

ORIGINAL

OPEN MEETING AGENDA ITEM



0000091693

EXCEPTION



SOUTHWEST GAS CORPORATION

December 10, 2008

Docket Control Office
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Docket No. G-01551A-07-0504
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 on its Properties
Throughout Arizona

Please accept for filing the enclosed original and thirteen (13) copies of the
Exceptions of Southwest Gas Corporation to the Recommended Opinion and Order
in the above referenced proceeding.

If you have any questions, please contact me at (702) 876-7163.

Respectfully submitted,

Debra S. Gallo by *Bo'D*
Debra S. Gallo, Director
Government & State Regulatory Affairs

DSG:tl
Enclosure

c: Parties of Record

Arizona Corporation Commission
DOCKETED

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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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

EXCEPTIONS

**EXCEPTIONS OF SOUTHWEST GAS CORPORATION
TO THE RECOMMENDED OPINION AND ORDER**

Pursuant to A.A.C. R14-3-110(B) and the notice of filing recommended opinion and order filed December 1, 2008, Southwest Gas Corporation ("Southwest" or the "Company") respectfully submits to the Arizona Corporation Commission ("Commission") for consideration the following exceptions:

**I.
BRIEF INTRODUCTION¹**

As stated in the recommended opinion and order of Administrative Law Judge Dwight D. Nodes ("ROO"), approval of the Company's proposed revenue decoupling was arguably the most important issue to Southwest in this case. As such, it is very disheartening that the Company's efforts to respond to the concerns raised by Staff, RUCO, the ALJ, and the Commissioners were dismissed out of hand in the ROO.

¹ By filing exceptions on select items, Southwest does not waive any claim or potential argument regarding any other procedural or substantive issues that may have arisen during this proceeding, and Southwest specifically reserves its right to file any applicable post order pleading that it deems appropriate.

Perhaps even more discouraging is the fact the ROO, as well as Staff's and RUCO's positions on revenue decoupling, completely ignore the potential extraordinary customer benefits associated with revenue decoupling. Instead, the ROO focuses on the fact that because revenue decoupling will improve the financial stability of the Company, it must be a poisoned pill, and concomitantly, it disregards the potential customer benefits that come with revenue decoupling.

II. REVENUE DECOUPLING

The rationale stated in the ROO for rejecting revenue decoupling is based on an incorrect premise; to wit, customers pay for gas they do not use, and the only benefit is revenue stability for the Company. As stated in the ROO:

We remain concerned that the decoupling proposals could provide a disincentive to customers to undertake conservation efforts, because they would be required to **pay for gas they did not use**. It appears that, **first and foremost, revenue decoupling is a means of providing the Company with what is effectively a guaranteed method of recovering authorized revenues**, thereby shifting a significant portion of the Company's risk to ratepayers. (Emphasis added.)²

While Southwest can easily list item by item the various arguments set forth by Staff and RUCO in opposition of full revenue decoupling referenced in the ROO, and respond to each one, the Company believes a better focus is to once again highlight the customer benefits and potential savings that are slipping away from Southwest's customers and this Commission if an amendment approving full revenue decoupling is not introduced and approved.

As the Company stated throughout the course of this proceeding and in its post-

² Recommended Opinion and Order, p. 41, lns. 5-9.

hearing briefs, implementation of revenue decoupling provides the Commission with greater flexibility on rate design and provides Southwest greater flexibility to promote and embrace energy efficiency and conservation, all of which benefit customers. For instance, some of the benefits associated with full revenue decoupling include:

- Increased flexibility in establishing rate designs that recover costs of service.
- Approval of the proposed energy efficiency and conservation action plan identified by the Company in its post-hearing brief.
- Approval of the full revenue decoupling on a pilot basis, which ensures that Southwest remains motivated to aggressively promote conservation and energy efficiency or faces the risk of losing full revenue decoupling.
- Information and data gathered during this pilot program can be fed into the generic docket that was recently opened by the Commission to investigate regulatory and rate incentives for gas and electric utilities so that parties participating in the generic docket are not speculating about decoupling, but instead can actually study its effects.
- Mitigation of the risk of higher-than-normal winter bills associated with colder-than-normal weather - **\$5.8 million dollars.**³
- Sending an appropriate price signal to customers that encourages conservation because as customers conserve, they save more money per therm than without revenue decoupling. This price signal encourages conservation because customers who conserve will save more per therm than without decoupling and customers who do not conserve will pay more per therm than without decoupling.⁴
- Elimination of the financial disincentive associated with a volumetric rate design, thereby empowering Southwest to aggressively promote conservation and develop and implement more meaningful conservation and energy efficiency programs, providing customers with additional opportunities to conserve natural gas.
- The potential to save Arizona customers **\$3.8 million to \$22.8 million**

³ Congdon Rebuttal Exhibit ABC-1, Sheet 3 of 3 illustrates that from 1998 – 2007 customers paid \$5.8 million more than they would have had a weather normalization adjustment mechanism been in place.

⁴ Exhibit A-36 demonstrates that with full revenue decoupling, customers who conserve save more and customers who do not conserve pay more.

dollars, on an annual basis, with full revenue decoupling.⁵

- Improvement of Southwest's revenue stability and, over time, improving its financial position in the marketplace and debt ratings resulting in lower financing costs to customers.

It is troubling that the focus of Staff, RUCO, and the ROO has not been on the tangible customer benefits and potential customer savings that will be lost if this Commission does not approve full revenue decoupling. If the Commission wants to maximize customer opportunities for conservation and energy efficiency, it will not reject the Company's full revenue decoupling proposals to the detriment of Southwest's Arizona customers based upon the unsubstantiated claims set forth in this proceeding - particularly in light of the potential customer benefits and the energy efficiency and conservation commitments proffered by Southwest. A form of an amendment that could be used to facilitate customer savings and remove any disincentive Southwest has to promote conservation and energy efficiency is attached hereto as Exhibit A.

At a minimum, this Commission should approve an amendment approving the Company's weather normalization proposal. Weather normalization helps mitigate high winter bills that customers experience during cold spells, an issue of concern to this Commission. As set forth by Southwest's unrebutted testimony and supporting exhibits, if customers had the benefit of a weather adjustment mechanism during the past ten years, they would have paid \$5.8 million less than they did.⁶ A weather normalization provision completely removes this risk that customers currently bear when weather is colder than normal.

⁵ The magnitude depends upon the reduction in customer usage. For instance, if Southwest's customers each conserve 2 therms more per year than anticipated the savings would be approximately \$3.8 million. If Southwest's customers conserve 7 therms more per year than anticipated the savings would be approximately \$22.8 million.

⁶ Congdon Rebuttal, p. 8 and Congdon Rebuttal Exhibit ABC-1, Sheet 3 of 3.

Numerous state regulatory agencies have enacted some form of weather normalization to mitigate weather risk for natural gas distribution customers and utilities. According to analyses published by the American Gas Association, 69 natural gas distribution utilities in 32 states have some form of weather protection, either through a stand-alone weather normalization mechanism or through a more comprehensive full decoupling mechanism. A form of an amendment that could be used for approving weather normalization, if full revenue decoupling is not approved, is attached hereto as Exhibit B.

III. COST OF CAPITAL

A. Capital Structure.

The issue pertaining to Southwest's requested capital structure relates to the recognition of a post-test year known and measurable change, not the use of a hypothetical capital structure as the ROO incorrectly characterizes. Southwest obtained its requested capital structure consisting of 45 percent common equity several months prior to the hearing in this proceeding and the Company intends to continue to improve upon this equity ratio on a go-forward basis.⁷

This Commission recently used post-test year capital structures based on the rationale that post-test year capital structures best reflect the conditions the utility will experience during the rate effective period or on a go-forward basis.⁸ It is not equitable that Southwest is prohibited from using a known and measurable change to its capital structure, when this Commission has granted capital structures based upon similar rationale – that the capital structure will be reflective of the capital structure that the

⁷ Wood Rebuttal, pp. 5-6.

utility will experience during the rate effective period.⁹

This rationale has also been applied to other post-test year known and measurable changes. For example, the ROO approves the Company's post-test year 2008 wage increase. Page 10, lines 12-14 of the ROO states: "the 2008 wage increase expense should be allowed because it is a known and measurable expense that is being incurred by Southwest Gas on a going-forward basis." (Emphasis added.) The same is also true as to the Company's capital structure. Query then, why is it not appropriate to use the 45 percent common equity ratio since it is the equity ratio obtained by the Company as of March 31, 2008; the Company intends to improve upon this ratio on a go-forward basis; and the test year equity ratio is not reflective of the conditions the Company will experience during the rate effective period?

The Company's requested capital structure consisting of an equity ratio of 45 percent is a known and measurable change, and it better reflects the conditions Southwest will experience during the rate effective period or on a go forward basis, which is consistent with Commission practice and other aspects of the ROO. A form of an amendment that could be used to correct this inconsistency is attached hereto as Exhibit C.

B. Cost of Equity Capital.

While Southwest recognizes the Commission's broad discretion to determine just and reasonable rates, inclusive of determining the appropriate cost of common equity capital, the Company submits that the recommended cost of equity is not consistent with Staff's own proxy groups and other major Arizona utilities.

⁸ UNS Gas Decision No. 70011 and UNS Electric Decision No. 70360.

⁹ UNS Gas Decision No. 70011.

As the ROO states, the standard for establishing a return for ratemaking purposes is a return “equal to that from an investment with similar risks made at generally the same time and should be sufficient under efficient management to enable the Company to maintain its credit standing and raise funds needed for the proper discharge of its duties.” While the ROO adopts Staff’s cost of equity recommendation, the recommendation is inconsistent with Staff’s own proxy group average – as the recommendation is considerably lower than Staff’s proxy group averages.

More troubling is the fact that the ROO appears inconsistent with the fact that this Commission recently approved a settlement for Tucson Electric Power that included a cost of equity of 10.25 percent and approved a 10.75 percent authorized cost of equity for Arizona Public Service Company (“APS”) last year in Decision No. 69663.¹⁰

Below is a table illustrating the various equity ratios and costs of equity for the 2007 average authorized returns per Staff witness Parcell, recent Commission decisions for electric and natural gas utilities, and the ROO.

¹⁰ Tr. p. 1038, ln. 3.

	Equity Ratio	Cost of Equity
2007 Average Authorized for Natural Gas Utilities¹³	48.4%	10.24%
Arizona Public Service¹⁴	54.5%	10.75%
Tucson Electric Power¹⁵	42.5%	10.25%
UNS Gas¹⁶	50.0%	10.0%
UNS Electric¹⁷	48.85%	10.0%
Recommended Opinion and Order	43.44%	10.0%

Based upon the foregoing, it is patently unfair for Southwest to be tasked with attracting equity capital on competitive terms, when the competition is receiving significantly higher returns and are arguably less risky, as suggested by their higher equity ratios. Accordingly, Southwest respectfully requests that the Commission amend the ROO to correct this inequity. A form of an amendment that could be used is attached hereto as Exhibit D.

IV. MISCELLANEOUS ISSUES

A. Yuma Manors Pipe Replacement Project.

Southwest respectfully submits that to permanently disallow an additional

¹³ Parcell Surrebuttal, p. 3 and Wood Rejoinder Exhibit No. ___ (TKW-10), Sheet 1 of 1.

¹⁴ Decision No. 69663 re: Arizona Public Service Company.

¹⁵ Decision No. 70628 re: Tucson Electric Power Company.

¹⁶ Decision No. 70011 re: UNS Gas, Inc.

¹⁷ Decision No. 70360 re: UNS Electric, Inc.

\$225,445 worth of capital expenditures associated with the Yuma Manors pipe replacement project is inappropriate. Regardless of whether one ultimately believes that the conduct of an employee of Southwest gave rise to the need to prematurely replace the Yuma Manor's distribution system, the ROO simply ignores the following unrebutted facts and circumstances surrounding the Company's decision to replace the distribution system:

- The Yuma Manors steel pipe already far surpassed the average useful service life for steel pipe in Arizona.¹⁸
- The Yuma Manors distribution system did not and was not required to have cathodic protection for more than half of the useful life of the pipe.¹⁹
- Not all of the steel pipe within the Yuma Manors subdivision was replaced as part of Southwest's Yuma Manors pipe replacement project.²⁰
- In addition to the age of the pipe and the lack of cathodic protection for the first 25-30 years of its useful life, the condition of the tar coating, soil conditions, and other environmental conditions are factors that contribute to the corrosion of steel pipe.²¹

As admitted by Staff witness Smith,²² this pipe would need to be replaced sometime in the future. Accordingly, this event is nothing more than a timing issue and permanent disallowance is not warranted. A complete disallowance is tantamount to a confiscation of Southwest's used and useful investment and a failure to recognize the irrefutable betterment of new pipe to the system.

The ROO suggests a disallowance of \$546,224 of capital expenditures, \$322,079 of which the Company has agreed to exclude from rate base.. The remaining \$225,445 should not be permanently disallowed. A form of an amendment correcting this inequity

¹⁸ Schmitz Rebuttal, p. 5; and Tr. p. 226, lns. 14-18.

¹⁹ Schmitz Rebuttal p. 5.

²⁰ Id. at p. 9.

²¹ Schmitz Rejoinder, p. 6, lns. 11-18 and p. 10.

²² Tr. pp. 957-58, lns 25 and 1-2.

could be in the form attached hereto as Exhibit D.

B. Uncontested Items and Items to Clarify.

As reflected in Southwest's post-hearing brief, there are numerous issues raised by the Company, Staff, and/or RUCO that were ultimately, either expressly or impliedly, uncontested by the respective parties. For clarity purposes, Southwest suggests that the Commission's final decision reflect the approval of these uncontested issues as set forth in the testimony of the parties to this proceeding. One specific example is Staff's recommendation of continuing the transmission integrity management plan ("TRIMP") surcharge and the prospective recovery of 100 percent of TRIMP related costs through the surcharge beginning March 1, 2009.

In addition, Southwest is informed and believes that the commodity rates set forth on page 58 of the ROO do not appear to accurately reflect the recommendations contained in the ROO. As such, it may be worthwhile to strike the references to the commodity rates and include an ordering paragraph that states rates will be designed to accurately reflect the revenue requirement approved by the Commission, which would allow Southwest and Staff to accurately calculate rates without being bound to a specific number set forth in the Commission's final decision. This suggestion may also be helpful in the event there are any amendments to the ROO that impact rates.

A form of an amendment that can be used to address these concerns is attached hereto as Exhibit E.

V.
SUMMARY AND CONCLUSION

As illustrated above, there is tremendous potential for customer savings and benefits associated with full revenue decoupling. There is also a significant benefit to Southwest, which is revenue stability. Unfortunately, Staff, RUCO, and the ROO utterly ignore the undeniable benefits.

Revenue decoupling is not the poisoned pill that that it has been made out to be. If it were, then why has SWEEP and NRDC expressed support for it in this proceeding?; why are there 26 decoupling tariffs in existence today?; why are there 43 million out of a total of 63 million natural gas customers being served under some form of non-volumetric rate design, 20 million of which are on a revenue decoupling tariff?; and why do nine out of ten of the utilities in Southwest's, Staff's, and RUCO's proxy group have some form of margin decoupling?²³

Revenue decoupling has also been mentioned as being a critical means to an energy efficiency end on a local level. For instance, the Climate Change Advisory Group (CCAG) for Governor Napolitano made recommendations for energy savings goals and the need for implementation of policy, program, and funding mechanisms needed to achieve these goals - one of which targets decisions by this Commission decoupling gas sales and revenues as central to achieving energy savings goals.²⁴

Based upon the foregoing, Southwest respectfully requests that the Commission approve full revenue decoupling on a pilot basis so that Southwest and its customers can

²³ Exhibit RUCO-16.

²⁴ Congdon Rebuttal, pp. 25-26 an Arizona Climate Change Action Plan, August 2006, P. 50.

tap into the conservation and energy savings and benefits associated with full revenue decoupling.

Southwest further requests that the Commission consider the Company's exceptions regarding capital structure, cost of equity, the Yuma Manors' capital expenditures, and the uncontested items (specifically, the TRIMP surcharge) as set forth above, including the form amendments attached hereto, during its deliberation and consideration of the ROO at the open meeting presently schedule for December 19, 2008.

DATED this 10th day of December 2008.

SOUTHWEST GAS CORPORATION

Justin Lee Brown by BCD

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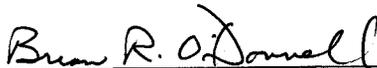

an employee of Southwest Gas Corporation

EXHIBIT A

PROPOSED AMENDMENT

COMPANY: Southwest Gas Corporation
DOCKET NO.: G-01551A-07-0504
OPEN MEETING DATES:

Rate Design Issues – Proposed Decoupling Mechanisms

PAGE 40, STRIKE lines 27 and 28,

PAGE 41, STRIKE lines 1 through 22 and

INSERT: “We are persuaded that the full revenue decoupling mechanisms proposed by Southwest Gas in the proceeding should be adopted. We believe Southwest Gas has raised valid potential customer benefits and savings associated with their full revenue decoupling proposal.”

“Southwest shall also file a request to implement the proposed energy efficiency and conservation action plans identified by the Company in its post-hearing brief.”

“Approval of full revenue decoupling shall be on a pilot basis for a period of three (3) years, and Southwest shall submit a filing by January 1, 2011 to request that revenue decoupling should be continued, modified, or discontinued.”

“In addition, Southwest shall make semiannual filings in the generic docket consisting of revenue decoupling impact data for study and review by the parties in the generic docket.”

Findings of Fact

PAGE 58, lines 1 and 2

STRIKE: “not”

INSERT: “full revenue” between Company’s and decoupling.

INSERT: “(RDAP and WNAP)” following proposals.

Order

PAGE 60, line 12

INSERT: “IT IS FURTHER ORDERD that Southwest Gas’ full revenue decoupling (RDAP and WNAP) shall be approved on a pilot basis for a period of three (3) years.

"IT IS FURTHER ORDERED that Southwest shall submit a filing by January 1, 2011 to request that revenue decoupling should be continued, modified, or discontinued."

"IT IS FURTHER ORDERED that Southwest shall make semiannual filings in the generic docket consisting of revenue decoupling impact data for study and review by the parties in the generic docket."

"IT IS FURTHER ORDERED that Southwest shall file a request to implement the proposed energy efficiency and conservation action plans identified by the Company in its post-hearing brief.

Make all other necessary conforming changes consistent with this amendment.

EXHIBIT B

PROPOSED AMENDMENT

COMPANY: Southwest Gas Corporation
DOCKET NO.: G-01551A-07-0504
OPEN MEETING DATES:

Rate Design Issues – Proposed Weather Normalization Adjustment Provision

PAGE 40, STRIKE lines 27 and 28,

PAGE 41, STRIKE lines 1 through 22 and

INSERT: “We are not persuaded that both decoupling mechanisms proposed by Southwest Gas in the proceeding should be adopted, but are persuaded that the weather normalization adjustment provision (WNAP) provides benefits to customers and should therefore be adopted.”

Findings of Fact

PAGE 58, lines 1 and 2

STRIKE: “26. The Company’s decoupling mechanisms proposals are not adopted in this proceeding for the reasons set forth hereinabove.”

INSERT: “26. The Company’s revenue decoupling adjustment mechanism (RDAP) is not adopted in this proceeding, but we hereby approve the Company’s weather normalization adjustment provision for the reasons set forth hereinabove.”

Order

PAGE 60, line 12

INSERT: “IT IS FURTHER ORDERD that Southwest Gas’ weather normalization adjustment provision (WNAP) shall be approved.

Make all other necessary conforming changes consistent with this amendment.

EXHIBIT C

PROPOSED AMENDMENT

COMPANY: Southwest Gas Corporation
DOCKET NO.: G-01551A-07-0504
OPEN MEETING DATES:

Conclusion on Cost of Equity

PAGE 25, lines 3 through 9

INSERT: "We believe that a cost of equity of ____ percent in this proceeding achieves an appropriate result that is supported by the evidence in the record. The parties expert analyses and use of proxy groups provides a broad range of results that is useful for assessing the reasonableness of this cost of equity."

PAGE 25, lines 15 through 18

STRIKE: "Staff's costs of equity capital recommendation"

INSERT: "a cost of equity capital of ____ percent"

PAGE 25, lines 18 through 20

STRIKE: "Staff's overall COE calculation of 9.90 percent, with an upward adjustment of 10 basis points to 10.0 percent,"

INSERT: "a COE of ____ percent"

PAGE 26, lines 9 and 10

STRIKE: "Staff's recommendation."

INSERT: "a COE of ____ percent."

Capital Structure

PAGE 28, lines 10 and 11

STRIKE: "Staff that use of the Company's actual test year capital structure is appropriate in this proceeding."

INSERT: "Southwest Gas that use of the Company's capital structure proposal is appropriate as it is a known and measurable change and it will best reflect the conditions the utility will experience during the rate effective period and on a go-forward basis."

PAGE 28, lines 11 through 13

STRIKE: "As the passage quoted above indicates, there was clearly an expectation that we would hold Southwest Gas to its actual capital structure so that its ratepayers would be relieved of the burden imposed by employment of a hypothetical capital structure.

PAGE 28, line 17

STRIKE: "not"

STRIKE: "hypothetical" and

INSERT: "its proposed capital"

- We are persuaded

PAGE 28, STRIKE lines 23 through 28 beginning with "However" on line 23 and continuing through the end of the sentence on PAGE 29, line 5.

Findings of Fact

PAGE 57, lines 20 through 23

STRIKE: "23. Staff's proposed actual test year capital structure, consisting of 43.44 percent common equity, 4.48 percent preferred common stock, and 52.08 percent long-term debt, is adopted. A 7.96 percent cost of long-term debt and 8.20 percent of preferred equity are also adopted, as is Staff's recommended 10.0 percent cost of common equity."

INSERT: "23. Southwest's proposed actual test year capital structure, consisting of 45.0 percent common equity, 4.0 percent preferred common stock, and 51.0 percent long-term debt, is adopted. A 7.96 percent cost of long-term debt and 8.20 percent of preferred equity are also adopted, as is a cost of common equity of ____ percent."

Make all other necessary conforming changes consistent with this amendment.

EXHIBIT D

PROPOSED AMENDMENT

COMPANY: Southwest Gas Corporation
DOCKET NO.: G-01551A-07-0504
OPEN MEETING DATES:

Rate Base Issues - Yuma Manors Pipeline Replacement

PAGE 8, line 1, STRIKE: “, at a minimum,”

PAGE 8, line 10, STRIKE: “half of” and replace with “in this proceeding \$546,224 should be removed from rate base of which”

PAGE 8, line 11

STRIKE: “of the Yuma Manors pipeline replacement (\$546,224)”

INSERT: “the cost for expediting the Yuma Manors pipeline replacement (\$320,079)”

PAGE 8, line 12

INSERT the following sentence before “We”

“The remaining \$225,445 will be included in rate base in the Company’s next general rate case.”

STRIKE footnote 2: “\$546,224” and INSERT: “\$320,079”

Findings of Fact

PAGE 57, line 7

STRIKE: “Half the cost of” and INSERT “Of the \$546,224 removed from rate base in this proceeding, the costs for expediting”

STRIKE: “(\$546,224)” and INSERT “(\$320,079)”

Order

PAGE 60, line 9

STRIKE: “half of the cost of”

INSERT: “of the \$546,224 removed from rate base in this proceeding, the costs for expediting”

PAGE 60, line 10

INSERT: “(\$320,079) after “project” and before “shall”

Make all other necessary conforming changes consistent with this amendment.

EXHIBIT E

PROPOSED AMENDMENT

COMPANY: Southwest Gas Corporation
DOCKET NO.: G-01551A-07-0504
OPEN MEETING DATES:

Uncontested Issues

PAGE 46, STRIKE lines 4 through 28 beginning with "For rate class G-5 . . ."

PAGE 59, line 3

INSERT: "As reflected in Southwest's post-hearing brief, there are numerous issues that were raised by Southwest Gas, Staff, and/or RUCO that were ultimately, either expressly or impliedly, uncontested by the respective parties in this proceeding. For purposes of this proceeding, these items are hereby approved."

PAGE 60, line 13

INSERT: "IT IS FURTHER ORDERED that all uncontested issues raised by the parties are hereby approved, as reflected in the testimony of the parties to this proceeding."

PAGE 60, line 14

INSERT: "IT IS FURTHER ORDERED that consistent with Staff's recommendation, Southwest shall be permitted to recover 100 percent of its TRIMP costs through a surcharge beginning March 1, 2009."

PAGE 60, line 15

INSERT: "IT IS FURTHER ORDERED that rates from this proceeding shall be calculated to reflect the revenue requirement approved herein and to be consistent with the objectives stated herein."

Make all other necessary conforming changes consistent with this amendment.