

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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AZ CORP COMMISSION
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In the Matter of the Application of Southwest Gas Corporation for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of the Properties of Southwest Gas Corporation Devoted to its Arizona Operations

DOCKET NO.: G-01551A-16-0107

NOTICE OF INTENT TO FILE A RATE CASE APPLICATION

Southwest Gas Corporation (Southwest Gas or Company), by and through the undersigned counsel, hereby submits its Notice of Intent to File a Rate Case Application with the Arizona Corporation Commission (Commission) for the establishment of just and reasonable rates. The Company intends to file its rate case application on or about May 2, 2016. The application will utilize a test year consisting of the 12 months ended November 30, 2015, and Southwest Gas will request that the new rates resulting from the application become effective May 1, 2017.

I. General Overview

Southwest Gas' currently effective rates became effective January 1, 2012, and were established by the Commission in Decision No. 72723, based on a test year ended June 30, 2010.

It has been more than five years since the Company last filed a general rate case and currently effective rates are based upon the level of operating expenses and capital investments made by the Company prior to June 30, 2010. Notwithstanding Southwest Gas' best efforts to manage operating expenses over the past five years, authorized revenues need to be updated to reflect overall changes in the level of operating expenses

1 currently being experienced by the Company, and to reflect the significant amount of capital
2 investments that have been made in the natural gas distribution system since its last rate
3 case that are not presently included in rates.

4 **II. Key Rate Case Issues**

5 Southwest Gas expects to raise the following key issues in its rate case application:

6 1. Results of Operations: the Company's application will include its overall
7 results of operations, including the determination of its revenue deficiency. The application
8 will also provide the Company's methodology for determining cost responsibility and
9 allocations among its various rate jurisdictions and business operations.

10 2. Capital Structure; Cost of Capital; Cost of Equity: Southwest Gas will
11 propose the use of its actual test year capital structure. The Company's application will
12 discuss the embedded cost of long-term debt used for determining the appropriate cost of
13 capital, as well as the importance of the Company's overall rate of return on its bond ratings
14 and financial profile. Southwest Gas will propose a cost of equity that reflects current
15 market conditions.

16 3. Fair Value Rate of Return: Southwest Gas will propose a fair value rate base
17 and a return on fair value rate base in accordance with the Arizona Constitution.

18 4. Depreciation Study: Southwest Gas will include a depreciation study in its
19 filing, supporting a proposal to update currently effective depreciation rates.

20 5. Rate Design: Southwest Gas will propose to continue its decoupled rate
21 design (through the continued utilization of its Energy Efficiency Enabling Provision).
22 Southwest Gas' proposed rate design is intended to achieve customer acceptance and
23 understandability, promote the Company's energy efficiency and conservation efforts, and
24 result in the fair and equitable recovery of costs.

25 6. Infrastructure Cost Recovery: the Company's application will seek to expand
26 its current infrastructure cost recovery program by proposing enhancements to the
27 Customer Owned Yard Line (COYL) program approved in its last general rate case and to
28 develop an aging infrastructure replacement and/or modernization program, including but

1 not limited to the accelerated replacement of pre-code steel pipe throughout its Arizona
2 service territory.

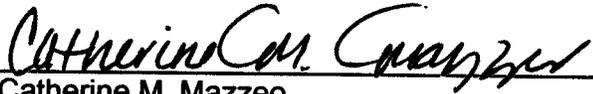
3 7. Post Test-Year Plant Additions: the Company's application will include an
4 adjustment to rate base for post test year plant additions.

5 **III. Conclusion**

6 Southwest Gas intends to file a rate case application on or about May 2, 2016, with
7 a proposed effective date for new rates of May 1, 2017. The Company requests that a
8 docket be opened in this matter and that the same docket be used when the Company files
9 its application.

10 Respectfully submitted this 21st day of March, 2016.

11 SOUTHWEST GAS CORPORATION

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1 Original and 13 copies of the foregoing were filed
2 this 21st day of March, 2016 with:

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

7 Copies of the foregoing were hand-delivered/mailed
8 this 21st day of March, 2016 to:

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