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BEFORE THE ARIZONA CORPORATION CC

COMMISSIONERS

- MIKE GLEASON, Chairman
- WILLIAM A. MUNDELL
- JEFF HATCH-MILLER
- KRISTIN K. MAYES
- GARY PIERCE

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 ITS PROPERTIES THROUGHOUT
ARIZONA.

DOCKET NO. G-01551A-07-0504

NOTICE OF FILING OF
STAFF'S TESTIMONY REGARDING
COST OF SERVICE AND RATE DESIGN

The Arizona Corporation Commission Staff ("Staff") hereby provides Notice of Filing of
Staff's Testimony Regarding Cost of Service and Rate Design, of Frank Radigan.

RESPECTFULLY SUBMITTED this 11th day of April, 2008.

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Arizona Corporation Commission
DOCKETED

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BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

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 THE SOUTHWEST GAS)
CORPORATION DEVOTED TO ITS)
OPERATIONS THROUGHOUT ARIZONA)
_____)

DOCKET NO. G-01551A-07-0504

DIRECT
TESTIMONY
OF
FRANK W. RADIGAN
ON BEHALF OF
THE ARIZONA CORPORATION COMMISSION,
UTILITIES DIVISION STAFF

APRIL 11, 2008

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EXECUTIVE SUMMARY
SOUTHWEST GAS CORPORATION
DOCKET NO. G-01551A-07-0504

Class Cost of Service/Revenue Allocation – The Class Cost of Service Study (“CCOSS”) has been reasonably conducted and follows generally accepted guidelines for such studies. The results of the CCOSS indicate that rates are out of line with costs and revenues should be reallocated subject to various considerations. Generally, the Company is proposing to bring its rates more in line with CCOSS results, but not in one fell swoop. Southwest Gas Corporation’s (“SWG” or “the Company”) proposed allocation of costs will impose large increases on some rate classes and customers. The Company’s revenue allocation should be tempered further and the allocation of the revenue increase amongst classes should be done in a more deliberate fashion. I propose a two step process. The first step of the revenue allocation is to first bring the rate of return for each class to within 10 percent of the overall average rate of return. The second step of the allocation process is to temper the rate increase so that no class receives more than 1 percent more or 1 percent less than the overall average increase of 2.8 percent. This allocation process both tempers the rate increase to any one class while at the same time improving the indexed rate of return for each service class.

Volumetric Rate Design –Arguing that the Arizona Corporation Commission (“Commission”) has encouraged parties to seek rate design alternatives that would promote conservation efforts, the Company proposes to flatten the rate being charged to customers and altering or “allocating” its recovery of revenues between rate blocks of the commodity charge and the gas cost. This “allocation” of costs does not change the overall rate being collected by the Company but does significantly change revenue collected by the Company. Specifically, the Company’s proposed rate design collects all fixed charges through the Basic Service Charge and the first block of the volumetric charge. The second block of the volumetric charge would be set to zero. The rate to the customers would stay constant through a reallocation of gas costs from a one block rate structure into an inclining two block rate structure. With this rate design the Company argues that they are provided greater incentive to “invest in conservation” through elimination of the declining-block rate price signal. This proposal along with the proposed Revenue Decoupling Adjustment Provision (“RDAP”) and the Weather Normalization Adjustment Provision (“WNAP”) together are a three pronged attempt to accomplish full Revenue Decoupling. The Company’s proposal should be rejected for three reasons: 1) current rates are almost flat now and customers currently have no reason not to invest in conservation, 2) It is obvious that this rate design is actually intended to eliminate virtually all risk from variation in sales due to weather but no mention of this is made, and: 3) the specific line item where the customer can see the commodity cost and can track how it changes from month to month would no longer appear which may actually have the unintended effect of discouraging conservation.

Basic Service Charge – The Company takes some steps in moving the Basic Service Charge closer to the cost to serve but there is no consistency in the Company’s proposal. It proposes some large increases to the Basic Service Charges for some customer classes moving them closer to costs but leaves other Basic Service Charges unchanged. With respect to the Basic Service Charge, for non-residential classes where the Company is proposing large percentage increases as a means to bringing the Basic Service Charge closer to the cost to serve, I agree. These

classes are large users and the dollar impact of the change is small compared to the overall bill. For the residential service classes, I increased the Basic Service Charge increase by approximately 10 percent. The Basic Service Charges for these customers were increased considerably in the last rate case and these customers have much smaller usages and increases in the Basic Service Charge have a much larger impact on bills. My recommended Basic Service Charges increase the rates for all service classes while still avoiding undue rate increases for any customer class.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Frank W. Radigan. I am a principal in the Hudson River Energy Group, a
4 consulting firm providing services regarding the electric utility industry and specializing
5 in the fields of rates, planning and utility economics. My office address is 120
6 Washington Avenue, Albany, New York 12210.

7
8 **Q. Are you the same Frank Radigan that previously provided testimony in this
9 proceeding?**

10 A. Yes. I previously provided testimony on the subject of Revenue Decoupling. The
11 testimony presented here is on the subjects of Cost of Service, Revenue Allocation and
12 Rate Design.

13
14 **Q. On whose behalf are you appearing?**

15 A. I am appearing on behalf of the Arizona Corporation Commission ("ACC" or
16 "Commission") Utilities Division Staff ("Staff").

17
18 **COST OF SERVICE STUDY/REVENUE ALLOCATION**

19 **Q. Did the Company prepare and present a Cost of Service Study in this case?**

20 A. Yes.

21
22 **Q. What is the purpose of a Class Cost of Service Study ("CCOSS")?**

23 A. The purpose of a CCOSS or embedded cost of service study is to assign the historic costs
24 incurred by the utility to each of the service classifications of the utility in order to
25 determine the relative profitability of each of the service classifications to the overall
26 average. By doing this, the analyst may re-allocate revenue responsibility amongst classes

1 so that each of the service classifications is providing its fair share of costs and is not
2 subsidizing other service classifications. Any re-allocation of revenue responsibility must
3 be tempered by customer impact concerns.
4

5 **Q. Do you have any general comments on Southwest Gas Corporation's CCOSS?**

6 A. The CCOSS appears to have been reasonably conducted and follows generally accepted
7 guidelines for such studies. The Company has allocated mains on the basis of a minimum
8 grid which is reasonable. The results of the CCOSS indicate that rates are out of line with
9 costs. This may be the result of gradual changes over the years, or rates may never have
10 been in line with costs. Generally, the Company is proposing to bring its rates more in
11 line with CCOSS results, but not in one fell swoop. According to Company witness
12 Congdon, SWG used a proportional cost responsibility method ("PCRM") in apportioning
13 its requested increase to customer classes. Mr. Congdon states that the PCRM is a cost of
14 service based allocation methodology that narrows the difference between the system
15 average rate of return on rate base and rate of return of the various classes of customers to
16 establish non-gas revenue requirements by class that more accurately reflect the cost of
17 providing service (Congdon, page 13).
18

19 Even with PCRM, the Company's proposed allocation of costs will impose large increases
20 on some rate classes and customers. For example, the Company proposed that the
21 Residential A/C Service Class (G-15) receive a 12.2 percent increase which is over 2.5
22 times the overall proposed increase of 4.8 percent. For the Street Lighting Class (G-45)
23 the Company is proposing an increase of 10.4 percent or 2.2 times the overall average
24 increase of 4.8 percent (Congdon Workpapers). While these proposed increases bring the
25 rate of return for these service classes closer to the overall average rate of return, other rate
26 changes do not. For example, for the Multi-Family Residential Service Class (G-6) the

1 Company proposes to increase revenues from this class by 1.5 percent or 0.3 times the
2 overall average increase. However, the indexed rate of return for this class – the measure
3 of how well the service class is covering its true cost to serve with an index of 1.0 being
4 perfect – at current rates is 0.85. The less than average increase lowers the indexed rate of
5 return for this class to 0.54 (Company Exhibit ABC-4). This is a direct result of the
6 proposal to give the service class a less than average increase in revenues.

7
8 **Q. What revenue allocation do you recommend?**

9 A. The cost of service is one of a number of factors considered in revenue allocation and rate
10 design. Other factors include energy conservation, gradualism in changing rates, customer
11 equity issues within and between customer classes, efforts to make rates and bills easier
12 for customers to understand, revenue impacts on the Company, traditional ratemaking
13 principles, and other policy considerations. With this in mind I believe that the
14 Company's proposed revenue allocation should be tempered and the allocation of the
15 revenue increase amongst classes should be done in a more deliberate fashion. I propose a
16 two step process that will both temper the rate increases to each service class while at the
17 same time move the indexed rate of return for each service class closer together. The first
18 step of the revenue allocation is to first bring the rate of return within 10 percent of the
19 overall average rate of return. For example, if the utility is earning an overall rate of
20 return of 8.00 percent, all classes should be earning no less than 7.2 percent and no more
21 than 8.8 percent. Moving all service classes closer to the average rate of return, plus or
22 minus a 10 percent band (otherwise known as a tolerance band) gives proper credence to
23 results of the CCOSS while at the same time recognizes that a CCOSS is a snapshot in

1 time and that there are many assumptions used in the CCOSS development that may not
2 be 100 percent accurate.

3
4 The second step of the allocation process is to temper the rate increase so that no class
5 receives undue rate shock. To achieve this goal I tempered rate increases so that no
6 service class received more than 1 percent more or less than the overall increase.

7
8 The results of this allocation process both temper the rate increase to any one class and
9 improves the indexed rate of return for each service class. For example, the Residential
10 Service Class currently has an indexed rate of return of 0.59 which indicates that the
11 revenues for this class should be increased above average. Staff's recommended rate
12 increase of \$29.3 million results in an overall increase in rates of 2.8 percent. Under
13 Staff's proposed allocation this Service Class will receive an increase of 3.8 percent. The
14 slightly larger than average increase brings the indexed rate of return to 0.66.

15
16 **Q. Do you have an Exhibit that summarizes your revenue allocation?**

17 A. Yes. The table below summarizes Staff's proposed revenue allocation. Attachment
18 FWR-1 is a five page document that shows that results of the cost of service study and
19 details of Staff's proposed allocation of rate increase among classes.

20

1

SOUTHWEST GAS CORPORATION ARIZONA DIVISION SUMMARY OF REVENUES AT PRESENT AND PROPOSED RATES FOR THE TWELVE MONTHS ENDED APRIL 30, 2007				
Description	Revenues (Margin & Gas Cost)		Increase/(Decrease)	
	Present Rates [1]	Proposed Rates [2]	Dollars	Percent
Sales Service				
Residential Gas Service	\$ 522,883,992	\$ 542,864,434	\$ 19,980,442	3.8%
Multi-Family Residential Gas Service	12,732,540	13,215,136	482,596	3.8%
Low Income Residential Gas Service	13,909,416	14,284,325	374,909	2.7%
Low Income Multi-Family Residential	937,365	973,219	35,854	3.8%
Special Residential Gas Service	202,869	207,654	4,785	2.4%
Master Metered Mobile Home Park	3,055,730	3,112,173	56,443	1.8%
Small General Service	12,570,421	13,047,019	476,598	3.8%
Medium General Service	66,948,670	68,185,319	1,236,649	1.8%
Large General Service	192,418,129	195,971,951	3,553,822	1.8%
Transportation Eligible	109,757,012	111,784,850	2,027,838	1.8%
Air Conditioning Gas Service	1,130,238	1,151,110	20,872	1.8%
Street Lighting Gas Service	151,684	157,438	5,752	3.8%
CNG - Small	202,767	205,811	3,044	1.5%
CNG - Large	2,335,082	2,380,380	45,298	1.9%
CNG - Residential	97,968	100,216	2,248	2.3%
Electric Generation Gas Service	22,693,026	23,112,159	419,133	1.8%
Small Essential Agriculture User Gas Service	15,005,871	15,283,064	277,193	1.8%
Natural Gas Engine Gas Service	12,108,788	12,332,458	223,672	1.8%
Total Gas Sales	\$ 1,033,385,078	\$ 1,062,612,226	\$ 29,227,148	2.8%

2

3

4 **VOLUMETRIC RATE DESIGN**

5 **Q. Please describe the Company's proposal on the design of the volumetric component**
6 **of the residential rate classes.**

7 **A.** As explained by Company witness Congdon, in Decision No. 68487 the Commission
8 encouraged the parties to seek rate design alternatives that would promote conservation
9 efforts, while benefiting all affected stakeholders. To address these concerns the
10 Company proposes to flatten the rate being charged to customers by altering or
11 "allocating" its recovery of revenues between rate blocks of the commodity charge and the
12 gas cost. This "allocation" of costs does not change the overall rate being collected by the
13 Company but rather only the component from which the Company's revenue comes
14 (Congdon, page 10). The details of how the individual components of the rate structure
15 are illustrated in the table below.

1

Residential Summer Season	Delivery \$/Therm	Gas Cost \$/Therm	Total Cost \$/Therm
Without Rate Design Change			
Commodity – 0-15 Therms	\$0.55	\$0.94	\$1.49
Commodity – Over 15 Therms	\$0.050	\$0.94	\$1.44
With Rate Design Change			
Commodity 0-15 Therms	\$0.88	\$0.61	\$1.49
Commodity -- Over 15 Therms	\$0.00	\$1.49	\$1.49

2

3

Q. What is the Company's reasoning for this change?

4

A. Company witness Congdon explains that the proposed rate design removes the declining block rate "price signal" from customers' bills. This rate design better aligns customer and Company interests, vis-à-vis traditional declining block rates, because: 1) customers are provided greater incentive to "invest in conservation" through elimination of the declining-block rate price signal, and 2) cost recovery is enhanced by more accurately reflecting how non-gas and gas costs on average track with increases or decreases in usage (Congdon, page 11).

11

12

Mr. Congdon further argues that Laclede Gas Company, a natural gas distribution company in Saint Louis, Missouri, has had this type of residential rate design in place since November 2002. SWG has a similar allocation of non-gas and gas cost between consumption blocks for service to residential natural gas customers in its South Lake Tahoe, California service area. SWG has not experienced any customer or administrative difficulties.

18

19

Q. Do you agree with the Company's reasoning?

20

A. No. This proposal along with the proposed Revenue Decoupling Adjustment Provision ("RDAP") and the Weather Normalization Adjustment Provision ("WNAP") together are a three pronged attempt to accomplish full Revenue Decoupling. The Company

21

22

1 emphasizes "conservation" when attempting to sell its proposed rate design, and
2 understandably deemphasizes the fact that it assures almost 100 percent recovery of
3 margin revenue to the Company. For example currently, for the Residential Service Class
4 the current rate design collects 80 percent of margin through the Service Charge and the
5 First Block Commodity Charge. Under the proposed rate design, 100 percent of costs
6 would be collected through the Service Charge and First Block. But, this 20 percent
7 change equates to \$50 million per year under current rates for this one Service Class. It is
8 obvious that the true intent behind the Company's proposed rate design is to substantially
9 eliminate all risk from variation in sales due to weather.

10
11 As to the Company's justification for the proposal, the current rates are almost flat now
12 and customers currently have no reason not to invest in conservation. The proposed rate
13 design provides no benefit in this regard. As to the argument that it better aligns the
14 Company's interest to recover all fixed costs as quickly as possible, the proposed rate
15 design certainly does that but at a cost. The Company's proposal shifts substantial risk to
16 ratepayers by eliminating any risk of revenue collection due to variation in weather.

17
18 Another detriment to the approach is that right now on the customer bill there is a specific
19 line item where the customer can see the commodity cost and can track how it changes
20 from month to month. That is lost under the approach proposed by SWG, as low use
21 customers would be paying mostly margin and very little gas cost. The gas cost simply
22 isn't consistent across all usage, so you can't have a specific per therm commodity cost at
23 all. In addition, as noted by Staff Witness Robert Gray in his Direct Testimony, the
24 Company's proposed form of accounting on margin and gas costs will have an impact on

1 the PGA calculation. The Company has not shown that its proposal will both reasonably
2 and accurately recover gas costs.

3
4 For all of these reasons, the Company's proposed rate design "allocation" method should
5 be rejected.

6
7 **BASIC SERVICE CHARGE**

8 **Q. Please discuss the Company's proposal on setting the Basic Service Charge?**

9 **A.** Company witness Congdon states that in Decision No. 68487, the Commission authorized
10 an increase of approximately 21 percent in the Basic Service Charge from \$8.00 to \$9.70
11 per month (Congdon, page 8) for residential customers. At \$9.70 per month, Mr.
12 Congdon explains that the Basic Service Charge is recovering approximately 40 percent of
13 the non-gas revenues (Ibid). The Company states that its proposed Basic Service Charges
14 continues building upon this movement toward cost based rates while also balancing
15 consideration of the principles of gradualism, fairness and encouragement of conservation.

16
17 While the Company's proposal is fine in concept it lacks structure in application. It
18 proposes to increase some Basic Service Charges closer to cost but leaves others
19 unchanged. For example, it proposes a 32 percent increase in the Basic Service Charge
20 for Residential Service based on cost of service principles but proposes no increase in the
21 Basic Service Charge for Mobile Home Service even though it is only recovering 19
22 percent of the cost to serve.

23
24 **Q. What do you recommend?**

25 **A.** The table below summarizes my recommended Basic Service Charges for the largest
26 service classifications. For the non-residential classes where the Company is proposing

1 large percentage increases as a means to bringing the Basic Service Charge closer to the
2 cost to serve, I agree with the Company. For example, for the Medium General Service
3 Class the Company is proposing to increase the Basic Service Charge from \$33.00 to
4 43.50, a 32 percent increase. This \$10 per month increase seems large but one must
5 remember that the average bill for this service class is almost \$350 per month so a \$10 per
6 month increase is only 2.8 percent increase in the overall bill. For the Residential Service
7 Classes which have much lower usages, I increased the Basic Service Charge increase by
8 approximately 10 percent. The Basic Service Charges for these customers were increased
9 considerably in the last rate case and these customers have much smaller usages and
10 increases in the Basic Service Charge have a much larger impact on bills.

11

12 **SWG**
Present and Proposed Basic Service Charges

13 Service Classification	14 Present \$/mo.	Company Proposed \$/mo.	% Increase	Staff Proposed \$/mo.	% Increase
15 Residential	\$ 9.70	\$ 12.80	32%	\$ 10.64 ^{10.70}	10%
16 Single Family Residential -- Low Income	\$ 7.00	\$ 7.50	7%	\$ 7.50	7%
17 Multi-Family	\$ 8.70	\$ 8.70	0%	\$ 9.70	11%
18 Mobile Home	\$ 60.00	\$ 60.00	0%	\$ 66.00	10%
19 Small General Service	\$ 25.00	\$ 25.00	0%	\$ 27.50	10%
20 Medium General Service	\$ 33.00	\$ 43.50	32%	\$ 43.50	32%
Large General Service	\$ 145.00	\$ 160.00	10%	\$ 160.00	10%
21 General Service Transporation	\$ 720.00	\$ 950.00	32%	\$ 950.00	32%
Small Agricultural Essential	\$ 90.00	\$ 120.00	33%	\$ 120.00	33%

22

23 **Q. After setting the Basic Service Charge, please explain how you then designed the**
24 **volumetric portion of the commodity charges.**

25 **A.** For the Residential and Multi-Family Service Classes I first eliminated the declining block
26 rate structure and replaced it with a flat rate. The discount in the second block was small

1 so there are no undue rate impacts attributable to this change. Next, I tried to keep the
2 volumetric charge as close as possible to current rates in order to encourage energy
3 conservation. This was important given that the overall average increase is only 2.8
4 percent. Had I increased the Basic Service Charge too much, it would have resulted in
5 decreasing the volumetric commodity charge making it appear that the cost of gas was
6 cheaper. As a result, it would have encouraged increased usage.
7

8 **CUSTOMER BILL IMPACTS**

9 **Q. Please discuss your recommended rate design and the related customer bill impacts.**

10 A. Staff's recommended base rate increase is \$29.3 million or 2.8 percent. Attachment
11 FWR-2 is a three page document that shows the revenue requirement with the detailed rate
12 design. The bill impacts for the service classes resulting from this design are shown on
13 the fourteen page document Attachment FWR-3.
14

15 **Q. Please explain the rate change for G-5 -- Single Family Residential Gas Service.**

16 A. For a residential customer, the minimum bill will increase from \$9.70 to \$10.70, an
17 increase of \$1.00 or 10.3 percent. The declining block rate structure for the commodity
18 charge was replaced with a flat rate of \$0.56013 per therm. For the average customer in
19 the winter using 56 therms, the bill will increase from \$91.66 to \$94.53 or 3.1 percent.
20

21 **Q. Please explain the rate change for G-6 -- Multi-Family Residential Gas Service.**

22 A. For a residential customer, the minimum bill will increase from \$8.70 to \$9.70, an
23 increase of \$1.00 or 11.5 percent. The declining block rate structure for the commodity
24 charge was replaced with a flat rate of \$0.54293 per therm. For the average customer in
25 the winter using 30 therms, the bill will increase from \$53.07 to \$54.61 or 2.9 percent.
26

1 **Q. Please explain the rate change for G-20 -- Master Metered Mobile Home Park Gas**
2 **Service.**

3 A. For a residential customer, the minimum bill will increase from \$60 to \$66, an increase of
4 \$6.00 or 10 percent. The commodity charge increased from \$0.3840 per therm to
5 \$0.40407 per therm. For the average customer in the winter using 1,788 therms, the bill
6 will increase from \$2,421.75 to \$2,463.64 or 1.7 percent.

7

8 **Q. Please explain the rate change for a small customer in G-25 -- General Gas Service.**

9 A. For a customer in the G-25(S) Small Customer subclass, a customer with a minimum bill
10 (i.e., no usage) will see their bill increase from \$25.00 per month to \$27.50 per month, an
11 increase of \$2.50 per month, or 10 percent. The commodity charge decreased from
12 \$0.5621 per therm to \$0.5566 per therm. For the average customer using 39 therms in the
13 winter, the bill will increase from \$83.45 per month to \$85.74 per month, a 2.7 percent
14 increase.

15

16 **Q. Please explain the rate change for a medium customer in G-25 -- General Gas**
17 **Service.**

18 A. For a customer in the G-25(M) Medium Customer subclass, a customer with a minimum
19 bill (i.e., no usage) will see their bill increase from \$33.00 per month to \$43.50 per month,
20 an increase of \$10.50 per month, or 32 percent. The commodity charge decreased from
21 \$0.39349 per therm to \$0.37596 per therm. For the average customer using 315 therms in
22 the winter, the bill will increase from \$451.94 per month to \$456.92 per month, a 1.1
23 percent increase.

24

1 **Q. Please explain the rate change for a large customer in G-25 -- General Gas Service.**

2 A. For a customer in the G-25(L) Large Customer subclass, a customer with a minimum bill
3 (i.e., no usage) will see their bill increase from \$145.00 per month to \$160.00 per month,
4 an increase of \$15 per month, or 10 percent. The commodity charge increased from
5 \$0.2721 per therm to \$0.2873 per therm. For the average customer using 2,220 therms in
6 the winter, the bill will increase from \$2,823.16 per month to \$2,871.95 per month, a 1.7
7 percent increase.

8
9 **Q. Please explain the rate change for a customer in G-40 -- Air Conditioning Gas**
10 **Service.**

11 A. There are a variety of customers in this class but the largest subset is the small customer.
12 For the small customer subclass, a customer with a minimum bill (i.e., no usage) will see
13 their bill increase from \$25.00 per month to \$27.50 per month, an increase of \$2.50 per
14 month, or 10 percent. The commodity charge increased from \$0.09900 per therm to
15 \$0.10735 per therm. For the average G-40 customer using 3,517 therms, the bill will
16 increase from \$3,688.23 per month to \$3,700.09 per month, a 0.9 percent increase.

17
18 **Q. Please explain the rate change for a large customer in G-55 -- Gas Service for**
19 **Compression on Customer Premises.**

20 A. For the Large Customer subclass, a customer with a minimum bill (i.e., no usage) will see
21 their bill increase from \$190.00 per month to \$250.00 per month, an increase of \$60 per
22 month, or 32 percent. The commodity charge increased from \$0.1700 per therm to
23 \$0.1836 per therm. For the average customer using 12,055 therms in the winter, the bill
24 will increase from \$13,488.56 per month to \$13,757.51 per month, a 2.0 percent increase.

25

1 **Q. Please explain the rate change for a customer in G-75 -- Essential Agricultural User**
2 **Gas Service.**

3 A. A customer with a minimum bill (i.e., no usage) will see their bill increase from \$90.00
4 per month to \$120.00 per month, an increase of \$30 per month, or 33 percent. The
5 commodity charge increased from \$0.2230 per therm to \$0.2409 per therm. For the
6 average customer using 6,956 therms in the winter, the bill will increase from \$7,908.20
7 per month to \$8,062.85 per month, a 2.0 percent increase.

8

9 **Q. Please explain the rate change for a customer in G-80 -- Natural Gas Engine Gas**
10 **Service.**

11 A. A customer with a minimum bill (i.e., no usage) will see their bill increase from \$95.00
12 per month to \$125.00 per month, an increase of \$30 per month, or 32 percent. The
13 commodity charge increased from \$0.17700 per therm to \$0.18817 per therm. For the
14 average customer using 2,650 therms in the summer, the bill will increase from \$2,500.06
15 per month to \$2,559.66 per month, a 2.4 percent increase.

16

17 **Q. Please explain the rate change for G-10 -- Low-Income Single Family Residential Gas**
18 **Service?**

19 A. A customer with a minimum bill (i.e., no usage) will see their bill increase from \$7.00 per
20 month to \$7.50 per month, an increase of \$0.50 per month, or 7.1 percent. The declining
21 block rate structure was replaced with a flat rate of \$0.5662 per therm. For the average
22 customer using 43 therms in the winter, the bill will increase from \$65.54 per month to
23 \$67.23 per month, a 2.6 percent increase.

24

1 **Q. Has the discount to low-income customers changed under your rate design?**

2 A. No. For both G-10 -- Low-Income Single Family Residential Gas Service and G-11 --
3 Low Income Multi-Family Residential Gas Service, under both Staff's and the Company's
4 proposed rate design the discount remains the same.

5
6 **Q. Could you please summarize your testimony?**

7 A. Yes. The CCOSS has been reasonably conducted and follows generally accepted
8 guidelines for such studies. The Company is proposing to bring its rates more in line with
9 CCOSS results; however, the proposed allocation of costs will impose large increases on
10 some rate classes and customers. The Company's revenue allocation should be tempered
11 and I propose that rates be increased in line with the results of the CCOSS but limit the
12 increase so that no service class received more than 1 percent more or 1 percent less than
13 the overall increase. This allocation process both moderates the rate increase to any one
14 class while at the same improving the indexed rate of return for each service class.

15
16 The Company's proposal to flatten the rate being charged to customers (by altering or
17 "allocating" its recovery of revenues between rate blocks of the commodity charge and the
18 gas cost) should be rejected. This "allocation" of gas costs is another attempt at full
19 Revenue Decoupling and its stated reasons for the change are unconvincing.

20
21 On rate design, for non-residential classes the Company is proposing large percentage
22 increases in Basic Service Charge in order to bring them closer to the cost to serve and I
23 agree. These classes are large users and the dollar impact of the change is small compared
24 to the overall bill.

25

1 For the Residential Service Classes, I increased the Basic Service Charge increase by
2 approximately 10 percent. The Basic Service Charges for these customers were increased
3 considerably in the last rate case and these customers have much smaller usages and
4 increases in the Basic Service Charge have a much larger impact on bills.

5
6 With respect to the volumetric commodity charge for the Residential Service Classes I
7 eliminated the declining block rate structure and replaced it with a flat rate.

8

9 **Q. Does this conclude your testimony?**

10 A. Yes it does.

Staff Revenue Allocation

Attachment FWR-1

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
ALLOCATION OF PROPOSED MARGIN TO CUSTOMER CLASSES
FOR THE TWELVE MONTHS ENDED APRIL 30, 2007

Line No.	Description	Total (b)	Single Family Residential (c)	Multi-Family Residential (d)	MMWHP (e)	Small (f)	General Gas Services Medium (g)	Large (h)	Trans. Eligible (i)	Air-Conditioning (j)	Street Lighting (k)	Small CNG (l)	Large CNG (m)	Residential CNG (n)	Electric Generation (o)	Essential Agricultural (p)	Gas Engines (q)	Line No.
1	Margin at Requested System Rate of Return [1]	\$ 449,454,506	\$ 354,945,916	\$ 8,899,901	\$ 631,232	\$ 8,407,184	\$ 24,128,839	\$ 15,989,216	\$ 15,989,230	\$ 63,059	\$ 129,738	\$ 23,454	\$ 243,268	\$ 37,732	\$ 1,382,427	\$ 1,640,387	\$ 1,919,833	1
2	Margin at Present Rates [2]	\$ 389,234,678	\$ 258,959,859	\$ 7,115,598	\$ 972,809	\$ 7,867,642	\$ 24,310,776	\$ 53,003,981	\$ 20,088,639	\$ 123,697	\$ 95,850	\$ 36,474	\$ 404,846	\$ 25,489	\$ 2,529,330	\$ 3,104,924	\$ 2,559,519	2
3	Difference (Line 1 minus Line 2)	\$ 50,219,828											\$ 466,660					3
4	System Average Percentage Increase (Line 3 / Line 2)	12.57902%																4
5	Ratio of Margin at System Rate of Return to Margin at Present Rates (Line 1 / Line 2)	1.16258																5
6	Adjusted Percentage Increase (Line 4 x Line 5)	15.18218%																6
7	Adjusted Percentage Increase (Line 6 x Line 6)	\$ 54,287,003	\$ 42,132,929	\$ 1,080,626	\$ 79,403	\$ 1,068,684	\$ 3,035,185	\$ 1,937,085	\$ 1,937,085	\$ 7,932	\$ 16,319	\$ 2,950	\$ 30,601	\$ 4,746	\$ 173,896	\$ 206,345	\$ 240,370	7
8	Adjusted Margin Requirement (Line 7 - Line 7)	\$ 453,501,683	\$ 351,122,815	\$ 8,196,122	\$ 1,051,608	\$ 8,936,526	\$ 27,345,961	\$ 57,353,632	\$ 22,026,315	\$ 131,629	\$ 112,169	\$ 38,424	\$ 435,547	\$ 30,235	\$ 2,703,228	\$ 3,311,269	\$ 2,799,839	8
9	Margin at One-Half System Rate of Return																	9
10	Greater of Percentage Increase or One-Half System Rate of Return	\$ 453,501,681	\$ 301,122,818	\$ 8,196,122	\$ 1,051,608	\$ 8,936,526	\$ 27,345,961	\$ 57,353,632	\$ 22,026,315	\$ 131,629	\$ 112,169	\$ 38,424	\$ 435,547	\$ 30,235	\$ 2,703,228	\$ 3,311,269	\$ 2,799,839	10
11	(Over / Under Collection [3])	(6,047,173)	(2,798,689)	(75,176)	(9,773)	(93,057)	(284,158)	(632,123)	(204,710)	(1,233)	(671)	(268)	(4,048)	(281)	(25,124)	(30,775)	(26,022)	11
12	Margin Requirement (Greater of Line 9 or Line 10 plus Line 11)	\$ 447,454,508	\$ 298,324,149	\$ 8,119,946	\$ 1,041,835	\$ 8,843,469	\$ 27,061,803	\$ 56,721,509	\$ 21,821,605	\$ 130,406	\$ 111,498	\$ 38,058	\$ 431,499	\$ 29,954	\$ 2,678,102	\$ 3,280,493	\$ 2,773,817	12
13	Proposed Class Margin Requirement (Line 12 plus Line 9)	\$ 449,454,506	\$ 329,324,149	\$ 8,119,946	\$ 1,041,835	\$ 8,843,469	\$ 27,061,803	\$ 56,721,509	\$ 21,821,605	\$ 130,406	\$ 111,498	\$ 38,058	\$ 431,499	\$ 29,954	\$ 2,678,102	\$ 3,280,493	\$ 2,773,817	13
14	Proposed Dollar Increase in Margin	\$ 50,219,828	\$ 39,334,280	\$ 1,004,930	\$ 89,830	\$ 985,807	\$ 2,784,079	\$ 3,717,127	\$ 1,323,376	\$ 6,709	\$ 15,849	\$ 2,544	\$ 26,553	\$ 4,465	\$ 148,172	\$ 175,569	\$ 214,348	14
15	Proposed Percentage Increase in Margin	12.59%	15.19%	14.11%	7.19%	12.53%	11.44%	7.01%	8.62%	5.42%	28.02%	7.08%	6.95%	17.52%	5.85%	5.65%	6.37%	15
16	Rate of Return at Present Rates	6.88%	3.95%	5.89%	20.15%	7.80%	9.55%	21.08%	14.97%	28.63%	-0.71%	22.12%	23.21%	2.11%	25.45%	27.53%	17.22%	16
17	Present Rate of Return Indices	1.00	0.59	0.85	3.01	1.17	1.43	3.15	2.24	4.28	(0.11)	3.31	3.47	0.32	3.81	4.12	2.58	17
18	Rate of Return at Proposed Rates	9.45%	6.81%	5.09%	22.31%	11.01%	12.23%	23.35%	17.17%	30.77%	1.88%	23.00%	25.64%	4.33%	27.53%	28.68%	19.62%	18
19	Proposed Rate of Return Indices	1.00	0.73	0.54	2.36	1.16	1.29	2.47	1.61	3.25	0.17	2.43	2.71	0.51	2.91	3.14	2.10	19
20	Rate of Return at Current Rates	\$ 1,094,790,046	\$ 929,232,235	\$ 21,854,065	\$ 1,525,643	\$ 18,519,978	\$ 65,608,314	\$ 95,904,371	\$ 48,906,211	\$ 100,633	\$ 144,177	\$ 61,003	\$ 697,033	\$ 96,604	\$ 4,345,109	\$ 4,648,787	\$ 4,943,410	20
21	Rate Base	\$ 73,748,858	\$ 37,748,858	\$ 1,144,443	\$ 1,144,443	\$ 5,978,457	\$ 20,862,525	\$ 7,227,452	\$ 7,227,452	\$ 44,687	\$ 2,311	\$ 1,070	\$ 16,119	\$ 2,041	\$ 1,090,718	\$ 1,334,713	\$ 851,021	21
22	Rate of Return	6.88%	3.85%	5.89%	20.15%	7.80%	9.55%	21.08%	14.97%	28.63%	-0.71%	22.12%	23.21%	2.11%	25.45%	27.53%	17.22%	22
23	Index Rate of Return	1.00	0.59	0.85	3.01	1.17	1.43	3.15	2.24	4.28	(0.11)	3.31	3.47	0.32	3.81	4.12	2.58	23
24	Overall Rate of Return	6.01%	6.01%	6.01%	7.35%	7.35%	7.35%	7.35%	7.35%	7.35%	6.01%	7.35%	7.35%	6.01%	7.35%	7.35%	7.35%	24
25	Rate of Return within +/- 10%	\$ 69,053,718	\$ 49,760,382	\$ 1,302,444	\$ 141,455	\$ 1,360,848	\$ 4,600,490	\$ 7,201,391	\$ 3,544,008	\$ 14,008	\$ 24,900	\$ 4,449	\$ 61,222	\$ 5,820	\$ 314,874	\$ 388,287	\$ 362,242	25
26	Net Income At Tolerance	\$ 4,986,389	\$ 2,952,949	\$ 77,230	\$ 8,385	\$ 30,893	\$ 277,781	\$ 1,427,014	\$ 1,109,233	\$ 1,309,233	\$ 1,076	\$ 1,076	\$ 202,326	\$ 2,336,015	\$ 2,283,071	\$ 2,283,071	\$ 2,283,071	26
27	Over/Under Collection	\$ 731,601,007	\$ 527,766,107	\$ 13,323,616	\$ 1,447,818	\$ 14,427,818	\$ 42,784,014	\$ 3,258,234	\$ 3,258,234	\$ 14,834	\$ 26,377	\$ 4,811	\$ 54,250	\$ 6,186	\$ 333,545	\$ 377,414	\$ 364,781	27
28	Adj. Net Income	6.37%	6.37%	6.37%	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%	6.37%	7.78%	7.78%	6.37%	7.78%	7.78%	7.78%	28
29	Allocation of Revenue Increase	\$ 29,231,427																29
30	Conversion Factor	1.8586																30
31	Impact on Net Income of Revenue Increase	\$ 17,624,163	\$ 12,702,845	\$ 332,270	\$ 36,087	\$ 347,170	\$ 1,173,645	\$ 1,837,169	\$ 906,347	\$ 3,574	\$ 6,352	\$ 1,160	\$ 13,068	\$ 1,485	\$ 60,339	\$ 80,684	\$ 92,888	31
32	Conversion Factor	1.8586																32
33	Allocated Revenue Increase	\$ 21,069,105	\$ 15,069,105	\$ 551,104	\$ 59,854	\$ 575,816	\$ 1,946,808	\$ 3,047,129	\$ 1,501,609	\$ 5,927	\$ 10,536	\$ 1,925	\$ 21,874	\$ 2,463	\$ 133,233	\$ 180,756	\$ 183,899	33
34	Current Delivery Revenues	\$ 381,186,838	\$ 258,959,859	\$ 7,115,598	\$ 972,809	\$ 7,867,653	\$ 24,310,777	\$ 53,003,981	\$ 20,088,639	\$ 123,697	\$ 95,850	\$ 36,474	\$ 404,846	\$ 25,489	\$ 2,529,330	\$ 3,104,924	\$ 2,559,520	34
35	Gas Cost	\$ 600,052,721	\$ 276,106,388	\$ 6,854,309	\$ 2,853,837	\$ 4,702,779	\$ 42,837,884	\$ 18,414,146	\$ 18,414,146	\$ 1,039,233	\$ 1,039,233	\$ 402,326	\$ 2,336,015	\$ 2,283,071	\$ 2,283,071	\$ 2,283,071	\$ 2,283,071	35
36	Full Adjusted Potential Revenues	\$ 1,018,471,986	\$ 737,106,840	\$ 14,869,907	\$ 2,627,646	\$ 13,570,426	\$ 87,798,103	\$ 82,417,117	\$ 107,760,005	\$ 1,068,418	\$ 181,528	\$ 185,116	\$ 2,248,195	\$ 104,554	\$ 22,069,006	\$ 14,199,328	\$ 11,799,245	36
37	Revenue Increase	\$ 29,231,427	\$ 4,074,683	\$ 897,654	\$ (178,154)	\$ 572,884	\$ 841,432	\$ (9,864,952)	\$ (1,867,007)	\$ (33,822)	\$ 38,844	\$ (6,952)	\$ (65,885)	\$ 6,587	\$ (823,940)	\$ (66,543)	\$ (312,542)	37
38	% Increase	2.9%	7.1%	4.9%	-9.2%	4.4%	1.2%	-5.5%	-1.8%	-3.1%	20.8%	-3.8%	-3.8%	6.3%	-2.8%	-5.7%	-2.8%	38
39	Limitation of Rate Increase Due to Rate Impacts																	39
40	Unlimited Rate Increase (no class plus or minus 1% away from average)	\$ 30,087,315	\$ 20,948,755	\$ 533,126	\$ 58,059	\$ 490,247	\$ 1,272,025	\$ 3,665,944	\$ 2,062,389	\$ 21,475	\$ 5,916	\$ 3,853	\$ 44,367	\$ 3,821	\$ 431,167	\$ 285,112	\$ 230,887	40
41	Revenue Resulting from Limiting Increase	\$ 29,231,427	\$ 20,948,755	\$ 518,306	\$ 58,059	\$ 476,816	\$ 1,236,802	\$ 3,554,308	\$ 2,062,389	\$ 20,873	\$ 5,761	\$ 3,746	\$ 43,133	\$ 3,714	\$ 418,181	\$ 277,189	\$ 233,071	41
42	Impact on Net Income	\$ 17,624,163	\$ 12,702,845	\$ 332,270	\$ 36,087	\$ 347,170	\$ 1,173,645	\$ 1,837,169	\$ 906,347	\$ 3,574	\$ 6,352	\$ 1,160	\$ 13,068	\$ 1,485	\$ 60,339	\$ 80,684	\$ 92,888	42
43	Rate of Return	\$ 90,584,910	\$ 45,074,445	\$ 1,178,445	\$ 127,445	\$ 1,150,955	\$ 3,212,445	\$ 5,178,445	\$ 2,178,445	\$ 15,445	\$ 15,445	\$ 15,445	\$ 15,445	\$ 15,445	\$ 15,445	\$ 15,445	\$ 15,445	43
44	Rate of Return	6.32%	6.32%	6.32%	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%	6.32%	7.78%	7.78%	6.32%	7.78%	7.78%	7.78%	44
45	Index Rate of Return	1.00	0.68	0.86	2.64	1.13	1.29	2.81	2.11	4.25	0.02	3.11	3.25	0.53	3.78	3.73	2.40	45

**SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
SPREAD OF REVENUE INCREASE BY CUSTOMER CLASS
FOR THE TWELVE MONTHS ENDED APRIL 30, 2007**

Line No.	Description (a)	Proposed Schedule Number (b)	Increase/(Decrease) [1]		Line No.
			Dollars (e)	Percent (f)	
	Sales Service				
1	Residential Gas Service	G-5	\$ 19,927,713	7.90%	1
2	Multi-Family Residential Gas Service	G-6	492,666	7.43%	2
3	Low Income Residential Gas Service	G-10	432,546	6.41%	3
4	Low Income Multi-Family Residential	G-11	25,066	5.22%	4
5	Special Residential Gas Service	G-15	4,686	6.67%	5
6	Master Metered Mobile Home Park Gas Service	G-20	56,444	5.81%	6
	General Gas Service	G-25			
7	Small		476,598	6.06%	7
8	Medium		1,236,649	5.09%	8
9	Large		3,553,822	6.70%	9
10	Transportation Eligible		2,027,838	10.09%	10
11	Optional Gas Service	G-30	0	0.00%	11
12	Air Conditioning Gas Service	G-40	20,873	16.87%	12
13	Street Lighting Gas Service	G-45	5,752	10.30%	13
	Gas Service for Compression on Customer's Premises	G-55			
14	Small		3,039	8.33%	14
15	Large		45,236	11.17%	15
16	Residential		2,322	9.11%	16
17	Electric Generation Gas Service	G-60	419,133	16.57%	17
18	Small Essential Agriculture User Gas Service	G-75	277,193	8.93%	18
19	Natural Gas Engine Gas Service	G-80	223,672	8.74%	19
20	Total Sales and Full Margin Transportation		<u>\$ 29,231,248</u>	<u>7.60%</u>	20
21	Special Contract Service	B-1	0	0.00%	21
22	Other Operating Revenue		<u>0</u>	<u>0.00%</u>	22
23	Total Arizona Revenue		<u>\$ 29,231,248</u>	<u>7.32%</u>	23

[1] Schedule H-1, Sheet 1.

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
SUMMARY OF REVENUES AT PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDED APRIL 30, 2007

Line No.	Description (a)	Proposed Schedule Number (b)	Revenues		Increase/(Decrease)		Line No.
			Present Rates [1] (c)	Proposed Rates [2] (d)	Dollars (e)	Percent (f)	
	<u>Sales Service</u>						
1	Residential Gas Service	G-5	\$ 522,983,992	\$ 542,911,705	\$ 19,927,713	3.81%	1
2	Multi-Family Residential Gas Service	G-6	12,732,540	13,225,206	492,666	3.87%	2
3	Low Income Residential Gas Service	G-10	13,909,416	14,341,962	432,546	3.11%	3
4	Low Income Multi-Family Residential	G-11	937,365	962,431	25,066	2.67%	4
5	Special Residential Gas Service	G-15	202,869	207,555	4,686	2.31%	5
6	Master Metered Mobile Home Park Gas Service	G-20	3,055,730	3,112,174	56,444	1.85%	6
	General Gas Service	G-25					
7	Small		12,570,421	13,047,019	476,598	3.79%	7
8	Medium		66,948,670	68,185,319	1,236,649	1.85%	8
9	Large		192,418,129	195,971,951	3,553,822	1.85%	9
10	Transportation Eligible		109,757,012	111,784,850	2,027,838	1.85%	10
11	Optional Gas Service	G-30	44,143,512	44,143,512	0	0.00%	11
12	Air Conditioning Gas Service	G-40	1,130,238	1,151,110	20,872	1.85%	12
13	Street Lighting Gas Service	G-45	151,684	157,436	5,752	3.79%	13
	Gas Service for Compression on Customer's Premises	G-55					
14	Small		202,767	205,806	3,039	1.50%	14
15	Large		2,335,082	2,380,318	45,236	1.94%	15
16	Residential		97,968	100,290	2,322	2.37%	16
17	Electric Generation Gas Service	G-60	22,693,026	23,112,159	419,133	1.85%	17
18	Small Essential Agriculture User Gas Service	G-75	15,005,871	15,283,064	277,193	1.85%	18
19	Natural Gas Engine Gas Service	G-80	12,108,786	12,332,458	223,672	1.85%	19
20							20
21	Total Gas Sales		<u>\$1,033,385,078</u>	<u>\$ 1,062,616,325</u>	<u>\$ 29,231,247</u>	<u>2.83%</u>	21
22	Special Contract Service	B-1	2,528,029	2,528,029	0	0.00%	22
23	Other Operating Revenue		<u>12,261,805</u>	<u>12,261,805</u>	<u>0</u>	<u>0.00%</u>	23
24	Total Arizona Revenue		<u>\$1,048,174,913</u>	<u>\$ 1,077,406,160</u>	<u>\$ 29,231,247</u>	<u>2.79%</u>	24
25	Total Requirement			<u>\$ 1,077,406,349</u>			25
26	Over/(Under) Requirement			<u>\$(189)</u>			26

[1] Schedule H-2, Sheets 1-4, including estimated gas cost for transportation customers.

[2] Schedule H-2, Sheets 5-9, including estimated gas cost for transportation customers.

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
SUMMARY OF MARGIN AT PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDED APRIL 30, 2007

Line No.	Description (a)	Proposed Schedule Number (b)	Margin		Increase/(Decrease)		Line No.
			Present Rates [1]	Proposed Rates [2]	Dollars	Percent	
			(c)	(d)	(e)	(f)	
1	<u>Sales Service</u> Residential Gas Service	G-5	\$ 252,170,209	\$ 272,097,922	\$ 19,927,713	7.90%	1
2	Multi-Family Residential Gas Service	G-6	6,635,205	7,127,871	492,666	7.43%	2
3	Low Income Residential Gas Service	G-10	6,749,399	7,181,945	432,546	6.41%	3
4	Low Income Multi-Family Residential	G-11	480,391	505,457	25,066	5.22%	4
5	Special Residential Gas Service	G-15	70,281	74,967	4,686	6.67%	5
6	Master Metered Mobile Home Park Gas Service	G-20	972,093	1,028,537	56,444	5.81%	6
7	General Gas Service Small	G-25	7,867,642	8,344,240	476,598	6.06%	7
8	Medium		24,310,776	25,547,425	1,236,649	5.09%	8
9	Large		53,003,981	56,557,803	3,553,822	6.70%	9
10	Transportation Eligible		20,088,639	22,116,477	2,027,838	10.09%	10
11	Optional Gas Service	G-30	3,255,998	3,255,998	0	0.00%	11
12	Air Conditioning Gas Service	G-40	123,697	144,570	20,873	16.87%	12
13	Street Lighting Gas Service	G-45	55,850	61,602	5,752	10.30%	13
14	Gas Service for Compression on Customer's Premises Small	G-55	36,474	39,513	3,039	8.33%	14
15	Large		404,946	450,182	45,236	11.17%	15
16	Residential		25,489	27,811	2,322	9.11%	16
17	Electric Generation Gas Service	G-60	2,529,330	2,948,463	419,133	16.57%	17
18	Small Essential Agriculture User Gas Service	G-75	3,104,924	3,382,117	277,193	8.93%	18
19	Natural Gas Engine Gas Service	G-80	2,559,519	2,783,191	223,672	8.74%	19
20	Total Sales and Full Margin Transportation		<u>\$ 384,444,843</u>	<u>\$ 413,676,091</u>	<u>\$ 29,231,248</u>	<u>7.60%</u>	20
21	Special Contract Service	B-1	2,528,029	2,528,029	0	0.00%	21
22	Other Operating Revenue		12,261,805	12,261,805	0	0.00%	22
23	Total Arizona Revenue		<u>\$ 399,234,678</u>	<u>\$ 428,465,926</u>	<u>\$ 29,231,248</u>	<u>7.32%</u>	23
24	Total Requirement			<u>\$ 428,466,115</u>			24
25	Over/(Under) Requirement			<u>\$ (189)</u>			25

[1] Schedule H-2, Sheets 1-4.
[2] Schedule H-2, Sheets 5-9.

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
SUMMARY OF GAS COST AT PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDED APRIL 30, 2007

Line No.	Description (a)	Schedule Number (b)	Gas Cost		Increase/(Decrease)		Line No.
			Present Rates [1] (c)	Proposed Rates [2] (d)	Dollars (e)	Percent (f)	
1	<u>Sales Service</u> Residential Gas Service	G-5	\$ 270,813,783	\$ 270,813,783	\$ 0	0.00%	1
2	Multi-Family Residential Gas Service	G-6	6,097,335	6,097,335	0	0.00%	2
3	Low Income Residential Gas Service	G-10	7,160,017	7,160,017	0	0.00%	3
4	Low Income Multi-Family Residential	G-11	456,974	456,974	0	0.00%	4
5	Special Residential Gas Service	G-15	132,588	132,588	0	0.00%	5
6	Total Residential		<u>\$ 284,660,697</u>	<u>\$ 284,660,697</u>	<u>\$ 0</u>	<u>0.00%</u>	6
7	Master Metered Mobile Home Park Gas Service	G-20	2,083,637	2,083,637	0	0.00%	7
8	General Gas Service Small	G-25	4,702,779	4,702,779	0	0.00%	8
9	Medium		42,637,894	42,637,894	0	0.00%	9
10	Large		139,414,148	139,414,148	0	0.00%	10
11	Transportation Eligible		89,668,373	89,668,373	0	0.00%	11
12	Optional Gas Service	G-30	40,887,514	40,887,514	0	0.00%	12
13	Air Conditioning Gas Service	G-40	1,006,541	1,006,540	(1)	(0.00%)	13
14	Street Lighting Gas Service	G-45	95,834	95,834	0	0.00%	14
15	Gas Service for Compression on Customer's Premises Small	G-55	166,293	166,293	0	0.00%	15
16	Large		1,930,136	1,930,136	0	0.00%	16
17	Residential		72,479	72,479	0	0.00%	17
18	Electric Generation Gas Service	G-60	20,163,696	20,163,696	0	0.00%	18
19	Small Essential Agriculture User Gas Service	G-75	11,900,947	11,900,947	0	0.00%	19
20	Natural Gas Engine Gas Service	G-80	9,549,267	9,549,267	0	0.00%	20
21	Total Gas Sales		<u>\$ 648,940,235</u>	<u>\$ 648,940,234</u>	<u>\$(1)</u>	<u>(0.00%)</u>	21
22	Special Contract Service	B-1	0	0	0	n/a	22
23	Other Operating Revenue		0	0	0	n/a	23
24	Total Arizona Revenue		<u>\$ 648,940,235</u>	<u>\$ 648,940,234</u>	<u>\$(1)</u>	<u>(0.00%)</u>	24

[1] Schedule H-2, Sheets 1-4.

[2] Schedule H-2, Sheets 5-9.

Staff Revenue Proof

Attachment FWR-2

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
SUMMARY OF PRESENT AND PROPOSED REVENUES BY RATE COMPONENT
FOR THE TWELVE MONTHS ENDED APRIL 30, 2007

Line No.	Description (a)	Proposed Schedule Number (b)	Billing Determinants			Revenue at Proposed Rates			Total Revenue (k)	Revenue at Present Rates [3] (l)	Increase / Decrease Dollars (m)	Percent (n)	Line No.
			Number of Bills (c)	Sales (Therms) (d)	Basic Service Charge [1] (e)	Commodity Charge [1] (f)	Basic Service Charge (g)	Commodity Charge (h)					
Single-Family Residential Gas Service													
Summer (May - October)													
1	Basic Service Charge per Month	G-5	5,107,859		\$ 10.70	\$ 54,854,091	\$ 54,854,091	\$ 54,854,091	\$ 49,546,232	\$ 5,107,859		1	
2	Commodity Charge per Therm			48,048,640	\$ 0.56013	\$ 26,913,485	\$ 26,913,485	\$ 26,913,485	71,928,776	871,122		2	
3	First 15 Therms			16,007,105	0.56013	8,966,059	8,966,059	14,986,896	23,962,955	846,500		3	
4	Over 15 Therms											4	
Winter (November - April)													
5	Basic Service Charge per Month		5,190,171		\$ 10.70	\$ 55,534,830	\$ 55,534,830	\$ 55,534,830	\$ 50,344,659	\$ 5,190,171		5	
6	Commodity Charge per Therm			133,968,357	0.56013	75,032,974	75,032,974	125,502,371	188,106,717	2,428,628		6	
7	First 35 Therms			91,044,013	0.56013	50,990,483	50,990,483	85,299,225	136,294,708	5,363,633		7	
8	Over 35 Therms											8	
9	Total Single-Family Residential Gas Service		10,298,030	289,056,115		\$ 110,188,921	\$ 161,909,061	\$ 272,097,922	\$ 542,911,705	\$ 522,983,992	\$ 19,927,713	3.87%	9
Low Income Single-Family Residential Gas Service													
Summer (May - October)													
10	Basic Service Charge per Therm	G-10	153,923		\$ 7.50	\$ 1,154,423	\$ 1,154,423	\$ 1,154,423	\$ 1,077,461	\$ 76,962		10	
11	Commodity Charge per Therm			1,489,731	\$ 0.56013	\$ 840,044	\$ 840,044	\$ 1,240,112	2,080,156	27,190		11	
12	First 15 Therms			343,792	0.56013	192,568	192,568	284,278	476,846	20,328		12	
13	Over 15 Therms											13	
Winter (November - April)													
14	Basic Service Charge per Month		156,983		\$ 7.50	\$ 1,177,373	\$ 1,177,373	\$ 1,177,373	\$ 1,098,881	\$ 78,492		14	
15	Commodity Charge per Therm			4,229,842	0.56013	2,389,281	2,389,281	3,697,614	5,896,875	76,687		15	
16	Next 15 Therms			2,532,839	0.56013	1,418,719	1,418,719	2,094,379	3,513,088	149,767		16	
17	Over 150 Therms			52,759	0.56013	29,597	29,597	43,634	73,191	3,120		17	
18	Total Low Income Single-Family Residential Gas Service		310,906	8,658,072		\$ 2,331,796	\$ 4,850,149	\$ 7,180,017	\$ 14,341,962	\$ 432,946	3.11%	18	
Multi-Family Residential Gas Service													
Summer (May - October)													
19	Basic Service Charge per Month	G-9	182,409		\$ 8.70	\$ 1,769,367	\$ 1,769,367	\$ 1,769,367	\$ 1,596,958	\$ 182,409		19	
20	Commodity Charge per Therm			1,044,432	\$ 0.54293	\$ 567,053	\$ 567,053	\$ 978,518	1,545,571	971		20	
21	First 7 Therms			950,005	0.54293	515,786	515,786	890,050	1,366,003	39,833		21	
22	Over 7 Therms											22	
Winter (November - April)													
23	Basic Service Charge per Month		188,153		\$ 9.70	\$ 1,825,084	\$ 1,825,084	\$ 1,825,084	\$ 1,636,931	\$ 188,153		23	
24	Commodity Charge per Therm			2,633,090	0.54293	1,429,584	1,429,584	2,466,916	3,894,051	2,449		24	
25	First 18 Therms			1,860,532	0.54293	1,020,987	1,020,987	1,781,851	2,782,848	78,851		25	
26	Over 18 Therms											26	
27	Total Multi-Family Residential Gas Service		370,562	6,508,659		\$ 3,584,451	\$ 3,533,420	\$ 7,127,871	\$ 13,225,206	\$ 482,666	3.87%	27	
Low Income Multi-Family Residential Gas Service													
Summer (May - October)													
28	Basic Service Charge per Month	G-11	13,560		\$ 7.50	\$ 101,700	\$ 101,700	\$ 101,700	\$ 94,920	\$ 6,780		28	
29	Commodity Charge per Therm			79,822	\$ 0.54293	\$ 43,338	\$ 43,338	\$ 66,004	108,268	74		29	
30	First 7 Therms			78,071	0.54293	42,387	42,387	64,556	103,670	3,273		30	
31	Over 7 Therms											31	
Winter (November - April)													
32	Basic Service Charge per Month		13,828		\$ 7.50	\$ 103,710	\$ 103,710	\$ 103,710	\$ 96,796	\$ 6,914		32	
33	Commodity Charge per Therm			207,982	0.54293	112,920	112,920	171,978	284,888	194		33	
34	First 18 Therms			186,423	0.54293	101,215	101,215	154,151	247,549	7,817		34	
35	Over 150 Therms			345	0.54293	187	187	285	458	14		35	
36	Total Low Income Multi-Family Residential Gas Service		27,398	552,643		\$ 205,410	\$ 300,047	\$ 456,974	\$ 937,965	\$ 25,069	2.67%	36	
Special Residential Gas Service for A/C													
Summer (May - October)													
37	Basic Service Charge per Month	G-15	648		\$ 10.70	\$ 6,934	\$ 6,934	\$ 6,934	\$ 6,286	\$ 648		37	
38	Commodity Charge per Therm			7,889	\$ 0.56013	\$ 4,424	\$ 4,424	\$ 7,400	11,881	143		38	
39	First 15 Therms			65,327	0.56013	36,422	36,422	61,204	79,628	0		39	
40	Over 15 Therms											40	

[1] Exhibit No. (ABC. 3), Sheets 5-8.
[2] Schedule H-3, Columns (i) and (k).
[3] Schedule H-2, Sheets 1-4.

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
SUMMARY OF PRESENT AND PROPOSED REVENUES BY RATE COMPONENT
FOR THE TWELVE MONTHS ENDED APRIL 30, 2007

Line No.	Description (a)	Proposed Schedule Number (b)	Billing Determinants			Revenue at Proposed Rates				Revenue at Present Rates (3) (i)	Increase / Decrease Dollars (m)	Percent (n)	Line No.
			Number of Bills (c)	Sales (Therms) (d)	Basic Service Charge (1) (e)	Commodity Charge (1) (f)	Basic Service Charge (g)	Commodity Charge (h)	Total Margin (i)				
12	Winter (November - April) Basic Service Charge per Month		648		\$ 10.70	\$ 6,934	\$ 6,934	\$ 6,934	\$ 6,286	\$ 648		12	
13	First 35 Therms		19,309		\$ 0.56013	\$ 10,816	\$ 10,816	\$ 10,816	28,555	351		13	
14	Over 35 Therms		48,985		\$ 0.56013	\$ 27,438	\$ 27,438	\$ 27,438	73,332	2,897		14	
15	Total Special Residential Gas Service		1,286	141,920	\$ 13,867	\$ 74,967	\$ 132,568	\$ 207,555	\$ 202,869	\$ 4,686	2.31%	15	
16	Total Residential Gas Service		11,008,182	304,917,309	\$ 116,334,445	\$ 170,653,717	\$ 286,988,182	\$ 571,648,859	\$ 550,768,182	\$ 20,882,677	3.79%	16	
17	Master Metered Mobile Home Park Gas Service	G-20	1,968		\$ 66.00	\$ 129,888	\$ 129,888	\$ 129,888	\$ 118,080	\$ 11,808		17	
18	Commodity Charge per Therm All Usage		2,223,893		\$ 0.40407	\$ 899,649	\$ 899,649	\$ 2,083,637	\$ 2,937,650	\$ 44,635		18	
19	Total MMHP Gas Service		1,968	2,223,893	\$ 129,888	\$ 899,649	\$ 1,029,537	\$ 3,112,174	\$ 3,055,730	\$ 56,444	1.85%	19	
20	General Gas Service - Small	G-25(S)	201,805		\$ 27.50	\$ 5,549,638	\$ 5,549,638	\$ 5,549,638	\$ 5,045,125	\$ 504,513		20	
21	Commodity Charge per Therm All Usage		10,138		\$ 0.55681	\$ 5,643	\$ 5,643	\$ 14,026	\$ 14,062	\$ -36		21	
22	Transportation Customers		5,010,518		\$ 0.55681	\$ 2,789,959	\$ 4,684,396	\$ 7,483,355	\$ 7,511,214	\$ -27,859		22	
23	Total Small General Gas Service		201,805	5,020,754	\$ 5,549,638	\$ 2,794,602	\$ 8,344,240	\$ 13,047,019	\$ 12,570,421	\$ 476,598	3.79%	23	
24	General Gas Service - Medium	G-25(M)	193,790		\$ 43.50	\$ 8,429,865	\$ 8,429,865	\$ 8,429,865	\$ 6,395,070	\$ 2,034,795		24	
25	Commodity Charge per Therm All Usage		172,865		\$ 0.37598	\$ 64,802	\$ 142,527	\$ 207,329	\$ 210,351	\$ -3,022		25	
26	Sales Customers		45,557,804		\$ 0.37598	\$ 17,052,758	\$ 42,605,367	\$ 59,548,125	\$ 60,343,246	\$ -795,124		26	
27	Total Medium General Gas Service		193,790	45,530,289	\$ 8,429,865	\$ 17,117,560	\$ 25,547,435	\$ 68,185,319	\$ 69,948,670	\$ 1,238,649	1.85%	27	
1	General Gas Service - Large	G-25(L)	85,510		\$ 160.00	\$ 13,681,600	\$ 13,681,600	\$ 13,681,600	\$ 12,388,950	\$ 1,292,650		1	
2	Commodity Charge per Therm All Usage		3,586,629		\$ 0.28733	\$ 1,021,984	\$ 1,021,984	\$ 3,963,090	\$ 3,908,955	\$ 54,135		2	
3	Sales Customers		145,695,025		\$ 0.28733	\$ 41,854,219	\$ 136,473,042	\$ 179,327,261	\$ 176,110,224	\$ 2,217,037		3	
4	Total Large General Gas Service		85,510	148,222,854	\$ 13,681,600	\$ 42,876,203	\$ 56,557,803	\$ 139,414,148	\$ 132,507,195	\$ 6,906,953	5.15%	4	
5	General Gas Service - Transportation Eligible	G-25(TE)	2,222		\$ 950.00	\$ 2,110,900	\$ 2,110,900	\$ 2,110,900	\$ 1,599,840	\$ 511,060	(5)	5	
6	Demand Charge per Month		12,803,712		\$ 0.062340	\$ 9,578,196	\$ 9,578,196	\$ 9,578,196	\$ 9,578,201	\$ -5		6	
7	Commodity Charge per Therm All Usage		32,517,415		\$ 0.10477	\$ 3,406,850	\$ 26,888,325	\$ 30,295,175	\$ 28,799,609	\$ 1,495,566		7	
8	Sales Customers		67,008,965		\$ 0.10477	\$ 7,020,531	\$ 62,760,048	\$ 69,800,578	\$ 68,779,382	\$ 1,021,196		8	
9	Total Transportation Eligible General Gas Service		2,222	99,526,000	\$ 2,110,900	\$ 20,005,877	\$ 22,116,477	\$ 111,784,850	\$ 109,757,012	\$ 2,027,838	1.85%	9	
10	Total General Gas Service		483,327	299,300,277	\$ 29,772,003	\$ 82,793,842	\$ 112,565,945	\$ 276,423,194	\$ 388,989,139	\$ 7,294,907	1.91%	10	
11	Air Conditioning Gas Service	G-40	60		\$ 0.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		11	
12	Basic Service Charge		198		\$ 27.50	\$ 5,445	\$ 5,445	\$ 5,445	\$ 4,950	\$ 485		12	
13	General Service - Small		48		\$ 43.50	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		13	
14	General Service - Medium		48		\$ 160.00	\$ 7,680	\$ 7,680	\$ 7,680	\$ 6,980	\$ 700		14	
15	General Service - Large		12		\$ 950.00	\$ 11,400	\$ 11,400	\$ 11,400	\$ 11,400	\$ 0		15	
16	Essential Agricultural		0		\$ 120.00	\$ 0	\$ 0	\$ 0	\$ 1,080	\$ (1,080)		16	
17	Commodity Charge per Therm All Usage		373,987		\$ 0.10735	\$ 40,148	\$ 309,246	\$ 349,384	\$ 346,271	\$ 3,113		17	
18	Transportation Customers		744,265		\$ 0.10735	\$ 79,897	\$ 697,294	\$ 777,191	\$ 770,978	\$ 6,215		18	
19	Total Air Conditioning Gas Service		318	1,118,252	\$ 24,525	\$ 120,045	\$ 144,570	\$ 1,151,110	\$ 1,130,238	\$ 20,872	1.85%	19	

[1] Exhibit No. (ABC.3), Sheets 5-8.
[2] Schedule H-3, Columns (i) and (k).
[3] Schedule H-2, Sheets 1-4.

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
SUMMARY OF PRESENT AND PROPOSED REVENUES BY RATE COMPONENT
FOR THE TWELVE MONTHS ENDED APRIL 30, 2007

Line No.	Description (a)	Proposed Schedule Number (b)	Billing Determinants		Revenue at Proposed Rates				Total Revenue (k)	Revenue at Present Rates [3] (l)	Increase/Decrease Dollars (m)	Percent (n)	Line No.
			Number of Bills (c)	Sales (Therms) (d)	Basic Service Charge [1] (e)	Commodity Charge [1] (f)	Basic Service Charge (g)	Commodity Charge (h)					
Street Lighting Gas Service													
20	Commodity Charge per Therm of Rated Capacity	G-45	324	102,289	\$ 27.50	\$ 0.00223	\$ 0	\$ 61,602	\$ 157,436	\$ 151,684	\$ 5,752	20	
21	Total Street Lighting Gas Service		324	102,289	250.00			61,602	157,436	151,684	5,752	21	
Gas Service for Compression on Customer's Premises													
22	Basic Service Charge - Small	G-55	252	6,930	27.50	\$ 0.18357	\$ 0	\$ 6,930	\$ 6,930	\$ 6,300	\$ 630	22	
23	Large		288	72,000	250.00	0.18357		72,000	72,000	54,720	17,280	23	
24	Residential		1,272	13,610	10.70			13,610	13,610	12,336	1,272	24	
25	Commodity Charge per Therm All Usage Transportation Customers			0		\$ 0.18357	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	25	
26	Small			177,485		0.18357	32,583	186,876	186,876	186,467	2,409	26	
27	Large			2,060,152		0.18357	376,182	1,930,136	2,306,318	2,280,362	27,956	27	
28	Residential			77,351		0.18357	14,201	72,479	86,690	85,630	1,060	28	
29	Total CNG Gas Service		1,812	2,315,008			\$ 474,966	\$ 2,686,414	\$ 2,655,617	\$ 50,997	1.92%	29	
Electric Generation Gas Service													
1	Basic Service Charge - Small	G-60	36	990	27.50	\$ 0.13248	\$ 0	\$ 990	\$ 990	\$ 900	\$ 90	1	
2	General Service - Medium		36	1,566	43.50			1,566	1,566	1,188	378	2	
3	General Service - Large		84	13,440	160.00			13,440	13,440	12,180	1,260	3	
4	General Service - Transportation Eligible		84	79,800	950.00			79,800	79,800	60,480	19,320	4	
5	Essential Agricultural		12	1,440	120.00			1,440	1,440	1,080	360	5	
6	Commodity Charge per Therm All Usage Transportation Customers			0		\$ 0.13248	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	6	
7	Sales Customers			21,571,946		0.13248	2,851,227	23,014,923	22,617,198	397,725		7	
8	Total Electric Generation Gas Service		252	21,571,946			\$ 2,851,227	\$ 23,112,159	\$ 22,693,026	\$ 419,133	1.85%	8	
Small Essential Agriculture Used Gas Service													
9	Basic Service Charge	G-75	1,216	145,920	\$ 120.00			\$ 145,920	\$ 145,920	\$ 109,440	\$ 36,480	9	
10	Commodity Charge per Therm All Usage Transportation Customers			6,217,976		\$ 0.24092	\$ 1,498,035	\$ 6,639,617	6,528,191	111,426		10	
11	Sales Customers			7,214,684		0.24092	1,738,162	6,487,527	8,388,240	129,287		11	
12	Total Essential Agriculture Gas Service		1,216	13,432,660			\$ 3,392,117	\$ 15,233,054	\$ 15,005,671	\$ 227,383	1.85%	12	
Natural Gas Engine Gas Service													
13	Basic Service Charge	G-80	2,516	323,625	\$ 0.00			\$ 323,625	\$ 323,625	\$ 0	\$ 0	13	
14	Off-Peak Season (Oct - March)		2,569	125,000								14	
15	Peak Season (April - September)			0								15	
16	Commodity Charge per Therm All Usage Transportation Customers			13,070,881		\$ 0.18817	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	16	
17	Sales Customers		5,105	13,070,881		0.18817	2,459,566	9,549,267	12,008,833	11,862,831	146,002	17	
18	Total Natural Gas Engine Gas Service		11,502,504	656,002,715			\$ 263,499,911	\$ 1,016,472,813	\$ 989,241,566	\$ 28,231,247	2.85%	18	
19	Optional Gas Service	G-30	84	49,447,344			\$ 3,135,458	\$ 44,143,512	\$ 44,143,512	\$ 0	\$ 0	19	
20	Special Contract Service	B-1	244	35,660,659			\$ 2,076,755	\$ 2,528,029	\$ 2,528,029	\$ 0	\$ 0	20	
21	Other Operating Revenues							\$ 12,261,805	\$ 12,261,805	\$ 0	\$ 0	21	
22	Total Revenue		11,502,832	743,110,919			\$ 266,714,125	\$ 1,077,406,160	\$ 1,046,174,913	\$ 28,231,247	2.79%	22	
23	Total Revenue Requirement						\$ 428,466,115	\$ 648,940,234	\$ 1,077,406,349			23	
24	Over/(Under)						\$ (169)	\$ 0	\$ (169)			24	

[1] Exhibit No. (ABC. 3), Sheets 5-8.
[2] Schedule H-3, Columns (i) and (k).
[3] Schedule H-2, Sheets 1-4.

Staff Bill Comparison

Attachment FWR-3

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
PROPOSED vs. CURRENTLY EFFECTIVE RATES
G - 5 -- SINGLE-FAMILY RESIDENTIAL GAS SERVICE

Line No.	Description	Monthly Consumption (Therms)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates	At Proposed Tariff Rates	Dollars	Percent	
	(a)	(b)	(c)	(d)	(e)	(f)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	9.70	10.70	\$ 1.00	10.31%	1
2	75 Percent Average Use	12	27.45	\$ 28.66	\$ 1.21	4.41%	2
3	Average Summer Use [1]	16	33.36	\$ 34.65	1.29	3.87%	3
4	125 Percent Average Use	20	39.28	\$ 40.64	1.36	3.46%	4
5	150 Percent Average Use	24	45.19	\$ 46.63	1.44	3.19%	5
<u>Winter Season Bills</u>							
6	Minimum Bill	0	9.70	\$ 10.70	\$ 1.00	10.31%	6
7	75 Percent Average Use	42	71.53	\$ 73.57	\$ 2.04	2.85%	7
8	Average Winter Use [1]	56	91.66	\$ 94.53	2.87	3.13%	8
9	125 Percent Average Use	70	111.79	\$ 115.49	3.70	3.31%	9
10	150 Percent Average Use	84	131.92	\$ 136.45	4.53	3.43%	10
<u>Effective Tariff Rates [2]</u>							
		Amount					
	Basic Service Charge per Month	\$	9.70				
	Commodity Charge Summer						
	First 15 Therms		0.54200				
	Over 15 Therms		0.50100				
	Commodity Charge Winter						
	First 35 Therms		0.54200				
	Over 35 Therms		0.50100				
	Gas Cost	\$	0.93689				
<u>Proposed Tariff Rates [3]</u>							
	Basic Service Charge per Month	\$	10.70				
	Commodity Charge Summer						
	First 15 Therms		0.56013				
	Over 15 Therms		0.56013				
	Commodity Charge Winter						
	First 35 Therms		0.56013				
	Over 35 Therms		0.56013				
	Gas Cost	\$	0.93689				

[1] Workpapers, Schedule H-2, Sheets 1-4.

[2] Rates effective May 1, 2007 including all adjustments.

[3] Schedule H-3, Sheets 1 - 3.

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
PROPOSED vs. CURRENTLY EFFECTIVE RATES
G - 6 -- MULTI-FAMILY RESIDENTIAL GAS SERVICE

Line No.	Description (a)	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (c)	At Proposed Tariff Rates (d)	Dollars (e)	Percent (f)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	8.70	\$ 9.70	\$ 1.00	11.49%	1
2	75 Percent Average Use	9	22.01	\$ 23.17	\$ 1.16	5.27%	2
3	Average Summer Use [1]	12	26.45	\$ 27.66	1.21	4.57%	3
4	125 Percent Average Use	15	30.88	\$ 32.16	1.28	4.15%	4
5	150 Percent Average Use	18	35.32	\$ 36.65	1.33	3.77%	5
<u>Winter Season Bills</u>							
6	Minimum Bill	0	8.70	\$ 9.70	\$ 1.00	11.49%	6
7	75 Percent Average Use	23	42.71	\$ 44.13	\$ 1.42	3.32%	7
8	Average Winter Use [1]	30	53.07	\$ 54.61	1.54	2.90%	8
9	125 Percent Average Use	38	64.90	\$ 66.59	1.69	2.60%	9
10	150 Percent Average Use	45	75.05	\$ 77.07	2.02	2.69%	10

<u>Effective Tariff Rates [2]</u>	<u>Amount</u>
Basic Service Charge per Month	\$ 8.70
Commodity Charge Summer	
First 20 Therms	\$ 0.54200
Over 20 Therms	0.50100
Commodity Charge Winter	
First 40 Therms	\$ 0.54200
Over 40 Therms	0.50100
Gas Cost	0.93689
<u>Proposed Tariff Rates [3]</u>	
Basic Service Charge per Month	\$ 9.70
Commodity Charge Summer	
First 7 Therms	\$ 0.54293
Over 7 Therms	\$ 0.54293
Commodity Charge Winter	
First 18 Therms	\$ 0.54293
Over 18 Therms	\$ 0.54293
Gas Cost	\$ 0.93689

[1] Workpapers, Schedule H-2, Sheets 1-4.

[2] Rates effective May 1, 2007 including all adjustments.

[3] Schedule H-3, Sheets 1 - 3.

SOUTHWEST GAS CORPORATION
 ARIZONA DIVISION
 PROPOSED vs. CURRENTLY EFFECTIVE RATES
 G - 55 -- GAS SERVICE FOR COMPRESSION ON CUSTOMER PREMISES - SMALL

Line No.	Description (a)	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (c)	At Proposed Tariff Rates (d)	Dollars (e)	Percent (f)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	\$ 25.00	\$ 27.50	\$ 2.50	10.00%	1
2	75 Percent Average Use	5	\$ 30.53	\$ 33.10	\$ 2.57	8.41%	2
3	Average Summer Use [1]	7	\$ 32.75	\$ 35.34	2.59	7.92%	3
4	125 Percent Average Use	9	\$ 34.96	\$ 37.58	2.62	7.50%	4
5	150 Percent Average Use	11	\$ 37.18	\$ 39.83	2.65	7.13%	5
<u>Winter Season Bills</u>							
6	Minimum Bill	0	\$ 25.00	\$ 27.50	\$ 2.50	10.00%	6
7	75 Percent Average Use	19	\$ 46.03	\$ 48.79	2.76	5.99%	7
8	Average Winter Use [1]	25	\$ 52.67	\$ 55.51	2.84	5.39%	8
9	125 Percent Average Use	31	\$ 59.31	\$ 62.23	2.92	4.92%	9
10	150 Percent Average Use	38	\$ 67.06	\$ 70.08	3.02	4.50%	10

<u>Effective Tariff Rates [2]</u>	<u>Amount</u>
Basic Service Charge	\$ 25.00
Commodity Charge All Usage	\$ 0.17000
Gas Cost	\$ 0.93689
<u>Proposed Tariff Rates [3]</u>	
Basic Service Charge	\$ 27.50
Commodity Charge All Usage	\$ 0.18357
Gas Cost	\$ 0.93689

[1] Workpapers, Schedule H-2, Sheets 1-4.
 [2] Rates effective May 1, 2007 including all adjustments.
 [3] Schedule H-3, Sheets 1 - 3.

SOUTHWEST GAS CORPORATION
 ARIZONA DIVISION
 PROPOSED vs. CURRENTLY EFFECTIVE RATES
 G - 55 -- GAS SERVICE FOR COMPRESSION ON CUSTOMER PREMISES - LARGE

Line No.	Description (a)	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (c)	At Proposed Tariff Rates (d)	Dollars (e)	Percent (f)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	\$ 190.00	\$ 250.00	\$ 60.00	31.58%	1
2	75 Percent Average Use	7,560	\$ 8,558.09	\$ 8,720.68	\$ 162.59	1.90%	2
3	Average Summer Use [1]	10,080	\$ 11,347.45	\$ 11,544.24	196.79	1.73%	3
4	125 Percent Average Use	12,600	\$ 14,136.81	\$ 14,367.80	230.98	1.63%	4
5	150 Percent Average Use	18,900	\$ 21,110.22	\$ 21,426.69	316.47	1.50%	5
<u>Winter Season Bills</u>							
6	Minimum Bill	0	\$ 190.00	\$ 250.00	60.00	31.58%	6
7	75 Percent Average Use	9,041	\$ 10,197.39	\$ 10,380.08	182.69	1.79%	7
8	Average Winter Use [1]	12,055	\$ 13,533.56	\$ 13,757.15	223.59	1.65%	8
9	125 Percent Average Use	15,069	\$ 16,869.73	\$ 17,134.21	264.49	1.57%	9
10	150 Percent Average Use	22,604	\$ 25,210.14	\$ 25,576.88	366.74	1.45%	10
<u>Effective Tariff Rates [2]</u>		<u>Amount</u>					
Basic Service Charge		\$ 190.00					
Commodity Charge							
All Usage		0.1700					
Gas Cost		\$ 0.93689					
<u>Proposed Tariff Rates [3]</u>		<u>Amount</u>					
Basic Service Charge		\$ 250.00					
Commodity Charge							
All Usage		0.18357					
Gas Cost		\$ 0.93689					

[2] Rates effective May 1, 2007 including all adjustments.

[3] Schedule H-3, Sheets 1 - 3.

SOUTHWEST GAS CORPORATION
 ARIZONA DIVISION
 PROPOSED vs. CURRENTLY EFFECTIVE RATES
 G - 55 -- GAS SERVICE FOR COMPRESSION ON CUSTOMER PREMISES - RESIDENTIAL

Line No.	Description (a)	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (c)	At Proposed Tariff Rates (d)	Dollars (e)	Percent (f)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	\$ 9.70	\$ 10.70	\$ 1.00	10.31%	1
2	75 Percent Average Use	45	\$ 59.51	\$ 61.12	\$ 1.61	2.71%	2
3	Average Summer Use [1]	60	\$ 76.11	\$ 77.93	1.81	2.38%	3
4	125 Percent Average Use	75	\$ 92.72	\$ 94.73	2.02	2.18%	4
5	150 Percent Average Use	113	\$ 134.78	\$ 137.31	2.53	1.88%	5
<u>Winter Season Bills</u>							
6	Minimum Bill	0	\$ 9.70	\$ 10.70	1.00	10.31%	6
7	75 Percent Average Use	45	\$ 59.51	\$ 61.12	1.61	2.71%	7
8	Average Winter Use [1]	60	\$ 76.11	\$ 77.93	1.81	2.38%	8
9	125 Percent Average Use	75	\$ 92.72	\$ 94.73	2.02	2.18%	9
10	150 Percent Average Use	90	\$ 109.32	\$ 111.54	2.22	2.03%	10
<u>Effective Tariff Rates [2]</u>		<u>Amount</u>					
Basic Service Charge		\$	9.70				
Commodity Charge							
All Usage			0.1700				
Gas Cost		\$	0.93689				
<u>Proposed Tariff Rates [3]</u>		<u>Amount</u>					
Basic Service Charge		\$	10.70				
Commodity Charge							
All Usage			0.18357				
Gas Cost		\$	0.93689				

[1] Workpapers, Schedule H-2, Sheets 1-4.

[2] Rates effective May 1, 2007 including all adjustments.

[3] Schedule H-3, Sheets 1 - 3.

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
PROPOSED vs. CURRENTLY EFFECTIVE RATES
G - 75 -- ESSENTIAL AGRICULTURAL USER GAS SERVICE

Line No.	Description (a)	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (c)	At Proposed Tariff Rates (d)	Dollars (e)	Percent (f)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	\$ 90.00	\$ 120.00	\$ 30.00	33.33%	1
2	75 Percent Average Use	4,774	\$ 5,455.74	\$ 5,571.29	\$ 115.55	2.12%	2
3	Average Summer Use [1]	6,365	\$ 7,243.95	\$ 7,388.01	144.06	1.99%	3
4	125 Percent Average Use	7,956	\$ 9,032.15	\$ 9,204.72	172.57	1.91%	4
5	150 Percent Average Use	11,934	\$ 13,503.23	\$ 13,747.08	243.86	1.81%	5
<u>Winter Season Bills</u>							
6	Minimum Bill	0	\$ 90.00	\$ 120.00	30.00	33.33%	6
7	75 Percent Average Use	5,217	\$ 5,953.65	\$ 6,077.14	123.49	2.07%	7
8	Average Winter Use [1]	6,956	\$ 7,908.20	\$ 8,062.85	154.65	1.96%	8
9	125 Percent Average Use	8,695	\$ 9,862.75	\$ 10,048.57	185.81	1.88%	9
10	150 Percent Average Use	13,043	\$ 14,749.69	\$ 15,013.42	263.73	1.79%	10
<u>Effective Tariff Rates [2]</u>		<u>Amount</u>					
Basic Service Charge		\$ 90.00					
Commodity Charge							
All Usage		\$ 0.22300					
Gas Cost		\$ 0.90095					
<u>Proposed Tariff Rates [3]</u>							
Basic Service Charge		\$ 120.00					
Commodity Charge							
All Usage		\$ 0.24092					
Gas Cost		\$ 0.90095					

[1] Workpapers, Schedule H-2, Sheets 1-4.

[2] Rates effective May 1, 2007 including all adjustments.

[3] Schedule H-3, Sheets 1 - 3.

SOUTHWEST GAS CORPORATION
 ARIZONA DIVISION
 PROPOSED vs. CURRENTLY EFFECTIVE RATES
 G - 80 -- NATURAL GAS ENGINE GAS SERVICE--PEAK SEASON

Line No.	Description (a)	Monthly Consumption (Therms) (a)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (b)	At Proposed Tariff Rates (c)	Dollars (d)	Percent (e)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	\$ 95.00	\$ 125.00	\$ 30.00	31.58%	
2	75 Percent Average Use	1,988	\$ 1,898.80	\$ 1,951.00	\$ 52.20	2.75%	
3	Average Summer Use [1]	2,650	\$ 2,500.06	\$ 2,559.66	59.60	2.38%	
4	125 Percent Average Use	3,313	\$ 3,101.33	\$ 3,168.33	67.00	2.16%	
5	150 Percent Average Use	3,313	\$ 3,101.33	\$ 3,168.33	67.00	2.16%	
<u>Winter Season Bills</u>							
6	Minimum Bill	0	\$ 0.00	\$ 0.00	0.00	0.00%	
7	75 Percent Average Use	1,043	\$ 946.60	\$ 958.25	11.65	1.23%	
8	Average Winter Use [1]	1,391	\$ 1,262.43	\$ 1,277.97	15.54	1.23%	
9	125 Percent Average Use	1,739	\$ 1,578.26	\$ 1,597.69	19.43	1.23%	
10	150 Percent Average Use	2,609	\$ 2,367.85	\$ 2,396.99	29.14	1.23%	
<u>Effective Tariff Rates [2]</u>		<u>Amount</u>					
Basic Service Charge		\$ 95.00					
Commodity Charge All Usage		\$ 0.17700					
Gas Cost		\$ 0.73057					
<u>Proposed Tariff Rates [3]</u>		<u>Amount</u>					
Basic Service Charge		\$ 125.00					
Commodity Charge All Usage		\$ 0.18817					
Gas Cost		\$ 0.73057					

[1] Workpapers, Schedule H-2, Sheets 1-4.

[2] Rates effective May 1, 2007 including all adjustments.

[3] Schedule H-3, Sheets 1 - 3.

**SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
PROPOSED vs. CURRENTLY EFFECTIVE RATES
G - 20 - MASTER METERED MOBILE HOME PARK GAS SERVICE**

Line No.	Description (a)	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (c)	At Proposed Tariff Rates (d)	Dollars (e)	Percent (f)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	60.00	66.00	\$ 6.00	10.00%	
2	75 Percent Average Use	354	527.60	540.70	\$ 13.10	2.48%	1
3	Average Summer Use [1]	472	683.46	698.93	15.47	2.26%	2
4	125 Percent Average Use	590	839.33	857.17	17.84	2.13%	3
5	150 Percent Average Use	885	1,228.99	1,252.75	23.76	1.93%	
<u>Winter Season Bills</u>							
6	Minimum Bill	0	60.00	66.00	6.00	10.00%	
7	75 Percent Average Use	1,341	1,831.31	1,864.23	32.92	1.80%	4
8	Average Winter Use [1]	1,788	2,421.75	2,463.64	41.89	1.73%	5
9	125 Percent Average Use	2,235	3,012.19	3,063.05	50.86	1.69%	6
10	150 Percent Average Use	3,353	4,488.94	4,562.24	73.30	1.63%	7
<u>Effective Tariff Rates [2]</u>		<u>Amount</u>					
Basic Service Charge		\$ 60.00					
Commodity Charge All Usage		\$ 0.38400					
Gas Cost, all therms		\$ 0.93689					
<u>Proposed Tariff Rates [3]</u>		<u>Amount</u>					
Basic Service Charge		\$ 66.00					
Commodity Charge All Usage		\$ 0.40407					
Gas Cost, all therms		\$ 0.93689					

[1] Workpapers, Schedule H-2, Sheets 1-4.

[2] Rates effective May 1, 2007 including all adjustments.

[3] Schedule H-3, Sheets 1 - 3.

**SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
PROPOSED vs. CURRENTLY EFFECTIVE RATES
G - 25(S) - GENERAL GAS SERVICE - SMALL**

Line No.	Description (a)	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (c)	At Proposed Tariff Rates (d)	Dollars (e)	Percent (f)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	\$ 25.00	\$ 27.50	\$ 2.50	10.00%	1
2	75 Percent Average Use	8	\$ 36.99	\$ 39.45	\$ 2.46	6.64%	2
3	Average Summer Use [1]	10	\$ 30.62	\$ 33.07	2.44	7.98%	3
4	125 Percent Average Use	13	\$ 44.48	\$ 46.91	2.43	5.46%	4
5	150 Percent Average Use	20	\$ 54.98	\$ 57.37	2.39	4.35%	5
<u>Winter Season Bills</u>							
6	Minimum Bill	0	\$ 25.00	\$ 27.50	2.50	10.00%	6
7	75 Percent Average Use	29	\$ 68.47	\$ 70.81	2.34	3.42%	7
8	Average Winter Use [1]	39	\$ 83.45	\$ 85.74	2.28	2.74%	8
9	125 Percent Average Use	49	\$ 98.44	\$ 100.67	2.23	2.26%	9
10	150 Percent Average Use	74	\$ 135.91	\$ 138.00	2.09	1.54%	10

<u>Effective Tariff Rates [2]</u>	<u>Amount</u>
Basic Service Charge	\$ 25.00
Commodity Charge All Usage	\$ 0.56217
Gas Cost, all therms	\$ 0.93667
<u>Proposed Tariff Rates [3]</u>	
Basic Service Charge	\$ 27.50
Commodity Charge All Usage	\$ 0.55661
Gas Cost, all therms	\$ 0.93667

[1] Workpapers, Schedule H-2, Sheets 1-4.

[2] Rates effective May 1, 2007 including all adjustments.

[3] Schedule H-3, Sheets 1 - 3.

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
PROPOSED vs. CURRENTLY EFFECTIVE RATES
G - 25(M) -- GENERAL GAS SERVICE - MEDIUM

Line No.	Description (a)	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (c)	At Proposed Tariff Rates (d)	Dollars (e)	Percent (f)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	\$ 33.00	\$ 43.50	\$ 10.50	31.82%	1
2	75 Percent Average Use	115	\$ 185.95	\$ 194.43	\$ 8.48	4.56%	2
3	Average Summer Use [1]	153	\$ 236.48	\$ 244.30	7.82	3.31%	3
4	125 Percent Average Use	191	\$ 287.02	\$ 294.17	7.15	2.49%	4
5	150 Percent Average Use	287	\$ 414.70	\$ 420.17	\$ 5.47	1.32%	5
<u>Winter Season Bills</u>							
6	Minimum Bill	0	\$ 33.00	\$ 43.50	10.50	31.82%	6
7	75 Percent Average Use	236	\$ 346.87	\$ 353.23	6.36	1.83%	7
8	Average Winter Use [1]	315	\$ 451.94	\$ 456.92	4.98	1.10%	8
9	125 Percent Average Use	394	\$ 557.01	\$ 560.60	3.59	0.65%	9
10	150 Percent Average Use	591	\$ 819.01	\$ 819.15	0.14	0.02%	10

<u>Effective Tariff Rates [2]</u>	<u>Amount</u>
Basic Service Charge	\$ 33.00
Commodity Charge	
All Usage	\$ 0.39349
Gas Cost, all therms	\$ 0.93647
<u>Proposed Tariff Rates [3]</u>	
Basic Service Charge	\$ 43.50
Commodity Charge	
All Usage	\$ 0.37596
Gas Cost, all therms	\$ 0.93647

[1] Workpapers, Schedule H-2, Sheets 1-4.

[2] Rates effective May 1, 2007 including all adjustments.

[3] Schedule H-3, Sheets 1 - 3.

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
PROPOSED vs. CURRENTLY EFFECTIVE RATES
G - 25(L) - GENERAL GAS SERVICE - LARGE

Line No.	Description (a)	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (c)	At Proposed Tariff Rates (d)	Dollars (e)	Percent (f)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	\$ 145.00	\$ 160.00	\$ 15.00	10.34%	1
2	75 Percent Average Use	929	\$ 1,265.73	\$ 1,294.86	\$ 29.14	2.30%	2
3	Average Summer Use [1]	1,239	\$ 1,639.70	\$ 1,673.56	33.86	2.06%	3
4	125 Percent Average Use	1,549	\$ 2,013.68	\$ 2,052.26	38.58	1.92%	4
5	150 Percent Average Use	1,936	\$ 2,480.55	\$ 2,525.01	44.47	1.79%	5
<u>Winter Season Bills</u>							
6	Minimum Bill	0	\$ 145.00	\$ 160.00	15.00	10.34%	6
7	75 Percent Average Use	1,665	\$ 2,153.62	\$ 2,193.96	40.34	1.87%	7
8	Average Winter Use [1]	2,220	\$ 2,823.16	\$ 2,871.95	48.79	1.73%	8
9	125 Percent Average Use	2,775	\$ 3,492.70	\$ 3,549.93	57.24	1.64%	9
10	150 Percent Average Use	3,469	\$ 4,329.93	\$ 4,397.72	67.80	1.57%	10

<u>Effective Tariff Rates [2]</u>	<u>Amount</u>
Basic Service Charge	\$ 145.00
Commodity Charge All Usage	\$ 0.27211
Gas Cost, all therms	\$ 0.93427
<u>Proposed Tariff Rates [3]</u>	
Basic Service Charge	\$ 160.00
Commodity Charge All Usage	\$ 0.28733
Gas Cost, all therms	\$ 0.93427

[1] Workpapers, Schedule H-2, Sheets 1-4.

[2] Rates effective May 1, 2007 including all adjustments.

[3] Schedule H-3, Sheets 1 - 3.

**SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
PROPOSED vs. CURRENTLY EFFECTIVE RATES
G - 40 - AIR CONDITIONING GAS SERVICE - SMALL**

Line No.	Description (a)	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (c)	At Proposed Tariff Rates (d)	Dollars (e)	Percent (f)	
1	Minimum Bill	0	\$ 25.00	\$ 27.50	\$ 2.50	10.00%	1
2	75 Percent Average Use	2,638	\$ 2,757.68	\$ 2,782.21	\$ 24.53	0.89%	2
3	Average Use [1]	3,517	\$ 3,668.23	\$ 3,700.09	31.87	0.87%	3
4	125 Percent Average Use	4,396	\$ 4,578.77	\$ 4,617.98	39.21	0.86%	4
5	150 Percent Average Use	5,495	\$ 5,717.22	\$ 5,765.60	48.38	0.85%	5

Effective Tariff Rates [2]	Amount
Basic Service Charge	\$ 25.00
Commodity Charge All Usage	\$ 0.09900
Gas Cost, all therms	\$ 0.93689
<u>Proposed Tariff Rates [3]</u>	
Basic Service Charge	\$ 27.50
Commodity Charge All Usage	\$ 0.10735
Gas Cost, all therms	\$ 0.93689

[1] Workpapers, Schedule H-2, Sheets 1-4.

[2] Rates effective May 1, 2007 including all adjustments.

[3] Schedule H-3, Sheets 1 - 3.

**SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
PROPOSED vs. CURRENTLY EFFECTIVE RATES INCLUDING DISCOUNT
LOW-INCOME SINGLE-FAMILY RESIDENTIAL GAS SERVICE**

Line No.	Description (a)	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (c)	At Proposed Tariff Rates (d)	Dollars (e)	Percent (f)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	\$ 7.00	\$ 7.50	\$ 0.50	7.14%	1
2	75 Percent Average Use	9	\$ 19.32	\$ 19.98	\$ 0.66	3.42%	2
3	Average Summer Use [1]	12	\$ 23.42	\$ 24.14	0.72	3.08%	3
4	125 Percent Average Use	15	\$ 27.53	\$ 28.31	0.77	2.80%	4
5	150 Percent Average Use	23	\$ 38.16	\$ 39.40	1.24	3.26%	5
<u>Winter Season Bills</u>							
6	Minimum Bill	0	7.00	\$ 7.50	0.50	7.14%	6
7	75 Percent Average Use	32	50.80	\$ 51.88	1.08	2.13%	7
8	Average Winter Use [1]	43	65.54	\$ 67.14	1.61	2.45%	8
9	125 Percent Average Use	54	80.14	\$ 82.40	2.26	2.82%	9
10	150 Percent Average Use	81	116.00	\$ 119.85	3.85	3.32%	10
<u>Effective Tariff Rates [2]</u>		<u>Amount</u>					
Basic Service Charge per Month		\$ 7.00					
Commodity Charge Summer							
First 15 Therms		\$ 0.54200					
Over 15 Therms		0.50100					
Commodity Charge Winter							
First 35 Therms		\$ 0.54200					
Next 115 Therms		0.50100					
Over 150 Therms		0.50100					
Gas Cost, all therms		0.82689					
<u>Proposed Tariff Rates [3]</u>							
Basic Service Charge per Month		\$ 7.50					
Commodity Charge Summer							
All Usage		\$ 0.56013					
Over 15 Therms		0.56013					
Commodity Charge Winter							
First 35 Therms		\$ 0.56013					
Next 115 Therms		0.56013					
Over 150 Therms		0.56013					
Gas Cost, all therms		0.82689					

[1] Workpapers, Schedule H-2, Sheets 1-4.

[2] Rates effective May 1, 2007 including all adjustments.

[3] Schedule H-3, Sheets 1 - 3.

**SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
PROPOSED vs. CURRENTLY EFFECTIVE RATES INCLUDING DISCOUNT
LOW-INCOME MULTI-FAMILY RESIDENTIAL GAS SERVICE**

Line No.	Description (a)	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			At Currently Effective Rates (c)	At Proposed Tariff Rates (d)	Dollars (e)	Percent (f)	
<u>Summer Season Bills</u>							
1	Minimum Bill	0	7.00	\$ 7.50	\$ 0.50	7.14%	1
2	75 Percent Average Use	9	19.24	\$ 19.83	\$ 0.59	3.05%	2
3	Average Summer Use [1]	12	23.22	\$ 23.94	0.72	3.08%	3
4	125 Percent Average Use	15	27.20	\$ 28.05	0.84	3.10%	4
5	150 Percent Average Use	23	37.83	\$ 39.01	\$ 1.18	3.11%	5
<u>Winter Season Bills</u>							
6	Minimum Bill	0	7.00	\$ 7.50	\$ 0.50	7.14%	6
7	75 Percent Average Use	22	36.50	\$ 37.64	\$ 1.13	3.11%	7
8	Average Winter Use [1]	29	45.80	\$ 47.22	1.42	3.11%	8
9	125 Percent Average Use	36	55.09	\$ 56.81	1.73	3.13%	9
10	150 Percent Average Use	45	67.04	\$ 69.14	\$ 2.10	3.14%	10

<u>Effective Tariff Rates [2]</u>	<u>Amount</u>
Basic Service Charge per Month	\$ 7.00
Commodity Charge Summer	
First 7 Therms	\$ 0.54200
Over 7 Therms	0.50100
Commodity Charge Winter	
First 18 Therms	\$ 0.54200
Next 132 Therms	0.50100
Over 150 Therms	0.50100

Gas Cost, all therms 0.82689

<u>Proposed Tariff Rates [3]</u>	<u>Amount</u>
Basic Service Charge per Month	\$ 7.50
Commodity Charge Summer	
First 7 Therms	\$ 0.54293
Over 7 Therms	0.54293
Commodity Charge Winter	
First 18 Therms	\$ 0.54293
Next 132 Therms	0.54293
Over 150 Therms	0.54293

Gas Cost, all therms 0.82689

[1] Workpapers, Schedule H-2, Sheets 1-4.
[2] Rates effective May 1, 2007 including all adjustments.
[3] Schedule H-3, Sheets 1 - 3.