$38.47	\$36.69	\$5.15	\$90.01	9.3%
75	\$9.70	\$40.08	\$38.19	\$5.37	\$93.33	9.3%
100	\$9.70	\$53.44	\$50.72	\$7.16	\$121.01	9.4%
125	\$9.70	\$66.80	\$63.24	\$8.95	\$148.68	9.4%
150	\$9.70	\$80.15	\$75.77	\$10.74	\$176.35	9.5%
200	\$9.70	\$106.87	\$100.82	\$14.31	\$231.70	9.5%
250	\$9.70	\$133.59	\$125.87	\$17.89	\$287.05	9.5%
300	\$9.70	\$160.31	\$150.92	\$21.47	\$342.39	9.6%
400	\$9.70	\$213.74	\$201.02	\$28.63	\$453.09	9.6%
500	\$9.70	\$267.18	\$251.12	\$35.79	\$563.78	9.6%

Schedule RGG3-9

Customer Bill Impact - Winter Rates

Monthly Consumption (therms)	Basic Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate	Staff Proposed Rates - Total Bill	Current Rates - Total Bill	Percent Increase
5	\$9.70	\$2.67	\$2.71	\$0.36	\$15.44	\$13.47	14.6%
10	\$9.70	\$5.34	\$5.42	\$0.72	\$21.18	\$18.94	11.8%
15	\$9.70	\$8.02	\$8.13	\$1.07	\$26.92	\$24.40	10.3%
20	\$9.70	\$10.69	\$10.84	\$1.43	\$32.66	\$29.87	9.3%
25	\$9.70	\$13.36	\$13.55	\$1.79	\$38.40	\$35.34	8.7%
29 Annual avg.	\$9.70	\$15.50	\$15.72	\$2.08	\$42.99	\$39.71	8.3%
30	\$9.70	\$16.03	\$16.26	\$2.15	\$44.14	\$40.81	8.2%
40	\$9.70	\$21.37	\$21.48	\$2.86	\$55.41	\$51.74	7.1%
50	\$9.70	\$26.72	\$26.49	\$3.58	\$66.48	\$61.84	7.5%
60	\$9.70	\$32.06	\$31.50	\$4.29	\$77.55	\$71.93	7.8%
72 Jan avg.	\$9.70	\$38.47	\$37.51	\$5.15	\$90.83	\$84.04	8.1%
75	\$9.70	\$40.08	\$39.01	\$5.37	\$94.15	\$87.07	8.1%
100	\$9.70	\$53.44	\$51.54	\$7.16	\$121.83	\$112.30	8.5%
125	\$9.70	\$66.80	\$64.06	\$8.95	\$149.50	\$137.54	8.7%
150	\$9.70	\$80.15	\$76.59	\$10.74	\$177.17	\$162.77	8.8%
200	\$9.70	\$106.87	\$101.64	\$14.31	\$232.52	\$213.24	9.0%
250	\$9.70	\$133.59	\$126.69	\$17.89	\$287.87	\$263.71	9.2%
300	\$9.70	\$160.31	\$151.74	\$21.47	\$343.21	\$314.18	9.2%
400	\$9.70	\$213.74	\$201.84	\$28.63	\$453.91	\$415.12	9.3%
500	\$9.70	\$267.18	\$251.94	\$35.79	\$564.60	\$516.05	9.4%

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjusters and surcharges.

Schedule RGG3-10

Rate Schedule G-10, Low Income Residential Gas Service

Current Rates	Bills	Therms	Current Rate	Revenue
Basic Service Charge	369,755		\$7.00	\$2,588,285
Commodity Charge				
Summer First 20 therms		1,996,133	\$0.48762	\$973,354
Summer Over 20 therms		238,288	\$0.40344	\$96,135
Winter First 40 therms		5,526,657	\$0.48762	\$2,694,908
Winter Next 110 therms		2,703,999	\$0.40344	\$1,090,901
Winter Over 150 therms		74,968	\$0.40344	\$30,245
<b>Total - Excluding Cost of Gas</b>				<b>\$7,473,829</b>
Base Cost of Gas (per therm)		10,540,045	\$0.53436	\$5,632,178
(applies proposed base cost of gas for comparability)				
<b>Total Revenue (excluding Discount)</b>				<b>\$13,106,008</b>
Test Year Total Discount				\$0
<b>Total Revenue After Discount</b>				<b>\$13,106,008</b>

Proposed Rates	Bills	Therms	Proposed Rate	Revenue	Percent Increase
Basic Service Charge	369,755		\$7.00	\$2,588,285	
Commodity Charge					
Summer First 15 therms		1,811,406	\$0.54200	\$981,782	
Summer Over 15 therms		423,015	\$0.50100	\$211,931	
Winter First 35 therms		5,080,731	\$0.54200	\$2,753,756	
Winter Next 115 therms		3,069,565	\$0.50100	\$1,537,852	
Winter Over 150 therms		155,328	\$0.50100	\$77,819	
<b>Total - Excluding Cost of Gas</b>				<b>\$8,151,425</b>	
Base Cost of Gas (per therm)		10,540,045	\$0.53436	\$5,632,178	
(applies proposed base cost of gas for comparability)					
<b>Total Revenue</b>				<b>\$13,783,604</b>	

Schedule RGG3-11

Customer Bill Impact - Summer Rates

Monthly Consumption (therms)	Basic Service Charge	Base Cost of Gas	Staff Proposed Rates			Proposed Rates Total Bill	Current Rates Total Bill	Percent Increase
			Margin Rate	Monthly PGA Rate	Proposed Rates			
1	\$7.00	\$0.53	\$0.54	\$0.07	\$8.15	\$8.09	0.7%	
2	\$7.00	\$1.07	\$1.08	\$0.14	\$9.30	\$9.19	1.2%	
3	\$7.00	\$1.60	\$1.63	\$0.21	\$10.44	\$10.28	1.6%	
4	\$7.00	\$2.14	\$2.17	\$0.29	\$11.59	\$11.37	1.9%	
5	\$7.00	\$2.67	\$2.71	\$0.36	\$12.74	\$12.47	2.2%	
6	\$7.00	\$3.21	\$3.25	\$0.43	\$13.89	\$13.56	2.4%	
7	\$7.00	\$3.74	\$3.79	\$0.50	\$15.04	\$14.65	2.6%	
8	\$7.00	\$4.27	\$4.34	\$0.57	\$16.18	\$15.75	2.8%	
9	\$7.00	\$4.81	\$4.88	\$0.64	\$17.33	\$16.84	2.9%	
10 Aug. avg.	\$7.00	\$5.34	\$5.42	\$0.72	\$18.48	\$17.94	3.0%	
15	\$7.00	\$8.02	\$8.13	\$1.07	\$24.22	\$23.40	3.5%	
20	\$7.00	\$10.69	\$10.64	\$1.43	\$29.75	\$28.87	3.1%	
25	\$7.00	\$13.36	\$13.14	\$1.79	\$35.29	\$33.92	4.0%	
29 Annual avg.	\$7.00	\$15.50	\$15.14	\$2.08	\$39.72	\$37.96	4.6%	
30	\$7.00	\$16.03	\$15.65	\$2.15	\$40.82	\$38.96	4.8%	
40	\$7.00	\$21.37	\$20.66	\$2.86	\$51.89	\$49.06	5.8%	
50	\$7.00	\$26.72	\$25.67	\$3.58	\$62.96	\$59.15	6.4%	
60	\$7.00	\$32.06	\$30.68	\$4.29	\$74.03	\$69.25	6.9%	
72	\$7.00	\$38.47	\$36.69	\$5.15	\$87.31	\$81.36	7.3%	
75	\$7.00	\$40.08	\$38.19	\$5.37	\$90.63	\$84.39	7.4%	
100	\$7.00	\$53.44	\$50.72	\$7.16	\$118.31	\$109.62	7.9%	
125	\$7.00	\$66.80	\$63.24	\$8.95	\$145.98	\$134.85	8.3%	
150	\$7.00	\$80.15	\$75.77	\$10.74	\$173.65	\$160.09	8.5%	
200	\$7.00	\$106.87	\$100.82	\$14.31	\$229.00	\$210.56	8.8%	
250	\$7.00	\$133.59	\$125.87	\$17.89	\$284.35	\$261.03	8.9%	
300	\$7.00	\$160.31	\$150.92	\$21.47	\$339.69	\$311.49	9.1%	
400	\$7.00	\$213.74	\$201.02	\$28.63	\$450.39	\$412.43	9.2%	
500	\$7.00	\$267.18	\$251.12	\$36.79	\$561.08	\$513.37	9.3%	

Schedule RGG3-12

Customer Bill Impact - Winter Rates

Monthly Consumption (therms)	Basic Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate	Proposed Rates		Proposed Rates		Current Rates Total Bill Before Discount	Current Rates Total Bill After Discount	Percent Increase After Discount
					Total Bill Before Discount	Total Bill After Discount	Total Bill Before Discount	Total Bill After Discount			
1	\$7.00	\$0.53	\$0.54	\$0.07	\$8.15	\$7.92	\$8.09	\$7.87	\$8.09	\$7.87	0.6%
2	\$7.00	\$1.07	\$1.08	\$0.14	\$9.30	\$8.84	\$9.19	\$8.75	\$9.19	\$8.75	1.0%
3	\$7.00	\$1.60	\$1.63	\$0.21	\$10.44	\$9.76	\$10.28	\$9.62	\$10.28	\$9.62	1.4%
4	\$7.00	\$2.14	\$2.17	\$0.29	\$11.59	\$10.67	\$11.37	\$10.50	\$11.37	\$10.50	1.7%
5	\$7.00	\$2.67	\$2.71	\$0.36	\$12.74	\$11.59	\$12.47	\$11.37	\$12.47	\$11.37	1.9%
6	\$7.00	\$3.21	\$3.25	\$0.43	\$13.89	\$12.51	\$13.56	\$12.25	\$13.56	\$12.25	2.1%
7	\$7.00	\$3.74	\$3.79	\$0.50	\$15.04	\$13.43	\$14.65	\$13.12	\$14.65	\$13.12	2.3%
8	\$7.00	\$4.27	\$4.34	\$0.57	\$16.18	\$14.35	\$15.75	\$14.00	\$15.75	\$14.00	2.5%
9	\$7.00	\$4.81	\$4.88	\$0.64	\$17.33	\$15.27	\$16.84	\$14.87	\$16.84	\$14.87	2.6%
10	\$7.00	\$5.34	\$5.42	\$0.72	\$18.48	\$16.18	\$17.94	\$15.75	\$17.94	\$15.75	2.8%
15	\$7.00	\$8.02	\$8.13	\$1.07	\$24.22	\$20.78	\$23.40	\$20.12	\$23.40	\$20.12	3.2%
20	\$7.00	\$10.69	\$10.84	\$1.43	\$29.96	\$25.37	\$28.87	\$24.50	\$28.87	\$24.50	3.6%
25	\$7.00	\$13.36	\$13.55	\$1.79	\$35.70	\$29.96	\$34.34	\$28.87	\$34.34	\$28.87	3.8%
29 Annual avg.	\$7.00	\$15.50	\$15.72	\$2.08	\$40.29	\$33.63	\$38.71	\$32.37	\$38.71	\$32.37	3.9%
30	\$7.00	\$16.03	\$16.26	\$2.15	\$41.44	\$34.55	\$39.81	\$33.25	\$39.81	\$33.25	3.9%
40	\$7.00	\$21.37	\$21.48	\$2.86	\$52.71	\$43.57	\$50.74	\$41.99	\$50.74	\$41.99	3.8%
50	\$7.00	\$26.72	\$26.49	\$3.58	\$63.78	\$52.43	\$60.84	\$50.07	\$60.84	\$50.07	4.7%
60	\$7.00	\$32.06	\$31.50	\$4.29	\$74.85	\$61.28	\$70.93	\$58.14	\$70.93	\$58.14	5.4%
70 Jan avg.	\$7.00	\$37.41	\$36.51	\$5.01	\$85.92	\$70.14	\$81.02	\$66.22	\$81.02	\$66.22	5.9%
75	\$7.00	\$40.08	\$39.01	\$5.37	\$91.45	\$74.56	\$86.07	\$70.26	\$86.07	\$70.26	6.1%
100	\$7.00	\$53.44	\$51.54	\$7.16	\$119.13	\$96.70	\$111.30	\$90.44	\$111.30	\$90.44	6.9%
125	\$7.00	\$66.80	\$64.06	\$8.95	\$146.80	\$118.84	\$136.54	\$110.63	\$136.54	\$110.63	7.4%
150	\$7.00	\$80.15	\$76.59	\$10.74	\$174.47	\$140.98	\$161.77	\$130.82	\$161.77	\$130.82	7.8%
200	\$7.00	\$106.87	\$101.64	\$14.31	\$229.82	\$196.33	\$212.24	\$181.29	\$212.24	\$181.29	8.3%
250	\$7.00	\$133.59	\$126.69	\$17.89	\$285.17	\$251.67	\$262.71	\$231.76	\$262.71	\$231.76	8.6%
300	\$7.00	\$160.31	\$151.74	\$21.47	\$340.51	\$307.02	\$313.18	\$282.22	\$313.18	\$282.22	8.8%
400	\$7.00	\$213.74	\$201.84	\$28.63	\$451.21	\$417.71	\$414.12	\$383.16	\$414.12	\$383.16	9.0%
500	\$7.00	\$267.18	\$251.94	\$35.79	\$561.90	\$528.41	\$515.05	\$484.10	\$515.05	\$484.10	9.2%

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjusters and surcharges.

Schedule RGG3-13

Rate Schedule G-15, Special Residential Gas Service for Air Conditioning

<b>Current Rates</b>				Current	Revenue
	Bills	Therms	Rate		
Basic Service Charge	1,884		\$8.00		\$15,072
Commodity Charge					
Summer First	20 therms	14,784	\$0.48762		\$7,209
Summer Over	20 therms	99,140	\$0.19125		\$18,961
Winter First	40 therms	32,391	\$0.48762		\$15,794
Winter Over	40 therms	78,261	\$0.40344		\$31,574
Total - Excluding Cost of Gas					\$88,610
Base Cost of Gas (per therm)		224,576	\$0.53436		\$120,004
(applies proposed base cost of gas for comparability)					
Total Revenue					\$208,614
<b>Proposed Rates</b>				Proposed	Percent
	Bills	Therms	Rate	Revenue	Increase
Basic Service Charge	1,884		\$9.70	\$18,275	21.3%
Commodity Charge					
Summer First	15 therms	11,869	\$0.54200	\$6,433	
Summer Over	15 therms	102,055	\$0.28200	\$28,780	
Winter First	35 therms	29,006	\$0.54200	\$15,721	
Winter Over	35 therms	81,646	\$0.50100	\$40,905	
Total - Excluding Cost of Gas				\$110,113	24.3%
Base Cost of Gas (per therm)		224,576	\$0.53436	\$120,004	
Total Revenue				\$230,118	10.3%

Schedule RGG3-14

Customer Bill Impact - Summer Rates

Monthly Consumption (therms)	Basic			Staff Proposed Rates			Current Rat Percent	
	Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate	Total Bill	Total Bill Increase		
10	\$9.70	\$5.34	\$5.42	\$0.72	\$21.18	\$18.94	11.8%	
20	\$9.70	\$10.69	\$10.84	\$1.43	\$32.66	\$29.87	9.3%	
30	\$9.70	\$16.03	\$13.66	\$2.15	\$41.54	\$37.84	9.8%	
40	\$9.70	\$21.37	\$16.48	\$2.86	\$50.42	\$45.81	10.0%	
50	\$9.70	\$26.72	\$19.30	\$3.58	\$59.30	\$53.79	10.2%	
60	\$9.70	\$32.06	\$22.12	\$4.29	\$68.18	\$61.76	10.4%	
75	\$9.70	\$40.08	\$26.35	\$5.37	\$81.49	\$73.72	10.6%	
100	\$9.70	\$53.44	\$33.40	\$7.16	\$103.69	\$93.65	10.7%	
119 Annual avg.	\$9.70	\$63.59	\$38.76	\$8.52	\$120.56	\$108.79	10.8%	
125	\$9.70	\$66.80	\$40.45	\$8.95	\$125.89	\$113.57	10.8%	
150	\$9.70	\$80.15	\$47.50	\$10.74	\$148.09	\$133.50	10.9%	
152 Sep. avg.	\$9.70	\$81.22	\$48.06	\$10.88	\$149.87	\$135.10	10.9%	
175	\$9.70	\$93.51	\$54.55	\$12.52	\$170.29	\$153.43	11.0%	
200	\$9.70	\$106.87	\$61.60	\$14.31	\$192.49	\$173.36	11.0%	
250	\$9.70	\$133.59	\$75.70	\$17.89	\$236.88	\$213.22	11.1%	
300	\$9.70	\$160.31	\$89.80	\$21.47	\$281.28	\$253.08	11.1%	
350	\$9.70	\$187.03	\$103.90	\$25.05	\$325.68	\$292.94	11.2%	
400	\$9.70	\$213.74	\$118.00	\$28.63	\$370.07	\$332.80	11.2%	
450	\$9.70	\$240.46	\$132.10	\$32.21	\$414.47	\$372.66	11.2%	
500	\$9.70	\$267.18	\$146.20	\$35.79	\$458.87	\$412.52	11.2%	

Schedule RGG3-15

Customer Bill Impact - Winter Rates

Monthly Consumption (therms)	Basic Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate	Staff Proposed Rates - Total Bill	Current Rat Percent	
						Total Bill	Increase
10	\$9.70	\$5.34	\$5.42	\$0.72	\$21.18	\$18.94	11.8%
20	\$9.70	\$10.69	\$10.84	\$1.43	\$32.66	\$29.87	9.3%
30	\$9.70	\$16.03	\$16.26	\$2.15	\$44.14	\$40.81	8.2%
40	\$9.70	\$21.37	\$21.68	\$2.86	\$55.62	\$51.74	7.5%
50	\$9.70	\$26.72	\$26.69	\$3.58	\$66.69	\$61.84	7.8%
60	\$9.70	\$32.06	\$31.70	\$4.29	\$77.76	\$71.93	8.1%
75	\$9.70	\$40.08	\$39.22	\$5.37	\$94.36	\$87.07	8.4%
100	\$9.70	\$53.44	\$51.74	\$7.16	\$122.03	\$112.30	8.7%
119 Annual avg.	\$9.70	\$63.59	\$61.26	\$8.52	\$143.06	\$131.48	8.8%
125	\$9.70	\$66.80	\$64.27	\$8.95	\$149.71	\$137.54	8.8%
150 Jan avg.	\$9.70	\$80.15	\$76.79	\$10.74	\$177.38	\$162.77	9.0%
167	\$9.70	\$89.24	\$85.31	\$11.95	\$196.20	\$179.93	9.0%
175	\$9.70	\$93.51	\$89.32	\$12.52	\$205.05	\$188.01	9.1%
200	\$9.70	\$106.87	\$101.84	\$14.31	\$232.73	\$213.24	9.1%
250	\$9.70	\$133.59	\$126.89	\$17.89	\$288.07	\$263.71	9.2%
300	\$9.70	\$160.31	\$151.94	\$21.47	\$343.42	\$314.18	9.3%
350	\$9.70	\$187.03	\$176.99	\$25.05	\$398.77	\$364.65	9.4%
400	\$9.70	\$213.74	\$202.04	\$28.63	\$454.11	\$415.12	9.4%
450	\$9.70	\$240.46	\$227.09	\$32.21	\$509.46	\$465.58	9.4%
500	\$9.70	\$267.18	\$252.14	\$35.79	\$564.81	\$516.05	9.4%

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjusters and surcharges.

Schedule RGG3-16 A

Rate Schedule G-20, Master Metered Mobile Home Park Gas Service

	Bills	Therms	Current Rate	Revenue		Proposed Rate	Revenue	Percent Increase
<b>Current Rates</b>								
Basic Service Charge	2,268		\$50.00	\$113,400				
Commodity Charge All Therms		2,452,509	\$0.31415	\$770,456				
Total - Excluding Cost of Gas				\$883,856				
Base Cost of Gas (per therm) (applies proposed base cost of gas for comparability) Total Revenue		2,452,509	\$0.53436	\$1,310,523			\$2,194,378	
<b>Proposed Rates</b>								
Basic Service Charge	2,268		\$60.00	\$136,080	20.0%			
Commodity Charge All Therms		2,452,509	\$0.38400	\$941,763				
Total - Excluding Cost of Gas				\$1,077,843	21.9%			
Base Cost of Gas (per therm)		2,452,509	\$0.53436	\$1,310,523				
Total Revenue				\$2,388,366	8.8%			

Schedule RGG3-16 B

Customer Bill Impact

Monthly Consumption (therms)	Basic Service Charge	Base Cost of Gas	Staff Proposed Rates			Total Bill	Current Rates Total Bill	Percent Increase
			Margin Rate	Monthly PGA Rate	Monthly PGA Rate			
200	\$60.00	\$106.87	\$76.80	\$14.31	\$257.99	\$234.02	10.2%	
400 Aug. avg.	\$60.00	\$213.74	\$153.60	\$28.63	\$455.97	\$418.03	9.1%	
600	\$60.00	\$320.62	\$230.40	\$42.94	\$653.96	\$602.05	8.6%	
800	\$60.00	\$427.49	\$307.20	\$57.26	\$851.94	\$786.06	8.4%	
1,000	\$60.00	\$534.36	\$384.00	\$71.57	\$1,049.93	\$970.08	8.2%	
1,081 Annual avg.	\$60.00	\$577.64	\$415.10	\$77.37	\$1,130.11	\$1,044.61	8.2%	
1,200	\$60.00	\$641.23	\$460.80	\$85.88	\$1,247.92	\$1,154.10	8.1%	
1,400	\$60.00	\$748.10	\$537.60	\$100.20	\$1,445.90	\$1,338.11	8.1%	
1,600	\$60.00	\$854.98	\$614.40	\$114.51	\$1,643.89	\$1,522.13	8.0%	
1,800	\$60.00	\$961.85	\$691.20	\$128.83	\$1,841.87	\$1,706.14	8.0%	
2,000	\$60.00	\$1,068.72	\$768.00	\$143.14	\$2,039.86	\$1,890.16	7.9%	
2,500	\$60.00	\$1,335.90	\$960.00	\$178.93	\$2,534.83	\$2,350.20	7.9%	
2,522 Jan. avg.	\$60.00	\$1,347.66	\$968.45	\$180.50	\$2,556.60	\$2,370.44	7.9%	
3,000	\$60.00	\$1,603.08	\$1,152.00	\$214.71	\$3,029.79	\$2,810.24	7.8%	
3,500	\$60.00	\$1,870.26	\$1,344.00	\$250.50	\$3,524.76	\$3,270.28	7.8%	
4,000	\$60.00	\$2,137.44	\$1,536.00	\$286.28	\$4,019.72	\$3,730.32	7.8%	
4,500	\$60.00	\$2,404.62	\$1,728.00	\$322.07	\$4,514.69	\$4,190.36	7.7%	
5,000	\$60.00	\$2,671.80	\$1,920.00	\$357.85	\$5,009.65	\$4,650.40	7.7%	
10,000	\$60.00	\$5,343.60	\$3,840.00	\$715.70	\$9,959.30	\$9,250.80	7.7%	

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjusters and surcharges.

Schedule RGG3-17

Rate Schedule G-25, General Gas Service, Small

<b>Current Rates</b>	Bills 393,517	Therms	Current Rate \$20.00	Revenue \$7,870,340	
Basic Service Charge					
Commodity Charge					
Sales Therms	47,676,684		\$0.38024	\$18,128,582	
Transport Therms	183,935		\$0.38024	\$69,939	
Total - Excluding Cost of Gas				\$26,068,862	
Base Cost of Gas (per therm) (applies proposed base cost of gas for comparability)	47,676,684		\$0.53436	\$25,476,513	
Total Revenue				\$51,545,375	
<b>Proposed Rates</b>	Bills 393,517	Therms	Proposed Rate \$24.00	Revenue \$9,444,408	Percent Increase 20.0%
Basic Service Charge					
Commodity Charge					
Sales Therms	47,676,684		\$0.45600	\$21,740,568	
Transport Therms	183,935		\$0.45600	\$83,874	
Total - Excluding Cost of Gas				\$31,268,850	19.9%
Base Cost of Gas (per therm)	47,676,684		\$0.53436	\$25,476,513	
Total Revenue				\$56,745,363	10.1%

Schedule RGG3-18

Customer Bill Impact

Monthly Consumption (therms)	Staff Proposed Rates				Total Bill	Current Rates Percent Increase
	Basic Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate		
25	\$24.00	\$13.36	\$11.40	\$1.79	\$50.55	13.2%
50	\$24.00	\$26.72	\$22.80	\$3.58	\$77.10	11.2%
75	\$24.00	\$40.08	\$34.20	\$5.37	\$103.64	10.3%
100	\$24.00	\$53.44	\$45.60	\$7.16	\$130.19	9.8%
122 Annual avg.	\$24.00	\$65.19	\$55.63	\$8.73	\$153.56	9.4%
125	\$24.00	\$66.80	\$57.00	\$8.95	\$156.74	9.4%
150	\$24.00	\$80.15	\$68.40	\$10.74	\$183.29	9.1%
175	\$24.00	\$93.51	\$79.80	\$12.52	\$209.84	9.0%
200	\$24.00	\$106.87	\$91.20	\$14.31	\$236.39	8.8%
223 Jan. avg.	\$24.00	\$119.16	\$101.69	\$15.96	\$260.81	8.7%
250	\$24.00	\$133.59	\$114.00	\$17.89	\$289.48	8.6%
300	\$24.00	\$160.31	\$136.80	\$21.47	\$342.58	8.5%
400	\$24.00	\$213.74	\$182.40	\$28.63	\$448.77	8.3%
500	\$24.00	\$267.18	\$228.00	\$35.79	\$554.97	8.2%
600	\$24.00	\$320.62	\$273.60	\$42.94	\$661.16	8.1%
750	\$24.00	\$400.77	\$342.00	\$53.68	\$820.45	8.0%
1,000	\$24.00	\$534.36	\$456.00	\$71.57	\$1,085.93	7.9%

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjusters and surcharges.

Schedule RGG3-19

Rate Schedule G-25, General Gas Service, Medium

**Current Rates**

Basic Service Charge	Bills 83,248	Therms	Current Rate \$90.00	Revenue \$7,492,320
Commodity Charge				
Sales Therms		137,503,584	\$0.27211	\$37,416,100
Transport Therms		2,781,916	\$0.27211	\$756,987
Total - Excluding Cost of Gas				\$45,665,407
Base Cost of Gas (per therm)		137,503,584	\$0.53436	\$73,476,415
(applies proposed base cost of gas for comparability)				
Total Revenue				\$119,141,823

**Proposed Rates**

Basic Service Charge	Bills 83,248	Therms	Proposed Rate \$105.00	Revenue \$8,741,040	Percent Increase 16.7%
Commodity Charge					
Sales Therms		137,503,584	\$0.31200	\$42,901,118	
Transport Therms		2,781,916	\$0.31200	\$867,958	
Total - Excluding Cost of Gas				\$52,510,116	15.0%
Base Cost of Gas (per therm)		137,503,584	\$0.53436	\$73,476,415	
Total Revenue				\$125,986,531	5.7%

Schedule RGG3-20

Customer Bill Impact

Monthly Consumption (therms)	Basic Service Charge			Base Cost of Gas			Staff Proposed Rates			Current Rates - Percent Increase	
	Charge	Service	Cost of Gas	Margin Rate	Monthly PGA Rate	Total Bill	Total Bill	Percent Increase	Total Bill	Percent Increase	
200	\$105.00	\$106.87	\$62.40	\$14.31	\$288.59	\$265.61	8.7%				
400	\$105.00	\$213.74	\$124.80	\$28.63	\$472.17	\$441.22	7.0%				
600	\$105.00	\$320.62	\$187.20	\$42.94	\$655.76	\$616.82	6.3%				
800	\$105.00	\$427.49	\$249.60	\$57.26	\$839.34	\$792.43	5.9%				
1,000	\$105.00	\$534.36	\$312.00	\$71.57	\$1,022.93	\$968.04	5.7%				
1,250	\$105.00	\$667.95	\$390.00	\$89.46	\$1,252.41	\$1,187.55	5.5%				
1,500	\$105.00	\$801.54	\$468.00	\$107.36	\$1,481.90	\$1,407.06	5.3%				
1,690 Annual avg.	\$105.00	\$903.07	\$527.28	\$120.95	\$1,656.30	\$1,573.89	5.2%				
2,000	\$105.00	\$1,068.72	\$624.00	\$143.14	\$1,940.86	\$1,846.08	5.1%				
2,500	\$105.00	\$1,335.90	\$780.00	\$178.93	\$2,399.83	\$2,285.10	5.0%				
2,682 Jan. avg.	\$105.00	\$1,433.15	\$836.78	\$191.95	\$2,566.89	\$2,444.90	5.0%				
3,000	\$105.00	\$1,603.08	\$936.00	\$214.71	\$2,858.79	\$2,724.12	4.9%				
4,000	\$105.00	\$2,137.44	\$1,248.00	\$286.28	\$3,776.72	\$3,602.16	4.8%				
5,000	\$105.00	\$2,671.80	\$1,560.00	\$357.85	\$4,694.65	\$4,480.20	4.8%				
7,500	\$105.00	\$4,007.70	\$2,340.00	\$536.78	\$6,989.48	\$6,675.30	4.7%				
10,000	\$105.00	\$5,343.60	\$3,120.00	\$715.70	\$9,284.30	\$8,870.40	4.7%				
15,000	\$105.00	\$8,015.40	\$4,680.00	\$1,073.55	\$13,873.95	\$13,260.60	4.6%				

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjusters and surcharges.

Schedule RGG3-21

Rate Schedule G-25, General Gas Service, Large

**Current Rates**

Basic Service Charge	Bills 1,812	Therms	Current Rate \$500.00	Revenue \$906,000
Billing Determinants		7,272,517	\$0.072695	\$6,344,107
Commodity Charge				
Sales Therms		47,519,293	\$0.08548	\$4,061,949
Transport Therms		26,148,523	\$0.08548	\$2,235,176
Total - Excluding Cost of Gas				\$13,547,232
Base Cost of Gas (per therm)		47,519,293	\$0.53436	\$25,392,409
(applies proposed base cost of gas for comparability)				
Total Revenue				\$38,939,642

**Proposed Rates**

Basic Service Charge	Bills 1,812	Therms	Proposed Rate \$550.00	Revenue \$996,600	Percent Increase 10.0%
Billing Determinants		7,272,517	\$0.077000	\$6,719,806	
Commodity Charge					
Sales Therms		47,519,293	\$0.10400	\$4,942,006	
Transport Therms		26,148,523	\$0.10400	\$2,719,446	
Total - Excluding Cost of Gas				\$15,377,859	13.5%
Base Cost of Gas (per therm)		47,519,293	\$0.53436	\$25,392,409	
Total Revenue				\$40,770,268	4.7%

Schedule RGG3-22

Customer Bill Impact

Monthly Consumption (therms)	Staff Proposed Rates							Total Bill	Current Rates - Total Bill	Percent Increase
	Basic Service Charge	Base Cost of Gas	Margin Rate	Billing Determinants	Monthly PGA Rate	Monthly PGA Rate	Monthly PGA Rate			
2,000	\$550.00	\$1,068.72	\$208.00	\$182.44	\$143.14	\$143.14	\$2,152.30	\$2,055.06	4.7%	
5,000	\$550.00	\$2,671.80	\$520.00	\$456.09	\$357.85	\$357.85	\$4,555.74	\$4,387.64	3.8%	
10,000	\$550.00	\$5,343.60	\$1,040.00	\$912.18	\$715.70	\$715.70	\$8,561.48	\$8,275.28	3.5%	
15,000	\$550.00	\$8,015.40	\$1,560.00	\$1,368.26	\$1,073.55	\$1,073.55	\$12,567.21	\$12,162.92	3.3%	
20,000	\$550.00	\$10,687.20	\$2,080.00	\$1,824.35	\$1,431.40	\$1,431.40	\$16,572.95	\$16,050.56	3.3%	
25,000	\$550.00	\$13,359.00	\$2,600.00	\$2,280.44	\$1,789.25	\$1,789.25	\$20,578.69	\$19,938.19	3.2%	
30,000	\$550.00	\$16,030.80	\$3,120.00	\$2,736.53	\$2,147.10	\$2,147.10	\$24,584.43	\$23,825.83	3.2%	
35,000	\$550.00	\$18,702.60	\$3,640.00	\$3,192.62	\$2,504.95	\$2,504.95	\$28,590.17	\$27,713.47	3.2%	
40,000	\$550.00	\$21,374.40	\$4,160.00	\$3,648.71	\$2,862.80	\$2,862.80	\$32,595.91	\$31,601.11	3.1%	
42,048 Annual avg.	\$550.00	\$22,468.77	\$4,372.99	\$3,835.52	\$3,009.38	\$3,009.38	\$34,236.66	\$33,193.49	3.1%	
45,000	\$550.00	\$24,046.20	\$4,680.00	\$4,104.79	\$3,220.65	\$3,220.65	\$36,601.64	\$35,488.75	3.1%	
50,000	\$550.00	\$26,718.00	\$5,200.00	\$4,560.88	\$3,578.50	\$3,578.50	\$40,607.38	\$39,376.39	3.1%	
51,574 Jan. avg.	\$550.00	\$27,559.08	\$5,363.70	\$4,704.46	\$3,691.15	\$3,691.15	\$41,868.39	\$40,600.22	3.1%	
60,000	\$550.00	\$32,061.60	\$6,240.00	\$5,473.06	\$4,294.20	\$4,294.20	\$48,618.86	\$47,151.67	3.1%	
75,000	\$550.00	\$40,077.00	\$7,800.00	\$6,841.32	\$5,367.75	\$5,367.75	\$60,636.07	\$58,814.58	3.1%	
100,000	\$550.00	\$53,436.00	\$10,400.00	\$9,121.77	\$7,157.00	\$7,157.00	\$80,664.77	\$78,252.78	3.1%	
150,000	\$550.00	\$80,154.00	\$15,600.00	\$13,682.65	\$10,735.50	\$10,735.50	\$120,722.15	\$117,129.16	3.1%	
200,000	\$550.00	\$106,872.00	\$20,800.00	\$18,243.53	\$14,314.00	\$14,314.00	\$160,779.53	\$156,005.55	3.1%	

Billing determinants for customer bill estimates is based upon the class average for the size of customer. Based upon varying usage characteristics, customers of the same size will have different billing determinants.

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjusters and surcharges.

Schedule RGG3-23

Rate Schedule G-35, Gas Service to Armed Forces

<b>Current Rates</b>	Bills	Therms	Current Rate	Revenue	
Basic Service Charge	108		\$350.00	\$37,800	
Commodity Charge					
Sales Therms		3,168,716	\$0.18966	\$600,979	
Transport Therms		0	\$0.18966	\$0	
Total - Excluding Cost of Gas				\$638,779	
Base Cost of Gas (per therm) (applies proposed base cost of gas for comparability)		3,168,716	\$0.53436	\$1,693,235	
Total Revenue				\$2,332,014	
<b>Proposed Rates</b>	Bills	Therms	Proposed Rate	Revenue	Percent Increase
Basic Service Charge	108		\$370.00	\$39,960	5.7%
Commodity Charge					
Sales Therms		3,168,716	\$0.22100	\$700,286	
Transport Therms		0	\$0.22100	\$0	
Total - Excluding Cost of Gas				\$740,246	15.9%
Base Cost of Gas (per therm)		3,168,716	\$0.53436	\$1,693,235	
Total Revenue				\$2,433,481	4.4%

Schedule RGG3-24

Customer Bill Impact

Monthly Consumption (therms)	Basic Service Charge	Base Cost of Gas	Proposed Rates			Total Bill	Current Rates - Percent Increase	
			Margin Rate	Monthly PGA Rate	Monthly PGA Rate		Total Bill	Percent Increase
1000	\$370.00	\$534.36	\$221.00	\$71.57	\$1,196.93	\$1,145.59	4.5%	
2000	\$370.00	\$1,068.72	\$442.00	\$143.14	\$2,023.86	\$1,941.18	4.3%	
3000	\$370.00	\$1,603.08	\$663.00	\$214.71	\$2,850.79	\$2,736.77	4.2%	
4000	\$370.00	\$2,137.44	\$884.00	\$286.28	\$3,677.72	\$3,532.36	4.1%	
5,000	\$370.00	\$2,671.80	\$1,105.00	\$357.85	\$4,504.65	\$4,327.95	4.1%	
7,500	\$370.00	\$4,007.70	\$1,657.50	\$536.78	\$6,571.98	\$6,316.93	4.0%	
10,000	\$370.00	\$5,343.60	\$2,210.00	\$715.70	\$8,639.30	\$8,305.90	4.0%	
15,000	\$370.00	\$8,015.40	\$3,315.00	\$1,073.55	\$12,773.95	\$12,283.85	4.0%	
20,000	\$370.00	\$10,687.20	\$4,420.00	\$1,431.40	\$16,908.60	\$16,261.80	4.0%	
25,000	\$370.00	\$13,359.00	\$5,525.00	\$1,789.25	\$21,043.25	\$20,239.75	4.0%	
30,000	\$370.00	\$16,030.80	\$6,630.00	\$2,147.10	\$25,177.90	\$24,217.70	4.0%	
33,008 Annual avg.	\$370.00	\$17,638.15	\$7,294.77	\$2,362.38	\$27,665.31	\$26,610.83	4.0%	
40,000	\$370.00	\$21,374.40	\$8,840.00	\$2,862.80	\$33,447.20	\$32,173.60	4.0%	
50,000	\$370.00	\$26,718.00	\$11,050.00	\$3,578.50	\$41,716.50	\$40,129.50	4.0%	
67,261 Jan. avg.	\$370.00	\$35,941.59	\$14,864.68	\$4,813.87	\$55,990.14	\$53,862.18	4.0%	
75,000	\$370.00	\$40,077.00	\$16,575.00	\$5,367.75	\$62,389.75	\$60,019.25	3.9%	
100,000	\$370.00	\$53,436.00	\$22,100.00	\$7,157.00	\$83,063.00	\$79,909.00	3.9%	
150,000	\$370.00	\$80,154.00	\$33,150.00	\$10,735.50	\$124,409.50	\$119,688.50	3.9%	
200,000	\$370.00	\$106,872.00	\$44,200.00	\$14,314.00	\$165,756.00	\$159,468.00	3.9%	

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjusters and surcharges.

Schedule RGG3-25

Rate Schedule G-40, Air Conditioning Gas Service

<b>Current Rates</b>			Current Rate	Revenue		Proposed Rate	Revenue	Percent Increase
	Bills	Therms						
Basic Service Charges								
General Service - Small	317		\$20.00	\$6,340		\$24.00	\$7,608	
General Service - Medium	24		\$90.00	\$2,160		\$105.00	\$2,520	
General Service - Large	36		\$500.00	\$18,000		\$550.00	\$19,800	
Essential Agricultural	12		\$75.00	\$900		\$90.00	\$1,080	
<b>Total Basic Service Charges</b>				<b>\$27,400</b>			<b>\$31,008</b>	
Commodity Charge								
Sales Therms		1,207,635	\$0.07613	\$91,937				
Transport Therms		628,909	\$0.07613	\$47,879				
<b>Total - Excluding Cost of Gas</b>				<b>\$167,216</b>				
Base Cost of Gas (per therm)		1,207,635	\$0.53436	\$645,312				
(applies proposed base cost of gas for comparability)								
<b>Total Revenue</b>				<b>\$812,528</b>				
<b>Proposed Rates</b>								
	Bills	Therms						
Basic Service Charge								
General Service - Small	317		\$24.00	\$7,608		\$24.00	\$7,608	
General Service - Medium	24		\$105.00	\$2,520		\$105.00	\$2,520	
General Service - Large	36		\$550.00	\$19,800		\$550.00	\$19,800	
Essential Agricultural	12		\$90.00	\$1,080		\$90.00	\$1,080	
<b>Total Basic Service Charges</b>				<b>\$31,008</b>			<b>\$31,008</b>	
Commodity Charge								
Sales Therms		1,207,635	\$0.09900	\$119,556				
Transport Therms		628,909	\$0.09900	\$62,262				
<b>Total - Excluding Cost of Gas</b>				<b>\$212,826</b>				<b>27.3%</b>
Base Cost of Gas (per therm)		1,207,635	\$0.53436	\$645,312				
<b>Total Revenue</b>				<b>\$858,138</b>				<b>5.6%</b>

Schedule RGG3-26

Customer Bill Impact - Small General Service

Monthly Consumption (therms)	Staff Proposed Rates				Total Bill	Current Rates - Percent Increase	
	Basic Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate		Total Bill	Percent Increase
50	\$24.00	\$26.72	\$4.95	\$3.58	\$59.25	\$54.10	9.5%
100	\$24.00	\$53.44	\$9.90	\$7.16	\$94.49	\$88.21	7.1%
250	\$24.00	\$133.59	\$24.75	\$17.89	\$200.23	\$190.52	5.1%
500	\$24.00	\$267.18	\$49.50	\$35.79	\$376.47	\$361.03	4.3%
750	\$24.00	\$400.77	\$74.25	\$53.68	\$552.70	\$531.55	4.0%
1,000	\$24.00	\$534.36	\$99.00	\$71.57	\$728.93	\$702.06	3.8%
2,000	\$24.00	\$1,068.72	\$198.00	\$143.14	\$1,433.86	\$1,384.12	3.6%
3,000	\$24.00	\$1,603.08	\$297.00	\$214.71	\$2,138.79	\$2,066.18	3.5%
3,826 Annual avg.	\$24.00	\$2,044.46	\$378.77	\$273.83	\$2,721.06	\$2,629.56	3.5%
5,000	\$24.00	\$2,671.80	\$495.00	\$357.85	\$3,548.65	\$3,430.30	3.5%
7,500	\$24.00	\$4,007.70	\$742.50	\$536.78	\$5,310.98	\$5,135.45	3.4%
10,000	\$24.00	\$5,343.60	\$990.00	\$715.70	\$7,073.30	\$6,840.60	3.4%
15,000	\$24.00	\$8,015.40	\$1,485.00	\$1,073.55	\$10,597.95	\$10,250.90	3.4%
20,000	\$24.00	\$10,687.20	\$1,980.00	\$1,431.40	\$14,122.60	\$13,661.20	3.4%
30,000	\$24.00	\$16,030.80	\$2,970.00	\$2,147.10	\$21,171.90	\$20,481.80	3.4%
40,000	\$24.00	\$21,374.40	\$3,960.00	\$2,862.80	\$28,221.20	\$27,302.40	3.4%
50,000	\$24.00	\$26,718.00	\$4,950.00	\$3,578.50	\$35,270.50	\$34,123.00	3.4%

Schedule RGG3-27

Customer Bill Impact - Medium General Service

Monthly Consumption (therms)	Staff Proposed Rates						Total Bill	Current Rates - Percent Increase
	Basic Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate	Monthly PGA Rate	Total Bill		
50	\$105.00	\$26.72	\$4.95	\$3.58	\$140.25	\$124.10	13.0%	
100	\$105.00	\$53.44	\$9.90	\$7.16	\$175.49	\$158.21	10.9%	
250	\$105.00	\$133.59	\$24.75	\$17.89	\$281.23	\$260.52	8.0%	
500	\$105.00	\$267.18	\$49.50	\$35.79	\$457.47	\$431.03	6.1%	
750	\$105.00	\$400.77	\$74.25	\$53.68	\$633.70	\$601.55	5.3%	
1,000	\$105.00	\$534.36	\$99.00	\$71.57	\$809.93	\$772.06	4.9%	
2,000	\$105.00	\$1,068.72	\$198.00	\$143.14	\$1,514.86	\$1,454.12	4.2%	
3,000	\$105.00	\$1,603.08	\$297.00	\$214.71	\$2,219.79	\$2,136.18	3.9%	
3,826 Annual avg.	\$105.00	\$2,044.46	\$378.77	\$273.83	\$2,802.06	\$2,699.56	3.8%	
5,000	\$105.00	\$2,671.80	\$495.00	\$357.85	\$3,629.65	\$3,500.30	3.7%	
7,500	\$105.00	\$4,007.70	\$742.50	\$536.78	\$5,391.98	\$5,205.45	3.6%	
10,000	\$105.00	\$5,343.60	\$990.00	\$715.70	\$7,154.30	\$6,910.60	3.5%	
15,000	\$105.00	\$8,015.40	\$1,485.00	\$1,073.55	\$10,678.95	\$10,320.90	3.5%	
20,000	\$105.00	\$10,687.20	\$1,980.00	\$1,431.40	\$14,203.60	\$13,731.20	3.4%	
30,000	\$105.00	\$16,030.80	\$2,970.00	\$2,147.10	\$21,252.90	\$20,551.80	3.4%	
40,000	\$105.00	\$21,374.40	\$3,960.00	\$2,862.80	\$28,302.20	\$27,372.40	3.4%	
50,000	\$105.00	\$26,718.00	\$4,950.00	\$3,578.50	\$35,351.50	\$34,193.00	3.4%	

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjustors and surcharges.

Schedule RGG3-28

Rate Schedule G-45, Street Lighting Gas Service

<b>Current Rates</b>		<b>Current Rate</b>	<b>Revenue</b>	<b>Proposed Rates</b>		<b>Proposed Rate</b>	<b>Revenue</b>	<b>Percent Increase</b>
Commodity Charge								
Sales Therms	348		\$47,592			\$54,536		
Total - Excluding Cost of Gas		\$0.47648	\$47,592			\$54,536		14.6%
Base Cost of Gas (per therm)	99,883		\$53,373			\$53,373		
(applies proposed base cost of gas for comparability)		\$0.53436						
Total Revenue			\$100,966					
<b>Proposed Rates</b>								
Commodity Charge								
Sales Therms	348							
Total - Excluding Cost of Gas		\$0.54600	\$54,536			\$54,536		14.6%
Base Cost of Gas (per therm)	99,883		\$53,373			\$53,373		
Total Revenue			\$107,910					6.9%

Schedule RGG3-29

Customer Bill Impact

Monthly Consumption (therms)	Staff Proposed Rates				Current Rates - Percent Increase	
	Base Cost of Gas	Margin Rate	Monthly PGA Rate	Total Bill	Total Bill	
25	\$13.36	\$13.65	\$1.79	\$28.80	\$27.06	6.4%
50	\$26.72	\$27.30	\$3.58	\$57.60	\$54.12	6.4%
75	\$40.08	\$40.95	\$5.37	\$86.39	\$81.18	6.4%
100	\$53.44	\$54.60	\$7.16	\$115.19	\$108.24	6.4%
125	\$66.80	\$68.25	\$8.95	\$143.99	\$135.30	6.4%
150	\$80.15	\$81.90	\$10.74	\$172.79	\$162.36	6.4%
175	\$93.51	\$95.55	\$12.52	\$201.59	\$189.42	6.4%
200	\$106.87	\$109.20	\$14.31	\$230.39	\$216.48	6.4%
250	\$133.59	\$136.50	\$17.89	\$287.98	\$270.60	6.4%
287 Annual avg.	\$153.36	\$156.70	\$20.54	\$330.60	\$310.65	6.4%
300	\$160.31	\$163.80	\$21.47	\$345.58	\$324.72	6.4%
350	\$187.03	\$191.10	\$25.05	\$403.18	\$378.84	6.4%
400	\$213.74	\$218.40	\$28.63	\$460.77	\$432.96	6.4%
500	\$267.18	\$273.00	\$35.79	\$575.97	\$541.21	6.4%
750	\$400.77	\$409.50	\$53.68	\$863.95	\$811.81	6.4%
1,000	\$534.36	\$546.00	\$71.57	\$1,151.93	\$1,082.41	6.4%
1,500	\$801.54	\$819.00	\$107.36	\$1,727.90	\$1,623.62	6.4%

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjusters and surcharges.

Schedule RGG3-30

Rate Schedule G-55, Gas Service for Compression on Customer's Premises

<b>Current Rates</b>					
	Bills	Therms	Current Rate	Revenue	
Basic Service Charges					
General Service - Small	264		\$20.00	\$5,280	
General Service - Large	324		\$170.00	\$55,080	
General Service - Residential	1,320		\$8.00	\$10,560	
Total Basic Service Charges				\$70,920	
Commodity Charge					
Sales Therms - Small		182,313	\$0.13305	\$24,257	
Sales Therms - Large		1,898,808	\$0.13305	\$252,636	
Sales Therms - Residential		79,719	\$0.13305	\$10,607	
Total - Excluding Cost of Gas				\$358,420	
Base Cost of Gas (per therm)		2,160,840	\$0.53436	\$1,154,666	
(applies proposed base cost of gas for comparability)					
Total Revenue				\$1,513,086	
<b>Proposed Rates</b>					
	Bills	Therms	Proposed Rate	Revenue	Percent Increase
Basic Service Charges					
General Service - Small	264		\$24.00	\$6,336	
General Service - Large	324		\$190.00	\$61,560	
General Service - Residential	1,320		\$9.70	\$12,804	
Total Basic Service Charges				\$80,700	
Commodity Charge					
Sales Therms - Small		182,313	\$0.17000	\$30,993	
Sales Therms - Large		1,898,808	\$0.17000	\$322,797	
Sales Therms - Residential		79,719	\$0.17000	\$13,552	
Total - Excluding Cost of Gas				\$448,043	25.0%
Base Cost of Gas (per therm)		2,160,840	\$0.53436	\$1,154,666	
(applies proposed base cost of gas for comparability)					
Total Revenue				\$1,602,709	5.9%

Schedule RGG3-31

Customer Bill Impact - Small

Monthly Consumption (therms)	Staff Proposed Rates				Current Rates - Percent Increase	
	Basic Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate	Total Bill	Total Bill
25	\$24.00	\$13.36	\$4.25	\$1.79	\$43.40	\$38.47 12.8%
50	\$24.00	\$26.72	\$8.50	\$3.58	\$62.80	\$56.95 10.3%
75	\$24.00	\$40.08	\$12.75	\$5.37	\$82.19	\$75.42 9.0%
100	\$24.00	\$53.44	\$17.00	\$7.16	\$101.59	\$93.90 8.2%
125	\$24.00	\$66.80	\$21.25	\$8.95	\$120.99	\$112.37 7.7%
150	\$24.00	\$80.15	\$25.50	\$10.74	\$140.39	\$130.85 7.3%
175	\$24.00	\$93.51	\$29.75	\$12.52	\$159.79	\$149.32 7.0%
200	\$24.00	\$106.87	\$34.00	\$14.31	\$179.19	\$167.80 6.8%
250	\$24.00	\$133.59	\$42.50	\$17.89	\$217.98	\$204.75 6.5%
300	\$24.00	\$160.31	\$51.00	\$21.47	\$256.78	\$241.69 6.2%
350	\$24.00	\$187.03	\$59.50	\$25.05	\$295.58	\$278.64 6.1%
400	\$24.00	\$213.74	\$68.00	\$28.63	\$334.37	\$315.59 6.0%
450	\$24.00	\$240.46	\$76.50	\$32.21	\$373.17	\$352.54 5.9%
500	\$24.00	\$267.18	\$85.00	\$35.79	\$411.97	\$389.49 5.8%
750	\$24.00	\$400.77	\$127.50	\$53.68	\$605.95	\$574.24 5.5%
1,000	\$24.00	\$534.36	\$170.00	\$71.57	\$799.93	\$758.98 5.4%
1,250	\$24.00	\$667.95	\$212.50	\$89.46	\$993.91	\$943.73 5.3%

Schedule RGG3-32

Customer Bill Impact - Large

Monthly Consumption (therms)	Basic				Staff Proposed Rates				Current Rates - Percent Increase	
	Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate	Total Bill	Total Bill	Total Bill	Total Bill	Total Bill	Percent Increase
1000	\$190.00	\$534.36	\$170.00	\$71.57	\$965.93	\$908.98	\$1,647.96	\$1,647.96	\$908.98	6.3%
2000	\$190.00	\$1,068.72	\$340.00	\$143.14	\$1,741.86	\$2,386.94	\$2,517.79	\$2,386.94	\$1,741.86	5.7%
3000	\$190.00	\$1,603.08	\$510.00	\$214.71	\$2,293.72	\$3,125.92	\$3,293.72	\$3,125.92	\$2,293.72	5.5%
4000	\$190.00	\$2,137.44	\$680.00	\$286.28	\$4,069.65	\$3,864.90	\$4,069.65	\$3,864.90	\$4,069.65	5.4%
5000	\$190.00	\$2,671.80	\$850.00	\$357.85	\$4,845.58	\$4,603.88	\$4,845.58	\$4,603.88	\$4,845.58	5.3%
6000	\$190.00	\$3,206.16	\$1,020.00	\$429.42	\$5,621.51	\$5,342.86	\$5,621.51	\$5,342.86	\$5,621.51	5.2%
7000	\$190.00	\$3,740.52	\$1,190.00	\$500.99	\$6,397.44	\$6,081.84	\$6,397.44	\$6,081.84	\$6,397.44	5.2%
8000	\$190.00	\$4,274.88	\$1,360.00	\$572.56	\$7,173.37	\$6,820.82	\$7,173.37	\$6,820.82	\$7,173.37	5.2%
9000	\$190.00	\$4,809.24	\$1,530.00	\$644.13	\$7,949.30	\$7,559.80	\$7,949.30	\$7,559.80	\$7,949.30	5.2%
10,000	\$190.00	\$5,343.60	\$1,700.00	\$715.70	\$8,894.63	\$8,407.25	\$8,894.63	\$8,407.25	\$8,894.63	5.1%
12,500	\$190.00	\$6,679.50	\$2,125.00	\$894.63	\$11,828.95	\$11,254.70	\$11,828.95	\$11,254.70	\$11,828.95	5.1%
15,000	\$190.00	\$8,015.40	\$2,550.00	\$1,073.55	\$13,768.78	\$13,102.15	\$13,768.78	\$13,102.15	\$13,768.78	5.1%
17,500	\$190.00	\$9,351.30	\$2,975.00	\$1,252.48	\$15,708.60	\$14,949.60	\$15,708.60	\$14,949.60	\$15,708.60	5.1%
20,000	\$190.00	\$10,687.20	\$3,400.00	\$1,431.40	\$17,588.25	\$16,644.50	\$17,588.25	\$16,644.50	\$17,588.25	5.1%
25,000	\$190.00	\$13,359.00	\$4,250.00	\$1,789.25	\$27,347.55	\$26,034.30	\$27,347.55	\$26,034.30	\$27,347.55	5.0%
35,000	\$190.00	\$18,702.60	\$5,950.00	\$2,504.95	\$38,986.50	\$37,119.00	\$38,986.50	\$37,119.00	\$38,986.50	5.0%
50,000	\$190.00	\$26,718.00	\$8,500.00	\$3,578.50						

Schedule RGG3-33

Customer Bill Impact - Residential

Monthly Consumption (therms)	Staff Proposed Rates				Total Bill	Current Rates - Percent Increase	
	Basic Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate		Total Bill	Percent Increase
10	\$9.70	\$5.34	\$1.70	\$0.72	\$17.46	\$15.39	13.4%
15	\$9.70	\$8.02	\$2.55	\$1.07	\$21.34	\$19.08	11.8%
20	\$9.70	\$10.69	\$3.40	\$1.43	\$25.22	\$22.78	10.7%
25	\$9.70	\$13.36	\$4.25	\$1.79	\$29.10	\$26.47	9.9%
30	\$9.70	\$16.03	\$5.10	\$2.15	\$32.98	\$30.17	9.3%
35	\$9.70	\$18.70	\$5.95	\$2.50	\$36.86	\$33.86	8.8%
40	\$9.70	\$21.37	\$6.80	\$2.86	\$40.74	\$37.56	8.5%
45	\$9.70	\$24.05	\$7.65	\$3.22	\$44.62	\$41.25	8.2%
50	\$9.70	\$26.72	\$8.50	\$3.58	\$48.50	\$44.95	7.9%
60	\$9.70	\$32.06	\$10.20	\$4.29	\$56.26	\$52.34	7.5%
70	\$9.70	\$37.41	\$11.90	\$5.01	\$64.02	\$59.73	7.2%
80	\$9.70	\$42.75	\$13.60	\$5.73	\$71.77	\$67.12	6.9%
90	\$9.70	\$48.09	\$15.30	\$6.44	\$79.53	\$74.51	6.7%
100	\$9.70	\$53.44	\$17.00	\$7.16	\$87.29	\$81.90	6.6%
125	\$9.70	\$66.80	\$21.25	\$8.95	\$106.69	\$100.37	6.3%
150	\$9.70	\$80.15	\$25.50	\$10.74	\$126.09	\$118.85	6.1%
200	\$9.70	\$106.87	\$34.00	\$14.31	\$164.89	\$155.80	5.8%

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjustors and surcharges.

schedule RGG3-34

Rate Schedule G-60, Cogeneration Gas Service

<b>Current Rates</b>			<b>Current Rate</b>	<b>Revenue</b>		<b>Proposed Rate</b>	<b>Revenue</b>	<b>Percent Increase</b>
	<b>Bills</b>	<b>Therms</b>						
Basic Service Charges								
General Service - Small	60		\$20.00	\$1,200		\$24.00	\$1,440	
General Service - Medium	84		\$90.00	\$7,560		\$105.00	\$8,820	
General Service - Large	108		\$500.00	\$54,000		\$550.00	\$59,400	
Essential Agricultural	24		\$75.00	\$1,800		\$90.00	\$2,160	
Total Basic Service Charges				\$64,560			\$71,820	
Commodity Charge								
Sales Therms		15,007,742	\$0.08934	\$1,340,792				
Transport Therms		0	\$0.08934	\$0				
Total - Excluding Cost of Gas				\$1,405,352				
Base Cost of Gas (per therm)		15,007,742	\$0.53436	\$8,019,537				
(applies proposed base cost of gas for comparability)								
Total Revenue				\$9,424,889				
<b>Proposed Rates</b>								
Basic Service Charge								
General Service - Small	60		\$24.00	\$1,440		\$24.00	\$1,440	
General Service - Medium	84		\$105.00	\$8,820		\$105.00	\$8,820	
General Service - Large	108		\$550.00	\$59,400		\$550.00	\$59,400	
Essential Agricultural	24		\$90.00	\$2,160		\$90.00	\$2,160	
Total Basic Service Charges				\$71,820			\$71,820	
Commodity Charge								
Sales Therms		15,007,742	\$0.11400	\$1,710,883				
Transport Therms		0	\$0.11400	\$0				
Total - Excluding Cost of Gas				\$1,782,703				26.9%
Base Cost of Gas (per therm)		15,007,742	\$0.53436	\$8,019,537				
Total Revenue				\$9,802,240				4.0%

Schedule RGG3-35

Customer Bill Impact - Small

Monthly Consumption (therms)	Basic				Staff Proposed Rates			Current Rates - Percent Increase	
	Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate	Total Bill	Total Bill	Total Bill	Total Bill	Percent Increase
25	\$24.00	\$13.36	\$2.85	\$1.79	\$42.00	\$37.38	\$42.00	\$37.38	12.3%
50	\$24.00	\$26.72	\$5.70	\$3.58	\$60.00	\$54.76	\$60.00	\$54.76	9.6%
75	\$24.00	\$40.08	\$8.55	\$5.37	\$77.99	\$72.15	\$77.99	\$72.15	8.1%
100	\$24.00	\$53.44	\$11.40	\$7.16	\$95.99	\$89.53	\$95.99	\$89.53	7.2%
125	\$24.00	\$66.80	\$14.25	\$8.95	\$113.99	\$106.91	\$113.99	\$106.91	6.6%
150	\$24.00	\$80.15	\$17.10	\$10.74	\$131.99	\$124.29	\$131.99	\$124.29	6.2%
175	\$24.00	\$93.51	\$19.95	\$12.52	\$149.99	\$141.67	\$149.99	\$141.67	5.9%
200	\$24.00	\$106.87	\$22.80	\$14.31	\$167.99	\$159.05	\$167.99	\$159.05	5.6%
250	\$24.00	\$133.59	\$28.50	\$17.89	\$203.98	\$193.82	\$203.98	\$193.82	5.2%
300	\$24.00	\$160.31	\$34.20	\$21.47	\$239.98	\$228.58	\$239.98	\$228.58	5.0%
350	\$24.00	\$187.03	\$39.90	\$25.05	\$275.98	\$263.34	\$275.98	\$263.34	4.8%
400	\$24.00	\$213.74	\$45.60	\$28.63	\$311.97	\$298.11	\$311.97	\$298.11	4.7%
450	\$24.00	\$240.46	\$51.30	\$32.21	\$347.97	\$332.87	\$347.97	\$332.87	4.5%
500	\$24.00	\$267.18	\$57.00	\$35.79	\$383.97	\$367.64	\$383.97	\$367.64	4.4%
750	\$24.00	\$400.77	\$85.50	\$53.68	\$563.95	\$541.45	\$563.95	\$541.45	4.2%
1,000	\$24.00	\$534.36	\$114.00	\$71.57	\$743.93	\$715.27	\$743.93	\$715.27	4.0%
1,250	\$24.00	\$667.95	\$142.50	\$89.46	\$923.91	\$889.09	\$923.91	\$889.09	3.9%

Schedule RGG3-36

Customer Bill Impact - Medium

Monthly Consumption (therms)	Staff Proposed Rates					Total Bill	Current Rates - Percent Increase	
	Basic Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate	Monthly		Total Bill	Total Bill
500	\$105.00	\$267.18	\$57.00	\$35.79	\$57.00	\$464.97	\$437.64	6.2%
600	\$105.00	\$320.62	\$68.40	\$42.94	\$68.40	\$536.96	\$507.16	5.9%
700	\$105.00	\$374.05	\$79.80	\$50.10	\$79.80	\$608.95	\$576.69	5.6%
800	\$105.00	\$427.49	\$91.20	\$57.26	\$91.20	\$680.94	\$646.22	5.4%
900	\$105.00	\$480.92	\$102.60	\$64.41	\$102.60	\$752.94	\$715.74	5.2%
1,000	\$105.00	\$534.36	\$114.00	\$71.57	\$114.00	\$824.93	\$785.27	5.1%
1,250	\$105.00	\$667.95	\$142.50	\$89.46	\$142.50	\$1,004.91	\$959.09	4.8%
1,500	\$105.00	\$801.54	\$171.00	\$107.36	\$171.00	\$1,184.90	\$1,132.91	4.6%
2,000	\$105.00	\$1,068.72	\$228.00	\$143.14	\$228.00	\$1,544.86	\$1,480.54	4.3%
3,000	\$105.00	\$1,603.08	\$342.00	\$214.71	\$342.00	\$2,264.79	\$2,175.81	4.1%
4,000	\$105.00	\$2,137.44	\$456.00	\$286.28	\$456.00	\$2,984.72	\$2,871.08	4.0%
5,000	\$105.00	\$2,671.80	\$570.00	\$357.85	\$570.00	\$3,704.65	\$3,566.35	3.9%
7,500	\$105.00	\$4,007.70	\$855.00	\$536.78	\$855.00	\$5,504.48	\$5,304.53	3.8%
10,000	\$105.00	\$5,343.60	\$1,140.00	\$715.70	\$1,140.00	\$7,304.30	\$7,042.70	3.7%
12,500	\$105.00	\$6,679.50	\$1,425.00	\$894.63	\$1,425.00	\$9,104.13	\$8,780.88	3.7%
15,000	\$105.00	\$8,015.40	\$1,710.00	\$1,073.55	\$1,710.00	\$10,903.95	\$10,519.05	3.7%
20,000	\$105.00	\$10,687.20	\$2,280.00	\$1,431.40	\$2,280.00	\$14,503.60	\$13,995.40	3.6%

Schedule RGG3-37

Customer Bill Impact - Large

Monthly Consumption (therms)	Basic Service Charge	Base Cost of Gas	Staff Proposed Rates			Total Bill	Current Rates - Percent Increase	
			Margin Rate	Monthly PGA Rate	Monthly		Total Bill	Percent Increase
10,000	\$550.00	\$5,343.60	\$1,140.00	\$715.70	\$7,749.30	\$7,502.70	3.3%	
12,500	\$550.00	\$6,679.50	\$1,425.00	\$894.63	\$9,549.13	\$9,240.88	3.3%	
15,000	\$550.00	\$8,015.40	\$1,710.00	\$1,073.55	\$11,348.95	\$10,979.05	3.4%	
17,500	\$550.00	\$9,351.30	\$1,995.00	\$1,252.48	\$13,148.78	\$12,717.23	3.4%	
20,000	\$550.00	\$10,687.20	\$2,280.00	\$1,431.40	\$14,948.60	\$14,455.40	3.4%	
25,000	\$550.00	\$13,359.00	\$2,850.00	\$1,789.25	\$18,548.25	\$17,931.75	3.4%	
30,000	\$550.00	\$16,030.80	\$3,420.00	\$2,147.10	\$22,147.90	\$21,408.10	3.5%	
35,000	\$550.00	\$18,702.60	\$3,990.00	\$2,504.95	\$25,747.55	\$24,884.45	3.5%	
40,000	\$550.00	\$21,374.40	\$4,560.00	\$2,862.80	\$29,347.20	\$28,360.80	3.5%	
45,000	\$550.00	\$24,046.20	\$5,130.00	\$3,220.65	\$32,946.85	\$31,837.15	3.5%	
50,000	\$550.00	\$26,718.00	\$5,700.00	\$3,578.50	\$36,546.50	\$35,313.50	3.5%	
75,000	\$550.00	\$40,077.00	\$8,550.00	\$5,367.75	\$54,544.75	\$52,695.25	3.5%	
100,000	\$550.00	\$53,436.00	\$11,400.00	\$7,157.00	\$72,543.00	\$70,077.00	3.5%	
150,000	\$550.00	\$80,154.00	\$17,100.00	\$10,735.50	\$108,539.50	\$104,840.50	3.5%	
200,000	\$550.00	\$106,872.00	\$22,800.00	\$14,314.00	\$144,536.00	\$139,604.00	3.5%	
300,000	\$550.00	\$160,308.00	\$34,200.00	\$21,471.00	\$216,529.00	\$209,131.00	3.5%	
500,000	\$550.00	\$267,180.00	\$57,000.00	\$35,785.00	\$360,515.00	\$348,185.00	3.5%	

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjusters and surcharges.

Schedule RGG3-38

Rate Schedule G-75, Small Essential Agriculture User Gas Service

<b>Current Rates</b>	Bills 1,347	Therms	Current Rate \$75.00	Revenue \$101,025	
Basic Service Charge					
Commodity Charge					
Sales Therms		7,988,994	\$0.19468	\$1,555,297	
Transport Therms		4,590,241	\$0.19468	\$893,628	
Total - Excluding Cost of Gas				\$2,549,950	
Base Cost of Gas (per therm) (applies proposed base cost of gas for comparability)		7,988,994	\$0.53436	\$4,268,999	
Total Revenue				\$6,818,949	
<b>Proposed Rates</b>	Bills 1,347	Therms	Proposed Rate \$90.00	Revenue \$121,230	Percent Increase 20.0%
Basic Service Charge					
Commodity Charge					
Sales Therms		7,988,994	\$0.22300	\$1,781,546	
Transport Therms		4,590,241	\$0.22300	\$1,023,624	
Total - Excluding Cost of Gas				\$2,926,399	14.8%
Base Cost of Gas (per therm)		7,988,994	\$0.53436	\$4,268,999	
Total Revenue				\$7,195,398	5.5%

Schedule RGG3-39

Customer Bill Impact

Monthly Consumption (therms)	Staff Proposed Rates						Total Bill	Current Rates - Percent Increase	
	Basic Service Charge	Base Cost of Gas	Margin Rate	Monthly PGA Rate	Total Bill	Total Bill		Percent Increase	
25	\$90.00	\$13.36	\$5.58	\$1.79	\$110.72	\$95.02	16.5%		
50	\$90.00	\$26.72	\$11.15	\$3.58	\$131.45	\$115.03	14.3%		
100	\$90.00	\$53.44	\$22.30	\$7.16	\$172.89	\$155.06	11.5%		
250	\$90.00	\$133.59	\$55.75	\$17.89	\$297.23	\$275.15	8.0%		
500	\$90.00	\$267.18	\$111.50	\$35.79	\$504.47	\$475.31	6.1%		
1,000	\$90.00	\$534.36	\$223.00	\$71.57	\$918.93	\$875.61	4.9%		
2,500	\$90.00	\$1,335.90	\$557.50	\$178.93	\$2,162.33	\$2,076.53	4.1%		
5,000	\$90.00	\$2,671.80	\$1,115.00	\$357.85	\$4,234.65	\$4,078.05	3.8%		
7,500	\$90.00	\$4,007.70	\$1,672.50	\$536.78	\$6,306.98	\$6,079.58	3.7%		
9,774 Annual avg.	\$90.00	\$5,222.83	\$2,179.60	\$699.53	\$8,191.96	\$7,900.16	3.7%		
10,000	\$90.00	\$5,343.60	\$2,230.00	\$715.70	\$8,379.30	\$8,081.10	3.7%		
10,192 Jan. avg.	\$90.00	\$5,446.20	\$2,272.82	\$729.44	\$8,538.45	\$8,234.82	3.7%		
15,000	\$90.00	\$8,015.40	\$3,345.00	\$1,073.55	\$12,523.95	\$12,084.15	3.6%		
25,000	\$90.00	\$13,359.00	\$5,575.00	\$1,789.25	\$20,813.25	\$20,090.25	3.6%		
50,000	\$90.00	\$26,718.00	\$11,150.00	\$3,578.50	\$41,536.50	\$40,105.50	3.6%		
75,000	\$90.00	\$40,077.00	\$16,725.00	\$5,367.75	\$62,259.75	\$60,120.75	3.6%		
100,000	\$90.00	\$53,436.00	\$22,300.00	\$7,157.00	\$82,983.00	\$80,136.00	3.6%		

The proposed base cost of gas of \$0.53436 is used along with a monthly PGA rate of \$0.07157 to reflect the actual total gas cost contained in Southwest's rates in June 2005, excluding the temporary \$0.02 per therm PGA surcharge.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjusters and surcharges.

Schedule RGG3-40

Rate Schedule G-80, Natural Gas Engine Gas Service

**Current Rates**

Basic Service Charge	Bills 3,623	Therms	Current Rate \$80.00	Revenue \$289,840
Commodity Charge				
Sales Therms		21,271,370	\$0.16189	\$3,443,622
Total - Excluding Cost of Gas				\$3,733,462
Base Cost of Gas (per therm)		21,271,370	\$0.55840	\$11,877,933
(applies proposed base cost of gas for comparability)				
Total Revenue				\$15,611,395

**Proposed Rates**

Basic Service Charge	Bills 3,623	Therms	Proposed Rate \$95.00	Revenue \$344,185	Percent Increase 18.8%
Commodity Charge					
Sales Therms		21,271,370	\$0.17700	\$3,765,032	
Total - Excluding Cost of Gas				\$4,109,217	10.1%
Base Cost of Gas (per therm)		21,271,370	\$0.55840	\$11,877,933	
Total Revenue				\$15,987,150	2.4%

Schedule RGG3-41

Customer Bill Impact

Monthly Consumption (therms)	Staff Proposed Rates				Total Bill	Current Rates - Total Bill	Percent Increase
	Basic Service Charge	Base Cost of Gas	Margin Rate				
50	\$95.00	\$27.92	\$8.85		\$131.77	\$116.01	13.6%
100	\$95.00	\$55.84	\$17.70		\$168.54	\$152.03	10.9%
200	\$95.00	\$111.68	\$35.40		\$242.08	\$224.06	8.0%
500	\$95.00	\$279.20	\$88.50		\$462.70	\$440.15	5.1%
1,000	\$95.00	\$558.40	\$177.00		\$830.40	\$800.29	3.8%
1,500	\$95.00	\$837.60	\$265.50		\$1,198.10	\$1,160.44	3.2%
2,000	\$95.00	\$1,116.80	\$354.00		\$1,565.80	\$1,520.58	3.0%
2,936 Annual avg.	\$95.00	\$1,639.46	\$519.67		\$2,254.13	\$2,194.77	2.7%
3,000	\$95.00	\$1,675.20	\$531.00		\$2,301.20	\$2,240.87	2.7%
5,000	\$95.00	\$2,792.00	\$885.00		\$3,772.00	\$3,681.45	2.5%
10,000	\$95.00	\$5,584.00	\$1,770.00		\$7,449.00	\$7,282.90	2.3%
25,000	\$95.00	\$13,960.00	\$4,425.00		\$18,480.00	\$18,087.25	2.2%
50,000	\$95.00	\$27,920.00	\$8,850.00		\$36,865.00	\$36,094.50	2.1%
75,000	\$95.00	\$41,880.00	\$13,275.00		\$55,250.00	\$54,101.75	2.1%
100,000	\$95.00	\$55,840.00	\$17,700.00		\$73,635.00	\$72,109.00	2.1%
125,000	\$95.00	\$69,800.00	\$22,125.00		\$92,020.00	\$90,116.25	2.1%
150,000	\$95.00	\$83,760.00	\$26,550.00		\$110,405.00	\$108,123.50	2.1%

The cost of gas used for the G-80 rate schedule is the rate of \$0.55840 per therm, the effective rate as of June 2005.

Customer bill impact calculations exclude taxes, regulatory assessments, and other adjustors and surcharges.

Schedule RGG3-42

Other Operating Revenues

Other Service Charges	Current Charge	Adjusted Test Year Revenue	Staff Proposed Charge	Revenue
Service Establishment Charge			see table below	
Schedule G-10, Normal Service	\$24.00	\$1,705	\$25.00	\$1,705
Schedule G-10, Expedited Service	\$32.00	\$135,450	\$14.00	\$189,630
Other Schedules, Normal Service	\$30.00	\$547,658	\$10.00	\$547,658
Other Schedules, Expedited Service	\$40.00	\$6,950,610		\$8,111,162
Subtotal				
Customer Requested Meter Tests, per Test	\$25.00	\$1,705	\$25.00	\$1,705
Returned Item Charge, per item	\$10.00	\$135,450	\$14.00	\$189,630
Re-Read Charge, per read	\$10.00	\$547,658	\$10.00	\$547,658
Late Charge, Each Delinquent Bill	1.50% of the delinquent amount	\$1,386,957	1.50%	\$1,386,957
Field Collection Fee, each field collection	\$20.00	\$388,540	\$20.00	\$388,540
Rent from Gas Property		\$767,198		\$767,198
Other Revenue - Parts and Materials		\$5,764		\$5,764
Revenues		\$10,183,882		\$11,398,614

Staff Proposed Service Establishment Charges

Breakdown of Service Establishment Charges test year hookups	Staff Proposed Charges	Percent of Customers	Estimated Hookups	Estimated Revenues
Schedule G-10, Normal Service	\$24.00	3.4%	7,726	\$185,414
Schedule G-10, Expedited Service	\$32.00	0.2%	407	\$13,011
Other Residential Schedules, Normal Service	\$34.00	87.1%	198,493	\$6,748,776
Other Residential Schedules, Expedited Service	\$48.00	4.6%	10,447	\$501,457
Nonresidential Schedules, Normal Service	\$60.00	4.5%	10,276	\$616,534
Nonresidential Schedules, Expedited Service	\$85.00	0.2%	541	\$45,970
Total		100.0%	227,889	\$8,111,162

assume 5 percent expedited, per Southwest

G-10 test year bills	percentage
Other resid. Bills	369,755 3.6%
Nonresid bills	9,500,128 91.7%
Total test year bills	491,801 4.7%
	10,361,684



Summary of Staff Rate Design in Direct and Supplemental Testimony and Updated for Surrebuttal Revenue Requirement

				Current Rates	Direct Testimony Staff Proposed Rates	Supplemental Testimony Staff Proposed Rates	Updated for Surrebuttal Revenue Requirement Staff Proposed Rates
<b>Rate Schedule G-5, Residential Gas Service</b>							
Median Usage - therms							
Increase in Median Bill From Current to Proposed Rates							
Basic Service Charge				\$8.00	\$9.50	\$9.50	\$9.70
Summer	First	20/15	therms	\$0.48762	\$0.54000	\$0.54000	\$0.54200
Summer	Over	20/15	therms	\$0.40344	\$0.49000	\$0.49400	\$0.50100
Winter	First	40/35	therms	\$0.48762	\$0.54000	\$0.54000	\$0.54200
Winter	Over	40/35	therms	\$0.40344	\$0.49000	\$0.49400	\$0.50100

**Rate Schedule G-10, Low income Residential Gas Service**

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

Basic Service Charge				\$7.00	\$7.00	\$7.00	\$7.00
Summer	First	20/15	therms	\$0.48762	\$0.54000	\$0.54000	\$0.54200
Summer	Over	20/15	therms	\$0.40344	\$0.49000	\$0.49400	\$0.50100
Winter	First	40/35	therms	\$0.48762	\$0.54000	\$0.54000	\$0.54200
Winter	Next	110/115	therms	\$0.40344	\$0.49000	\$0.49400	\$0.50100
Winter	Over	150	therms	\$0.40344	\$0.49000	\$0.49400	\$0.50100

**Rate Schedule G-15, Special Residential Gas Service for Air Conditioning**

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

Basic Service Charge				\$8.00	\$9.50	\$9.50	\$9.70
Summer	First	20/15	therms	\$0.48762	\$0.54000	\$0.54000	\$0.54200
Summer	Over	20/15	therms	\$0.19125	\$0.28000	\$0.28000	\$0.28200
Winter	First	40/35	therms	\$0.48762	\$0.54000	\$0.54000	\$0.54200
Winter	Over	40/35	therms	\$0.40344	\$0.49000	\$0.49400	\$0.50100

**Rate Schedule G-20, Master-Metered Mobile Home Park Service**

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

Basic Service Charge				\$50.00	\$60.00	\$60.00	\$60.00
Commodity Charge, All Therms Schedule RGG3-2				\$0.31415	\$0.37600	\$0.37600	\$0.38400

**Rate Schedule G-25, General Gas Service, Small**

Median Usage - therms  
Increase in Median Bill From Current to Proposed Rates

Basic Service Charge				\$20.00	\$24.00	\$24.00	\$24.00
Commodity Charge, All therms				\$0.38024	\$0.44700	\$0.44900	\$0.45600

**Rate Schedule G-25, General Gas Service, Medium**

Median Usage - therms

Increase in Median Bill From Current to Proposed Rates

Basic Service Charge	\$90.00	\$105.00	\$105.00	\$105.00
Commodity Charge, All therms	\$0.27211	\$0.30500	\$0.30600	\$0.31200

**Rate Schedule G-25, General Gas Service, Large**

Median Usage - therms

Increase in Median Bill From Current to Proposed Rates

Basic Service Charge	\$500.00	\$540.00	\$540.00	\$550.00
Commodity Charge, All therms	\$0.08548	\$0.10000	\$0.10070	\$0.10400
Demand Charge	\$0.07270	\$0.07700	\$0.07700	\$0.07700

**Rate Schedule G-35, Gas Service to Armed Forces**

Median Usage - therms

Increase in Median Bill From Current to Proposed Rates

Basic Service Charge	\$350.00	\$370.00	\$370.00	\$370.00
Commodity Charge, All therms	\$0.18966	\$0.21500	\$0.21500	\$0.22100

**Rate Schedule G-40, Air-Conditioning Gas Service**

Median Usage - therms

Increase in Median Bill From Current to Proposed Rates

Basic Service Charge, General Service - Small	\$20.00	\$24.00	\$24.00	\$24.00
Basic Service Charge, General Service - Medium	\$90.00	\$105.00	\$105.00	\$105.00
Basic Service Charge, General Service - Large	\$500.00	\$540.00	\$540.00	\$550.00
Basic Service Charge, Essential Agriculture	\$75.00	\$90.00	\$90.00	\$90.00
Commodity Charge, All therms	\$0.07613	\$0.09500	\$0.09500	\$0.09900
Schedule RGG3-3				

**Rate Schedule G-45, Street Lighting Gas Service**

Median Usage (annual average usage used, see footnote) - therms

Increase in Median Bill From Current to Proposed Rates

Commodity Charge, All therms	\$0.47648	\$0.54000	\$0.54000	\$0.54600
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**Rate Schedule G-55, Gas Service for Compression on Customer's Premises**

Median Usage - therms

Increase in Median Bill From Current to Proposed Rates

Basic Service Charge, General Service - Small	\$20.00	\$24.00	\$24.00	\$24.00
Basic Service Charge, General Service - Large	\$170.00	\$185.00	\$185.00	\$190.00
Basic Service Charge, General Service - Residential	\$8.00	\$9.50	\$9.50	\$9.70
Commodity Charge, All therms	\$0.13305	\$0.16500	\$0.16500	\$0.17000

**Rate Schedule G-60, Cogeneration Gas Service**

Median Usage - therms

Increase in Median Bill From Current to Proposed Rates

Basic Service Charge, General Service - Small	\$20.00	\$24.00	\$24.00	\$24.00
Basic Service Charge, General Service - Medium	\$90.00	\$105.00	\$105.00	\$105.00
Basic Service Charge, General Service - Large	\$500.00	\$540.00	\$540.00	\$550.00
Basic Service Charge, Essential Agriculture	\$75.00	\$90.00	\$90.00	\$90.00
Commodity Charge, All therms	\$0.08934	\$0.11000	\$0.11000	\$0.11400

**Rate Schedule G-75, Small Essential Agriculture User Gas Service**

Median Usage - therms

Increase in Median Bill From Current to Proposed Rates

Basic Service Charge	\$75.00	\$90.00	\$90.00	\$90.00
Commodity Charge, All therms	\$0.19468	\$0.22000	\$0.22000	\$0.22300

**Rate Schedule G-80, Natural Gas Engine Gas Service**

Median Usage - therms

Increase in Median Bill From Current to Proposed Rates

Basic Service Charge, Off-Peak Season (Oct. - Mar)	\$0.00	\$0.00	\$0.00	\$0.00
Basic Service Charge, On-Peak Season (Apr - Sep)	\$80.00	\$95.00	\$95.00	\$95.00
Commodity Charge, All therms	\$0.16189	\$0.17600	\$0.17600	\$0.17700
Cost of Gas	\$0.55840	\$0.55840	\$0.55840	\$0.55840