

Decision 88 12 081 DEC 19 1988

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHWEST GAS CORPORATION for)
Authority to increase Natural Gas)
Rates in San Bernardino and Placer)
Counties, California.)

Application 88-02-003
(Filed February 3, 1988)
Mailed

DEC 22 1988

Thomas R. Sheets, Attorney at Law, for Southwest
Gas Corporation, applicant.

James Hodges, California/Nevada Community Action
Association and Project Go, Inc., interested
parties.

Alberto Guerrero, Attorney at Law, and Sung B. Han,
for the Division of Ratepayer Advocates.

OPINION

Summary of Decision

This decision grants Southwest Gas Corporation (Southwest) an increase in rates resulting in an increase in its authorized margin (total revenue less the cost of gas) of \$5,731,028, an increase of approximately 34.61%, in its Mojave Division, and \$105,036, an increase of approximately 3.91%, in its Sierra Division. The increase will allow Southwest to earn a rate of return of 11.94% and a return on equity of 13%. The proposed decision of Administrative Law Judge (ALJ) O'Leary which was mailed on October 24, 1988 authorized a rate of return of 11.72% and a return on equity of 12.5%. This decision is basically the same as that filed by ALJ O'Leary; however, to reflect the increased rate of return and the increased return on equity, pages 13, 26, and 27 of Appendix A have been revised solely to reflect the rate of return of 11.94% and the return on equity of 13%. Appendix B (pages 2 through 11) has also been revised to reflect the above modifications.

Other minor changes have been made to the ALJ's proposed decision which need not be explained in detail.

Background

Southwest requests authority to increase rates for its gas service in San Bernardino County (Mojave Division) and Placer County (Sierra Division). As originally filed, the application which is based on a 1989 test year requested an increase of \$3,930,475 and \$439,721 of additional gross revenues above present rates in the Mojave and Sierra Divisions, respectively. The application alleges that these are the amounts necessary to earn a rate of return of 12.33% on rate base and an opportunity to earn a return on common equity of 14.0%.

Southwest is a natural gas company (as defined in the Natural Gas Act) engaged in the transmission and sale of natural gas wholesale and is a public utility engaged in the transmission, distribution, and sale of natural gas to retail customers for domestic, commercial, agricultural, and industrial uses in Arizona, Nevada, and California. As of December 31, 1987, Southwest served approximately 519,242 customers in Arizona, 158,133 customers in Nevada, and 76,140 customers in California of which 68,140 are located in its Mojave Division and 8,000 are located in its Sierra Division.

Subsequent to the filing of the application, the Commission's Division of Ratepayer Advocates (DRA) conducted an examination of Southwest's operations which included the following:

1. An audit of Southwest's financial records for the period 1985 through 1987;
2. Review of Southwest's women and minority business enterprise program;
3. Review of Southwest's energy conservation programs and long-term plan; and
4. Review of Southwest's results of operations for test year 1989, including its cost of capital and rate of return requirements.

The results of DRA's examination, together with its recommendations, were set forth in various exhibits which were transmitted to Southwest on or about July 15, 1988.

A prehearing conference was held at San Francisco on April 3, 1988. Public witness hearings for the receipt of evidence and/or statements were held before ALJ O'Leary at Tahoe City in the afternoon and evening of July 21, 1988, and at Victorville in the afternoon and evening of July 26, 1988. Notice of the public witness hearings was included as an insert with customers' bills. In addition, notice of the public witness hearing at Tahoe City was published in the Tahoe Daily Tribune, and notices of the public witness hearings at Victorville were published in the Victor Valley Daily Press, Big Bear Life & Grizzly, and the Desert Dispatch. At Tahoe City the executive director of Project Go, Inc. made a statement concerning the need for weatherization assistance to the low-income people residing in Southwest's Sierra Division. At both the afternoon and evening public witness hearings in Victorville, Southwest's attorney advised the members of the public in attendance that a stipulation had been reached with DRA concerning the application which provides for an increase in revenue of approximately \$1.3 million, approximately 1/3 of the original request. At Victorville eight members of the public participated at the public participation hearings. Five people made statements concerning the amount of the requested increase and/or proposed rate design. At the afternoon hearing one person questioned Southwest's representatives and one person made a statement concerning alleged improprieties by an employee of Southwest involved in a political campaign just prior to a recent mayoralty election in the City of Barstow. An employee of Southwest who was actively involved in the campaign of an opponent of the incumbent mayor used Southwest's postage meter to affix postage to a mailing supporting the opponent of the incumbent mayor. Mr. Banford, the

division manager of Southwest's Mojave Division, made a statement concerning this matter as follows:

"When this was brought to my attention, it was brought to my attention that a Southwest Gas postage meter was used in sending out political information in the last race that they had in the Barstow area.

"I investigated it, and I discovered that one of our employees, who is of the management level, did use our postage meter on a Sunday. I believe the figure was about \$186 worth of postage. He turned into our treasury, to our cash receipt, a check from the candidate who he was working for, and I don't even know the name of the candidate, but the candidate he was working for paid for the postage; therefore, it was a complete wash.

"We have discussed it within our company, and it is not a policy that we want to follow, to use our equipment in that manner, and it will not happen again. But the postage that came out of our postage meter was completely refunded. So there was no cost to Southwest Gas whatsoever."

Counsel for Southwest stated that:

"I can assure you that, as far as I am concerned, this isn't an acceptable situation, and I will pass that along to the headquarters people in Las Vegas where the corporate headquarters is.

"The money has been reimbursed, as I understand it. And I don't know whether you have any reason to disbelieve Mr. Banford or not. I don't.

"We will assure that it doesn't happen again. And, no, it's not our corporate policy to, as a corporation--we have a political action committee, but that's separate and apart from the corporation. The corporation's policy with respect to politics and races is neutral. Now, what our employees do individually is something different.

"But certainly it isn't our purpose to allow them to use company facilities to engage in whatever individual political pursuits they have.

"And I will, as I said, I will bring to the attention of the people, the appropriate people in Las Vegas, the facts of the situation. And I would tell you it's unfortunate, and I'm sure that Mr. Banford will make sure that it doesn't happen again."

Evidentiary hearings were held before ALJ O'Leary at Victorville on July 27 and at San Francisco on August 3, 1988. The matter was submitted after the conclusion of the August 3 hearing. On September 21, 1988, submission was set aside and the matter was reopened for the receipt of Exhibit 16 (a corrected Schedule 1, page 14 of 14 in Exhibit 12). The matter was resubmitted on September 21, 1988. As a result of a decision in I.88-07-009, Southwest will be required to realign residential rates, including baseline rates. Because of this requirement and because there appeared to be some question with the present rates set forth in the application, ALJ O'Leary issued a ruling on October 6, 1988 requiring Southwest to submit a listing of all effective base rates as of November 1, 1988 as late-filed Exhibit 17. On November 15, 1988 Southwest filed a petition to set aside submission for the purpose of receiving in evidence Exhibit 17. The petition also requested the admission of revised Exhibit 13 which was attached to the petition. Southwest alleged that the revisions to Exhibit 13 reflect the guidelines set out in the decision in I.88-07-009, and the updating of gas cost and balancing account balances reflected in late-filed Exhibit 17. DRA has advised the ALJ that it has no problem with the exhibits; however, the calculations will have to be changed if the adopted return on equity is changed. Since the filing of Exhibit 17 was provided for in an ALJ ruling, a petition to set aside submission for its receipt was not necessary. Exhibit 17 was received on the date it was tendered. Since we are

not adopting the rate of return and the return on equity set forth in the ALJ's proposed decision, there is no need for revised Exhibit 13 and the Petition to Reopen for the taking of additional evidence will be denied.

At the July 27 hearing Southwest's exhibits (Exhibits 1 through 4) and DRA's exhibits (Exhibits 5 through 11) were received in evidence. At the August 3 hearing the stipulation was received in evidence as Exhibits 12 and 13. The parties to the stipulation are Southwest, DRA, and California/Nevada Community Action and Association and Project Go, Inc. (Project Go). The stipulation did not include an agreement respecting a specific return or equity on rate of return. DRA recommended a return on equity between 12.25% and 12.75%. For the purposes of setting out a complete stipulation the financial tables accompanying the stipulation were based upon a return on equity of 12.5% and a rate of return of 11.72%. The numbers set forth below have been revised to coincide with the 13% return on equity and 11.94% rate of return authorized herein. Appendixes A and B have also been revised to reflect the authorized rate of return of 11.94% and return on equity of 13.0%. The salient points of the stipulation are as follows:

A. Operating Revenues and Margin

1. Southwest requires operating revenues for test year 1989 as follows:

- | | | |
|--------------------|--|---|
| a. Mojave Division | \$43,395,585 on a volume of 78,768,538 therms. | ✓ |
| b. Sierra Division | \$ 5,963,316 on a volume of 7,383,910 therms. | ✓ |

These figures include gas costs from its suppliers at rates effective October 1, 1987 but do not include revenues from surcharges to clear balancing accounts and the Public Utilities Reimbursement Account.

2. Southwest's margin (test year operating revenue less the cost of purchased gas, including associated franchise fee and uncollectible costs) is as follows:

- a. Mojave Division \$22,264,953 ✓
- b. Sierra Division \$ 2,789,944 ✓

B. Operation and Maintenance Expenses

Southwest should be allowed to recover operating and maintenance expenses as follows:

- a. Mojave Division \$10,684,000
- b. Sierra Division \$ 1,226,532

C. Depreciation Expenses

Depreciation expenses shall be those approved by D.85-12-103 and are as follows:

- a. Mojave Division \$3,677,929
- b. Sierra Division \$ 471,279

D. Taxes

Full normalization along with an amortization of the unfunded future tax liability, Reverse South Georgia, shall be utilized in calculating the California Corporation Franchise Tax (CCFT) and Federal Income Tax (FIT) liability. Interest synchronization method of computing interest expense shall be utilized for the computation of FIT. Total tax figures for test year 1989, including property, franchise CCFT and FIT, are as follows:

- a. Mojave Division \$3,135,799 ✓
- b. Sierra Division \$ 455,189 ✓

E. Rate Base

Southwest's rate base is as follows:

- a. Mojave Division \$42,357,980
- b. Sierra Division. \$ 5,657,397

F. Rate of Return and Return on Equity

1. The capital structure is adopted as follows:

	<u>Capital Ratios</u> (%)		<u>Cost Factors</u> (%)	<u>Earnings on Common Equity 13%</u> (%)
Long-Term Debt	50	x	11.21	5.61
Preferred Stock	5	x	9.57	0.48
Common Stock Equity	<u>45</u>	x	13.00	<u>5.85</u>
Total	100%			11.94%

2. A return on equity of 13% and a rate of return of 11.9% is authorized.

G. Rate Design

The rate design developed by DRA, with modifications which have been mutually agreed to by DRA and Southwest, is to be utilized and is set forth in Exhibit 13 and Appendix B hereto. Tables 1 and 2 set forth the present and proposed rates together with the amount and percentage increase for the Mojave and Sierra Divisions, respectively.

Appendix B and Tables 1 and 2 have been revised to reflect the authorized return on equity of 13% and the authorized rate of return of 11.94%.

TABLE 1

Mojave Division

<u>Type of Service</u>	<u>Base Rate</u>		<u>Increase</u>	
	<u>Present</u>	<u>Proposed</u>	<u>Amount</u>	<u>Percent</u>
<u>Residential</u>				
<u>Schedule G-1</u>				
Basic Monthly				
Service Charge	\$4.25	\$4.25	\$ 0	0%
Commodity Charge				
per Therm				
Baseline Tier I	.43954	.44245	.00291	0.07
Tier II	.77773	.76091	-.01682	-2.16
<u>Residential</u>				
<u>Schedule G-1N</u>				
Basic Monthly				
Service Charge	4.25	4.25	0	0
Commodity Charge				
per Therm				
Baseline Tier I*	.59240	.67105	.07865	13.28
Tier II*	.84047	.67105	-.16942	-20.16
<u>Street and Outdoor</u>				
<u>Lighting Service</u>				
Charge per lamp				
per month				
1.99 cu.ft./hr.				
or less	12.05	9.12	-2.93	-24.32
2-2.49 cu.ft./hr.	15.16	13.29	-1.87	-12.34
<u>Commercial Service</u>				
Basic Monthly				
Service Charge	4.25	10.00	5.75	135.29
Commodity Charge				
per Therm	.59927	.47915	-.12012	-20.04
<u>Cogeneration Service</u>				
Basic Monthly				
Service Charge	75.00	75.00	0	0
Commodity Charge				
per Therm	.33529	.31951	-.01578	-4.71

* Baseline eliminated for second homes \$0.67105
rate applies to all usage.

(Continued)

TABLE 1 (Contd.)

Mojave Division

<u>Type of Service</u>	<u>Base Rate</u>		<u>Increase</u>	
	<u>Present</u>	<u>Adopted</u>	<u>Amount</u>	<u>Percent</u>
<u>Industrial Service</u>				
Basic Monthly				
Service Charge	\$4.25	\$75.00	\$70.75	1665%
Commodity Charge				
per Therm	.37870	.34473	-.03397	-8.97
<u>Electric Generation Service</u>				
Basic Monthly				
Service Charge	500.00	500.00	0	0
Commodity Charge				
per Therm	.33529	.31951	-.01578	-4.71
<u>Internal Combustion Engine Service</u>				
Basic Monthly				
Service Charge	10.00	25.00	15.00	150
Commodity Charge				
per Therm	.49953	.42398	-.07555	-15.12
<u>Multifamily Master Metered Service</u>				
Basic Monthly				
Service Charge	4.25	25.00	20.75	488
Commodity Charge				
per Therm				
Baseline				
Quantities	.43954	.44245	.00291	0.06
Tier II	.77773	.76091	-.01682	-2.16
<u>Standby Service (New Category)</u>				
Basic Monthly				
Service Charge	N/A	10.00	N/A	N/A
Commodity Charge				
per Therm	N/A	.60157	N/A	N/A

NOTE: The above adopted base commodity rates must be adjusted to reflect the balancing account rate of (\$0.04315) and CPUC surcharge of \$0.00076 to reflect effective commodity rates.

TABLE 2

Sierra Division

<u>Type of Service</u>	<u>Base Rate</u>		<u>Increase</u>	
	<u>Present</u>	<u>Adopted</u>	<u>Amount</u>	<u>Percent</u>
<u>Residential</u>				
<u>Schedule G-10</u>				
Basic Monthly				
Service Charge	\$4.25	\$4.25	\$ 0	0%
Commodity Charge				
per Therm				
Baseline Tier I	.53504	.59183	.05679	10.61
Tier II	.60657	.65118	-.04461	-7.35
<u>Residential</u>				
<u>Schedule G-10N</u>				
Basic Monthly				
Service Charge	4.25	4.25	0	0
Commodity Charge*				
per Therm				
All Usage	.71086	.75900	-.04814	6.77
<u>Commercial Service</u>				
Basic Monthly				
Service Charge	4.25	7.75	3.50	82.35
Commodity Charge				
per Therm	.69518	.62843	-.06675	-9.60
<u>Street and Outdoor</u>				
<u>Lighting Service</u>				
Charge per lamp				
per month				
1.99 cu.ft./hr.				
or less	11.02	10.39	-0.63	-5.72
<u>Multifamily Master</u>				
<u>Metered Service</u>				
Basic Monthly				
Service Charge	4.25	7.75	3.50	82.35
Commodity Charge				
per Therm				
Baseline				
Quantities	.53504	.59183	.05679	10.61
Tier II	.60657	.65118	-.04461	7.35

* Baseline previously eliminated for second homes.

NOTE: The above adopted base commodity rates must be adjusted to reflect the balancing account rate of (\$0.02872) and CPUC surcharge of \$0.00076 to reflect effective commodity rates.

The stipulation also provides for increases in the returned check charge from \$5 to \$10. No increase is proposed in the service establishment charge. The stipulation also provides for the institution of a late payment charge as follows:

Residential	\$2.50 per bill
Nonresidential	\$6.00 or 1% of the monthly bill whichever is greater.

H. Female/Minority Business Enterprises

DRA's proposal is adopted.

I. Low-Income Weatherization

The program administered by Project Go shall be continued for 1989, 1990, and 1991. The continuation shall be funded at \$50,000 annually. The source of the funds will be the \$70,000 unspent for 1988, plus an additional \$26,667 annually shall be included in rates to attain the \$50,000 annual figure.

J. Accounting Changes

Southwest shall calculate its net cost of funds loaned to ratepayers under its CFA program at the prime interest rate plus 1/2% effective January 1, 1987 and shall adjust the CFA balancing account to reflect this change.

K. Attrition Year 1990 - Mojave Division

The attrition set forth in Schedule 1, page 14, is agreed to.

Discussion

Since there are no objections to the stipulation and we are adopting the stipulation in its entirety, there are only two matters that require discussion, namely:

1. The unauthorized use of Southwest's postage meter and
2. The appropriate return on common equity.

With respect to the inappropriate use of Southwest's postage meter, it is unfortunate that the incident occurred; however, our concern is limited as follows:

1. Did the incident incur expenses that should not be borne by the general body of ratepayers, and
2. Does management allow employees to use company resources to further activities other than the activities associated with the normal business operations of the company?

We are convinced from the statements of both the Mojave Division manager and Counsel that Southwest has been reimbursed for the expenses incurred, and that management was not aware of the incident at the time it took place, and further that it is not company policy to allow employees to utilize company resources for the furtherance of activities of political or other interests not associated with the general operation of the company. We also note that by letter, dated September 19, 1988 addressed to ALJ O'Leary, counsel for Southwest advised that the involved employee was reprimanded by the division manager and that all managers and supervisors in the Mojave Division have been advised by the division manager of Southwest's policy with respect to the unauthorized use of company equipment.

With respect to the appropriate return on common equity, the financial statements contained in the stipulation are based upon a return on common equity of 12.5%. We have previously pointed out that the 12.5%, which is the midpoint of DRA's recommendation (12.25% - 12.75%) was used for convenience and illustrative purposes only. In its comments Southwest urges a return on equity of 14%. In support of this request Southwest urges us to consider the events of the past several months, including the rise in interest rates, the recent earnings losses in gas operations of Southwest, and the apparent upward trend of

returns on equity in the financial attrition review proceedings. We believe that based upon the current economic climate, a return on equity of 13% is appropriate and will be adopted as reasonable. The stipulation does not set forth the capital structure agreed to; however, it does state that the parties agree to the capital structure proposed by DRA which is the following:

<u>Component</u>	<u>Capital Ratios</u> (%)	<u>Cost Factors</u> (%)	<u>Earnings Rates on Common Equity</u>		
			<u>12.25%</u>	<u>12.50%</u>	<u>12.75%</u>
			<u>Weighted Cost Factors</u> (%)	<u>Weighted Cost Factors</u> (%)	<u>Weighted Cost Factors</u> (%)
<u>Test Year 1989</u>					
Long-Term Debt	50.00	x 11.21	5.61	5.61	5.61
Preferred Stock	5.00	x 9.57	0.48	0.48	0.48
Common Stock Equity	<u>45.00</u>		<u>5.51</u>	<u>5.63</u>	<u>5.74</u>
Total	100.00		11.60	11.72	11.83

Our adopted capital structure is the following:

<u>Component</u>	<u>Capital Ratios</u> (%)	<u>Cost Factors</u> (%)	<u>Earnings Rates on Common Equity</u> <u>13%</u> (%)
	<u>Test Year 1989</u>		
Long-Term Debt	50.00	x 11.21	5.61
Preferred Stock	5.00	x 9.57	0.48
Common Stock Equity	<u>45.00</u>		<u>5.85</u>
Total	100.00		11.94

Findings of Fact

1. By this application, as originally filed, Southwest requested an increase in rates aggregating \$3,930,475 and \$439,721 for its Mojave and Sierra Divisions, respectively. The increase would give it an opportunity to earn a return on equity of 14% and a rate of return of 12.33%.
2. Properly noticed hearings in this application were held at which all interested parties had an opportunity to be heard.
3. Southwest did not incur any expense in connection with the unauthorized use of its postage meter.
4. The employee who used the postage meter in connection with a political campaign mailing has been reprimanded by management.
5. Southwest, Project Go, and DRA have entered into the stipulation set forth in Exhibits 12 and 13; however, Southwest did not agree to the return on equity of 12.5%. This 12.5% was used for illustrative purposes only.
6. A return on common equity of 13% and a rate of return of 11.94% for the test year 1989 are reasonable.
7. The rate design set forth in Appendix B attached hereto is reasonable and should be adopted.
8. The rates and rate designs shown in Appendix B will produce estimated additional annual authorized margin of \$5,731,028 in its Mojave Division and \$105,036 in its Sierra Division for test year 1989.
9. Southwest requires \$609,000 operational attrition for its Mojave Division for 1990.
10. Southwest has not requested operational attrition for its Sierra Division for 1990.
11. The increases in rates and charges authorized by this decision are justified and are reasonable, and the present rates and charges insofar as they differ from those prescribed by this decision are for the future unjust and unreasonable.

Conclusion of Law

Southwest should be authorized to place into effect the increased rates found to be reasonable in the findings set forth above.

ORDER

IT IS ORDERED that:

1. Southwest Gas Corporation is authorized to file revised rate schedules reflecting the rates and rate increases set forth in this decision and concurrently withdraw and cancel its presently effective schedules. Such filings shall comply with General Order 96-A and shall be effective 5 days after filing applicable to service rendered on and after the effective date of the tariffs. In no event shall the effective date of the tariff schedules be prior to January 1, 1989.

2. To the extent not granted herein Application 88-02-003 is denied.

This order becomes effective 30 days from today.

Dated DEC 19 1988, at San Francisco, California.

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY:

Victor Weisner
Victor Weisner, Executive Director
ps

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHWEST GAS CORPORATION for the)
Authority to Increase natural gas rates) A. 88-02-003
in San Bernardino and Placer Counties,)
California)

STIPULATION AND AGREEMENT

I

INTRODUCTION

Southwest Gas Corporation (Southwest), the Division of Ratepayer Advocates (DRA) and the California-Nevada Community Action Association and Project Go Inc. (Project Go) have entered into this Stipulation for the purpose of providing to the Commission a recommended resolution of all issues in these proceedings except the cost of capital issue which is partly resolved and is further addressed herein. The Stipulation includes this text and the schedules attached hereto as well as the rate design exhibit (Exhibit 13) and attachments thereto.

The parties urge the Commission to find that the costs and non-cost elements contained in this Stipulation are just and reasonable for Southwest's operations in its Mojave (San Bernardino County) and Sierra (Placer County) divisions for the Test Year 1989 and for the Attrition Year 1990 for the Mojave Division.

II

BACKGROUND

On February 1, 1988, Southwest filed an application for general rate relief for its Mojave and Sierra divisions for a 1989 Test Year with an Attrition Year of 1990 for its Mojave Division. Southwest's filing was transmitted to the Commission, to all parties in Southwest's last general rate case and to appropriate governmental entities.

The rate filing was accompanied by a full set of workpapers supporting Southwest's estimates of expenses. The filing gave notice of Southwest's intent to request authority to recover the revenue requirement resulting from Southwest's costs of owning and operating facilities necessary to provide natural gas service in Southwest's certificated service areas. These costs included estimates for all non-fuel related operation and maintenance expenses, depreciation, taxes, and a fair return on rate base. Southwest's rate filing also included estimates for levels of gas sales and proposed rates designed to enable the company to recover its estimated costs at those sales levels.

A prehearing conference was held April 5, 1988 and the assigned Administrative Law Judge, Frank J. O'Leary, set the case for hearings, commencing July 27, 1988. No entities other than DRA entered appearances or intervened in the proceedings except for the limited intervention of Project Go concerning Southwest's low income weatherization program in the Sierra Division.

Starting before Southwest made its rate filing and continuing through July, 1988, DRA propounded numerous data requests

to Southwest covering all aspects of Southwest's Application. The DRA also assigned a team of auditors over a period of months to review the financial, accounting and operating records of Southwest at its headquarters offices in Las Vegas, Nevada, and its division offices in Victorville, California, and Incline Village, Nevada. The parties to this Stipulation believe the DRA's review of Southwest's Application and supporting materials was both extensive and complete.

On July 15, 1988, the DRA distributed proposed exhibits, consisting of its reports analyzing Southwest's 1989 Test Year rate filing for both the Mojave and Sierra divisions and the Attrition Year 1990 filing for the Mojave Division. Overall, DRA's cost and resulting revenue requirements estimates were below, and its sales level estimates differed from the estimates used by Southwest.

Subsequently Southwest and DRA expressed a desire to explore the settlement of some or all of the issues in this matter once DRA's exhibits and reports had been completed.

On July 19, 1988 the DRA and Southwest met at the Commission's offices in San Francisco to narrow issues and discuss settlement. An open, frank and confidential discussion of the issues ensued. At that meeting virtually all of the terms of this Stipulation were negotiated. The low income weatherization issue was settled on August 1, 1988 after discussions between Southwest, the DRA and Project Go. This agreement on low income weatherization is also embodied in the Stipulation and accompanying schedules.

The parties hereto urge that this Stipulation be adopted by the Commission. The parties believe it to be clearly in the public interest. The Stipulation represents a resolution that is fair and reasonable for both Southwest and its customers. It does so in a manner that alleviates the need for the major commitment of time and resources that would otherwise be devoted to litigating the case in full.

III

STIPULATION

It is understood and agreed by all the parties hereto that this Stipulation is made for the purpose of expediting hearings and a decision in this case. Neither DRA nor Southwest expressly concede the validity of the other's proposed test year estimates where those estimates differ. None of the parties expressly concedes the others' position on the low income weatherization issue. All parties, however, desire a full settlement of all issues. All parties agree that this Stipulation, either in whole or in part, shall have no express or implied precedential effect in any future proceeding, unless specifically agreed to by the parties.

The amounts shown in this Stipulation and the accompanying schedules are calculated using a return on common equity (ROE) of 12.50%. This ROE, however, is used for illustrative purposes only and the amounts shown in this Stipulation and the accompanying schedules are subject to adjustment pending the Commission's decision as to the appropriate level of return on equity.

All costs and revenues are expressed in 1989 dollars unless otherwise specified.

A. OPERATING REVENUES AND MARGIN

For purpose of this Stipulation, the parties agree that the operating revenues for the 1989 test year for Southwest's Mojave Division shall be \$43,237,597 based on a volume of 78,768,538 therms and for Southwest's Sierra Division shall be \$5,942,265 based on a volume of 7,383,910 therms. Such revenue levels exclude revenues from all surcharges to clear the balancing accounts and the Public Utilities Reimbursement Account. Further, such revenues include gas costs from Southwest's suppliers at rates effective October 1, 1987.

For purposes of this Stipulation, the parties agree that Southwest's margin for the Test Year 1989 is \$22,106,965 for the Mojave Division and \$2,768,893 for the Sierra Division. The derivation of Southwest's margin, which is defined as test year operating revenue less the cost of purchased gas, including associated franchise fee and uncollectible costs, is shown in the attachments hereto.

B. OPERATION AND MAINTENANCE EXPENSES.

For purposes of this Stipulation, the parties agree that the amount of Operations and Maintenance expenses that Southwest should be allowed to recover in rates for the 1989 Test Year for the Mojave Division is \$10,684,000 and for the Sierra Division, \$1,226,532. The schedules attached to this Stipulation detail, on an account-by-account basis, the operating expense levels agreed to by the parties.

C. DEPRECIATION EXPENSE

For purposes of this Stipulation, the parties agree to use the depreciation rates approved by the Commission in its Decision No. 85-12-103, dated December 20, 1985. Based on such rates, the schedules attached to this Stipulation reflect an annual level of depreciation expense for the 1989 Test Year of \$3,677,929 for the Mojave Division and \$471,279 for the Sierra Division.

D. TAXES

For purposes of this Stipulation, the parties agree to utilize full normalization along with an amortization of the unfunded future tax liability, Reverse South Georgia, in calculating the California Corporation Franchise Tax (CCFT) and Federal Income Tax (FIT) liability applicable to both the Mojave and Sierra divisions. The parties agree that full normalization and amortization of the unfunded future tax liability yields a lower revenue requirement than flow through. By utilizing the Reverse South Georgia methodology (per IRS Revenue Procedure 88-12, 1988-8, IRB 15), Southwest recovers tax savings previously flowed through to ratepayers and amortizes the excess deferred taxes collected at the 46% and 40% rates. The CCFT and FIT rates utilized are 9.3% and 34%, respectively. Further, the parties agree to utilization of the interest synchronization method of computing interest expense for purposes of calculating federal income taxes. The schedules attached to this Stipulation reflect an annual level of property, franchise, CCFT and FIT for the Test Year 1989 of \$3,071,606 for the Mojave Division and \$446,761 for

the Sierra Division.

E. RATE BASE.

For purposes of this Stipulation the parties agree that the rate base for the 1989 Test Year for the Mojave Division is \$42,357,960 and for the Sierra Division is \$5,687,393.

F. RATE OF RETURN AND RETURN ON EQUITY.

For purposes of this Stipulation, the parties agree to adopt the capital structure proposed by DRA.

DRA's position is that the return on common equity allowed to Southwest should be within a range of 12.25% to 12.75%. DRA's position is that any level of return on equity within its recommended range is appropriate for Southwest. Southwest's position is that at the very least, a return on common equity at the high end of the DRA range, 12.75%, is warranted for Southwest in that Southwest is a Baa-3 and BBB rated company and the Commission has acknowledged a higher degree of financial risk to Southwest's debt and equity holders in granting a 12.90% return on common equity to Southwest in recently concluded financial attrition hearings (Application 87-08-025 and Decision 87-12-068). The parties agree that, once the Commission has made a final determination as to the appropriate level of Return on Common Equity to be allowed Southwest, the overall rate of return shall then be adjusted accordingly.

G. RATE DESIGN.

For purposes of this Stipulation, the parties agree to use the rate design developed by DRA with modifications which have been mutually agreed to by DRA and Southwest. The rates set

forth in the accompanying schedules (Exhibit 13) are based upon the use of this rate design. The parties agree and acknowledge, however, that in response to Senate Bill 987, the Commission has instituted an investigation which likely will result in a Commission order on or before November 1, 1988 requiring a realignment of residential rates (OII No. 88-07-009). The parties agree that if as a result of this realignment of residential rates, it is necessary to modify the rate design stipulated to herein, such modifications shall be made to the mutual satisfaction of DRA and Southwest, and shall be filed with the Commission and substituted for the rates set forth in the accompanying schedules (Exhibit 13).

H. FEMALE/MINORITY BUSINESS ENTERPRISES

For purposes of this Stipulation, the parties agree to and adopt the DRA report on F/MBE activities.

I. LOW INCOME WEATHERIZATION

For purposes of this Stipulation, DRA, Southwest and Project Go agree that funding for the Sierra Division low income weatherization program, which is administered by Project Go, shall be continued for the 1989 test year, for 1990 and for 1991. The parties agree that the three-year continuation shall be funded at \$50,000 annually and as follows: Southwest shall commit \$70,000 in unspent 1988 Sierra Division conservation amounts towards the '89-'91 program funding. The additional sum of \$26,667 per annum shall be included in Southwest's Sierra Division rates in order to attain the three-year \$150,000 total funding level. Consistent with the DRA report on conservation

programs, the parties agree that in the next general rate case filed by Southwest, the cost effectiveness of the low income weatherization programs should be the primary criteria for its consideration as a ratepayer-funded conservation program.

J. ACCOUNTING CHANGES

For purposes of this Stipulation, the parties agree that Southwest shall calculate its net cost of funds loaned to ratepayers for the Conservation Financing Adjustment (CFA) program at the prime interest rate plus one half of one percent, effective January 1, 1987, and shall adjust its CFA balancing account to reflect this change.

K. ATTRITION YEAR 1990--MOJAVE DIVISION

For purposes of this Stipulation, the parties agree to adopt the DRA attrition analysis as modified to reflect the effect of the stipulated 1989 test year amounts agreed to by the parties herein. The Mojave Division 1990 Attrition Schedule, attached hereto, details the attrition levels expressly agreed to by the parties.

IV

TERMS AND CONDITIONS

A. PRECEDENTIAL EFFECT.

Except as specifically noted above, no agreement by Southwest or DRA or any other party to stipulate to any level of cost recovery for Southwest herein shall imply any agreement by any party to any principle, methodology, or fact, and no part of this Stipulation shall have any precedential value in any proceeding.

B. INDIVISIBILITY OF STIPULATION.

This Stipulation represents a compromise of many positions and interests of the parties hereto, and no individual term is assented to by any party except in consideration of other parties' assent to all of the other terms of this Stipulation. The Stipulation is accordingly indivisible, and each part is interdependent on each and all of the other parts. Any party may withdraw from this Stipulation if the Commission modifies, deletes or adds any term. The parties agree, however, to negotiate with regard to any Commission-ordered changes in good faith to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiation is unsuccessful.

C. EVIDENTIARY EFFECT OF STIPULATION.

No portion of this Stipulation, or any of its terms or conditions, or any of the discussions leading to it, may be used in hearings in support of or in opposition to any party or position without the prior express written consent of all parties hereto.

D. STIPULATION IN THE PUBLIC INTEREST.

The DRA and intervenors who have subscribed to this Stipulation agree that the Commission's approval and adoption of the Stipulation is in the public interest and will result in revenues to Southwest to compensate it for a level of expenses in the 1989 Test Year for its Mojave and Sierra divisions and for the Attrition Year 1990 in the Mojave Division that is just and reasonable; that it resolves in a fair manner the alternative

expense estimates submitted in this case; and that it will avoid much of the lengthy litigation that would otherwise result.

E. EFFECTUATION OF STIPULATION.

The parties agree to take all actions and perform all agreements required or implied hereunder diligently and in good faith, including, but not necessarily limited to, the execution of any other documents required to effectuate the terms of this Stipulation, and the preparation of exhibits for and presentation of witnesses at any hearings which may be necessary in order to obtain the approval and adoption of this Stipulation by the Commission. It is understood by all parties that time is of the essence in obtaining the Commission's approval as a full presentation by Southwest, the DRA and other parties will be necessary if that approval is not forthcoming. The parties urge the Commission to act as quickly as possible.

F. ENTIRETY OF STIPULATION

This Stipulation contains the entire agreement of the parties hereto. The terms and conditions of the Stipulation may only be modified by a writing subscribed by all parties.

G. SCHEDULES

The schedules attached to this Stipulation are a part of this Stipulation and are incorporated herein by reference. The rate design exhibit (Exhibit 13) and the schedules attached thereto, together with the proposed tariff sheets, are likewise made a part of this Stipulation and are incorporated herein by reference.

H. MODIFICATION

The parties agree that they shall not file any application to modify any term of this Stipulation excepting therefrom the rate design modification previously mentioned, which modification would take effect during the 1989 Test Year, without the prior agreement of all parties hereto.

Entered this 3rd day of August, 1988, at San Francisco, California.

SOUTHWEST GAS CORPORATION

By _____

DIVISION OF RATEPAYER ADVOCATES

By _____

CALIFORNIA NEVADA COMMUNITY ACTION
AGENCY AND PROJECT GO INC.

By _____

APPENDIX A
Revised Page 13SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
STIPULATED REVENUE DEFICIENCYSchedule 1
Sheet 1 of 14

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Deficiency	Revenue Requirement	Line No.
	(a)	(b)	(c)	(e)	(g)	(h)	(i)	
<u>Operating Revenues</u>								
1	Revenues	400	\$40,402,822	\$41,934,588	\$41,934,588	\$ 1,460,997	\$43,395,585	1
2	Less: Gas Cost	803 - 805	20,058,552	20,839,710	20,839,710		20,839,710	2
3	Net Margin		<u>\$20,344,270</u>	<u>\$21,094,878</u>	<u>\$21,094,878</u>	<u>\$ 1,460,997</u>	<u>\$22,555,875</u>	3
<u>Operating Expenses</u>								
4	Other Gas Supply	813 - 815	\$ 25,527	\$ 24,647	\$ 24,649	\$ 0	\$ 24,649	4
5	Transmission	850 - 860	7,882	7,642	7,672	0	7,672	5
6	Distribution	870 - 893	4,797,005	4,558,713	4,580,591	0	4,580,591	6
7	Customer Accounts	901 - 905	3,429,204	3,182,501	3,191,167	0	3,191,167	7
8	Uncollectibles	904	293,468	128,083	128,083	5,610	133,693	8
9	Customer Service	907 - 910	354,735	340,002	340,836	0	340,836	9
10	Sales	911 - 913	107,387	17,844	17,896	0	17,896	10
11	Administrative & General	920 - 935	2,697,266	2,143,131	2,388,102	0	2,388,102	11
12	Sub Total Before Escalation		<u>\$11,712,474</u>	<u>\$10,402,563</u>	<u>\$10,678,996</u>	<u>\$ 5,610</u>	<u>\$10,684,606</u>	12
13	Labor Escalation Amount	813 - 935	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	13
14	Loading Escalation Amount	813 - 935	0	0	0	0	0	14
15	Material & Expenses Escalation	813 - 935	0	0	0	0	0	15
16	Total Escalation		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	16
17	Sub Total With Escalation		<u>\$11,712,474</u>	<u>\$10,402,563</u>	<u>\$10,678,996</u>	<u>\$ 5,610</u>	<u>\$10,684,606</u>	17
18	Depreciation	403	\$ 3,736,918	\$ 3,677,929	\$ 3,677,929	\$ 0	\$ 3,677,929	18
19	Taxes Other Than Income	408	678,542	678,311	678,311	0	678,311	19
20	Franchise Requirements	408	433,247	448,291	448,291	15,666	463,957	20
21	CA. Corporation Franchise Tax	409	157,892	366,243	340,575	133,915	474,490	21
22	Federal Income Tax	409	502,098	1,160,100	1,074,986	444,055	1,519,041	22
23	Total Operating Expense		<u>\$17,221,171</u>	<u>\$16,733,437</u>	<u>\$16,899,088</u>	<u>\$ 599,247</u>	<u>\$17,498,335</u>	23
24	Net Operating Income		<u>\$ 3,123,099</u>	<u>\$ 4,361,441</u>	<u>\$ 4,195,790</u>	<u>\$ 861,750</u>	<u>\$ 5,057,540</u>	24
25	Rate Base		<u>\$44,037,384</u>	<u>\$42,357,960</u>	<u>\$42,357,960</u>	<u>0</u>	<u>42,357,960</u>	25
26	Rate Of Return		<u>7.09%</u>	<u>10.30%</u>	<u>9.91%</u>		<u>11.94%</u>	26

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
<u>Other Supply Expenses</u>						
1	Natural Gas Purchases	803	\$20,058,552	\$20,839,710	\$20,839,710	1
2	Other		\$20,058,552	\$20,839,710	\$20,839,710	2
3	Total					
<u>Purchase Gas Cost Adjustment</u>						
3	Other	803.1	\$ 0	\$ 0	\$ 0	3
4	Total		\$ 0	\$ 0	\$ 0	4
<u>Other Gas Supply Expenses</u>						
5	Labor	813	\$ 11,074	\$ 10,910	\$ 10,910	5
6	Labor Loading		4,889	4,213	4,216	6
7	Materials and Expenses		9,784	9,524	9,524	7
8	Other		0	0	0	8
9	Total		\$ 25,527	\$ 24,647	\$ 24,649	9
<u>TOTAL OTHER GAS SUPPLY EXPENSE (1989)</u>						
10	Labor		\$ 11,074	\$ 10,910	\$ 10,910	10
11	Labor Loading		4,889	4,213	4,216	11
12	Materials and Expenses		9,784	9,524	9,524	12
13	Other		20,058,552	20,839,710	20,839,710	13
14	Total		\$20,084,079	\$20,864,357	\$20,864,360	14
<u>TOTAL OTHER GAS SUPPLY EXPENSE (1989)</u>						
15	Labor		\$ 11,074	\$ 10,910	\$ 10,910	15
16	Labor Loading		4,889	4,213	4,216	16
17	Materials and Expenses		9,784	9,524	9,524	17
18	Other		20,058,552	20,839,710	20,839,710	18
19	Total		\$20,084,079	\$20,864,357	\$20,864,360	19

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
	Transmission - Operation Supervision & Engineering	850				
1	Labor		\$ 4,812	\$ 4,543	\$ 4,543	1
2	Labor Loading		1,893	1,725	1,755	2
3	Materials & Expenses		328	327	327	3
4	Total		\$ 6,833	\$ 6,595	\$ 6,625	4
	Transmission & Compress. by Others	858				
5	Labor		\$ 0	\$ 0	\$ 0	5
6	Labor Loading		0	0	0	6
7	Materials & Expenses		0	0	0	7
8	Total		\$ 0	\$ 0	\$ 0	8
	Rents	860				
9	Labor		\$ 0	\$ 0	\$ 0	9
10	Labor Loading		0	0	0	10
11	Materials & Expenses		1,048	1,047	1,047	11
12	Total		\$ 1,048	\$ 1,047	\$ 1,047	12
	TOTAL TRANSMISSION - OPERATION (1989)					
13	Labor		\$ 4,812	\$ 4,543	\$ 4,543	13
14	Labor Loading		1,893	1,725	1,755	14
15	Materials & Expenses		1,377	1,374	1,374	15
16	Total		\$ 7,882	\$ 7,642	\$ 7,672	16
	TOTAL TRANSMISSION - OPERATION (1989)					
17	Labor		\$ 4,812	\$ 4,543	\$ 4,543	17
18	Labor Loading		1,893	1,725	1,755	18
19	Materials & Expenses		1,377	1,374	1,374	19
20	Total		\$ 7,882	\$ 7,642	\$ 7,672	20

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

Line No.	Description	FERC Account Number	BWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
Distribution - Operation						
	Operation Supervision & Engineering	870				
1	Labor		\$ 359,887	\$ 350,778	\$ 350,778	1
2	Labor Loading		171,482	153,328	158,168	2
3	Materials & Expenses		101,278	100,025	100,025	3
4	Total		\$ 632,427	\$ 604,131	\$ 608,972	4
	Distribution Load Dispatching	871				
5	Labor		\$ 4,175	\$ 4,113	\$ 4,113	5
6	Labor Loading		1,718	1,562	1,831	6
7	Materials & Expenses		0	0	0	7
8	Total		\$ 5,894	\$ 5,675	\$ 5,945	8
	Mains Expense	874				
9	Labor		\$ 12,805	\$ 12,418	\$ 12,418	9
10	Labor Loading		5,765	5,203	5,529	10
11	Materials & Expenses		2,121	2,116	2,116	11
12	Total		\$ 20,490	\$ 19,737	\$ 20,062	12
	Meas. & Regulating Station Expense	875				
13	Labor		\$ 62,575	\$ 61,648	\$ 61,648	13
14	Labor Loading		29,723	28,847	27,448	14
15	Materials & Expenses		13,020	12,990	12,990	15
16	Total		\$ 105,317	\$ 101,585	\$ 102,084	16
	Water and House Regulator Expense	878				
17	Labor		\$ 638,845	\$ 610,345	\$ 610,345	17
18	Labor Loading		306,636	268,762	271,725	18
19	Materials & Expenses		123,895	119,873	119,873	19
20	Total		\$ 1,069,376	\$ 997,001	\$ 1,001,944	20
	Customer Installation Expenses	879				
21	Labor		\$ 473,179	\$ 449,435	\$ 449,435	21
22	Labor Loading		228,288	196,447	200,088	22
23	Materials & Expenses		78,950	75,942	75,942	23
24	Total		\$ 778,418	\$ 721,824	\$ 725,465	24
	Other Expenses	880				
25	Labor		\$ 398,867	\$ 383,404	\$ 383,404	25
26	Labor Loading		177,034	158,843	161,788	26
27	Materials & Expenses		71,477	71,313	71,313	27
28	Total		\$ 617,378	\$ 593,561	\$ 596,505	28
	Rents	881				
29	Labor		\$ 0	\$ 0	\$ 0	29
30	Labor Loading		0	0	0	30
31	Materials & Expenses		3,684	3,675	3,675	31
32	Total		\$ 3,684	\$ 3,675	\$ 3,675	32
	Total Distribution - Operation					
33	Labor		\$ 1,919,933	\$ 1,852,143	\$ 1,852,143	33
34	Labor Loading		918,827	809,110	824,574	34
35	Materials & Expenses		394,425	385,935	385,935	35
36	Total		\$ 3,232,885	\$ 3,047,188	\$ 3,062,652	36

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
Distribution - Maintenance						
	Maint. Supervision & Engineering	885				
1	Labor		\$ 100,380	\$ 98,893	\$ 98,893	1
2	Labor Loading		48,365	43,226	44,027	2
3	Materials & Expenses		83,848	83,502	83,502	3
4	Total		\$ 212,383	\$ 205,622	\$ 206,423	4
	Maintenance of Struc. & Improv.	886				
5	Labor		\$ 0	\$ 0	\$ 0	5
6	Labor Loading		0	0	0	6
7	Materials & Expenses		2,479	2,473	2,473	7
8	Total		\$ 2,479	\$ 2,473	\$ 2,473	8
	Maintenance of Mains	887				
9	Labor		\$ 303,519	\$ 289,023	\$ 289,023	9
10	Labor Loading		145,588	130,703	133,126	10
11	Materials & Expenses		180,183	159,817	159,817	11
12	Total		\$ 609,289	\$ 589,543	\$ 591,966	12
	Maint. of Meas. & Reg. Sta. Equip.	888				
13	Labor		\$ 55,122	\$ 54,305	\$ 54,305	13
14	Labor Loading		28,453	23,737	24,177	14
15	Materials & Expenses		32,154	32,080	32,080	15
16	Total		\$ 113,729	\$ 110,122	\$ 110,563	16
	Maintenance of Services	889				
17	Labor		\$ 334,758	\$ 329,798	\$ 329,798	17
18	Labor Loading		160,888	144,155	148,827	18
19	Materials & Expenses		101,298	101,066	101,066	19
20	Total		\$ 596,744	\$ 575,019	\$ 577,691	20
	Maint. of Meters & House Regulat.	893				
21	Labor		\$ 9,662	\$ 9,519	\$ 9,519	21
22	Labor Loading		4,637	4,180	4,238	22
23	Materials & Expenses		15,101	15,067	15,067	23
24	Total		\$ 29,400	\$ 28,745	\$ 28,823	24
	Total Distribution - Maint. Expense					
25	Labor		\$ 803,439	\$ 791,539	\$ 791,539	25
26	Labor Loading		365,718	345,881	352,395	26
27	Materials & Expenses		374,862	374,005	374,005	27
28	Total		\$ 1,544,020	\$ 1,511,525	\$ 1,517,939	28

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

Line No.	Description	PERC Account Number	BWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
	TOTAL DISTRIBUTION - OPER. & MAIN. (1988)					
1	Labor		\$ 2,723,372	\$ 2,843,882	\$ 2,843,882	1
2	Labor Loading		1,304,348	1,155,091	1,176,989	2
3	Materials & Expenses		789,287	759,840	759,940	3
4	Total		\$ 4,797,006	\$ 4,558,713	\$ 4,580,591	4
	TOTAL DISTRIBUTION OPER. & MAIN. (1989)					
5	Labor		\$ 2,723,372	\$ 2,843,882	\$ 2,843,882	5
6	Labor Loading		1,304,348	1,155,091	1,176,989	6
7	Materials & Expenses		789,287	759,840	759,940	7
8	Total		\$ 4,797,006	\$ 4,558,713	\$ 4,580,591	8

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION.

Line No.	Description	FERC Account Number	BWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
Customer Accounts						
	Supervision	801				
1	Labor		\$ 221,889	\$ 218,408	\$ 218,408	1
2	Labor Loading		104,019	84,350	87,235	2
3	Materials & Expenses		126,415	126,126	126,126	3
4	Total		\$ 452,123	\$ 438,882	\$ 441,767	4
	Meter Reading Expense	802				
5	Labor		\$ 349,584	\$ 344,406	\$ 344,406	5
6	Labor Loading		167,800	152,205	153,330	6
7	Materials & Expenses		86,753	86,554	86,554	7
8	Total		\$ 604,138	\$ 583,166	\$ 584,290	8
	Customer Records & Collect. Expense	803				
9	Labor		\$ 862,658	\$ 843,148	\$ 843,148	9
10	Labor Loading		459,847	370,819	375,389	10
11	Materials & Expenses		879,716	877,704	877,704	11
12	Total		\$ 2,302,221	\$ 2,091,669	\$ 2,096,219	12
	Uncollectibles	804				
13	Other		\$ 293,468	\$ 128,083	\$ 128,083	13
	Misc. Customer Accounts Expense	905				
14	Labor		\$ 31,745	\$ 31,275	\$ 31,275	14
15	Labor Loading		15,232	13,817	13,824	15
16	Materials & Expenses		23,747	23,692	23,692	16
17	Total		\$ 70,724	\$ 68,784	\$ 68,891	17
	TOTAL CUSTOMER ACCOUNTS (1989)					
18	Labor		\$ 1,585,876	\$ 1,437,234	\$ 1,437,234	18
19	Labor Loading		746,888	631,191	639,857	19
20	Materials & Expenses		1,116,830	1,114,076	1,114,076	20
21	Other		0	0	0	21
22	Sub Total		\$ 3,429,204	\$ 3,182,501	\$ 3,191,167	22
23	Uncollectible Accounts		\$ 293,468	\$ 128,083	\$ 128,083	23
24	Total		\$ 3,722,672	\$ 3,310,584	\$ 3,319,250	24
	TOTAL CUSTOMER ACCOUNTS (1989)					
25	Labor		\$ 1,585,876	\$ 1,437,234	\$ 1,437,234	25
26	Labor Loading		746,888	631,191	639,857	26
27	Materials & Expenses		1,116,830	1,114,076	1,114,076	27
28	Other		293,468	128,083	128,083	28
29	Total		\$ 3,722,672	\$ 3,310,584	\$ 3,319,250	29

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
Customer Service & Informational Expense						
	Supervision	907				
1	Labor		\$ 0	\$ 0	\$ 0	1
2	Labor Loading		0	0	0	2
3	Materials & Expenses		0	0	0	3
4	Total		\$ 0	\$ 0	\$ 0	4
	Customer Assistance Expense	908				
5	Labor		\$ 99,107	\$ 93,936	\$ 93,936	5
6	Labor Loading		43,529	37,232	38,138	6
7	Materials & Expenses		133,203	131,172	131,172	7
8	Total		\$ 275,839	\$ 262,340	\$ 263,246	8
	Informational & Instructional	909				
9	Labor		\$ 3,525	\$ 3,473	\$ 3,473	9
10	Labor Loading		1,441	1,307	1,410	10
11	Materials & Expenses		37,010	36,926	36,926	11
12	Total		\$ 41,976	\$ 41,705	\$ 41,808	12
	Miscellaneous	910				
13	Labor		\$ 15,085	\$ 14,862	\$ 14,862	13
14	Labor Loading		6,915	6,210	6,034	14
15	Materials & Expenses		14,920	14,886	14,886	15
16	Total		\$ 36,920	\$ 35,957	\$ 35,782	16
	TOTAL CUSTOMER SERVICE (1989)					
17	Labor		\$ 117,717	\$ 112,271	\$ 112,271	17
18	Labor Loading		51,885	44,748	45,582	18
19	Materials & Expenses		185,133	182,983	182,983	19
20	Total		\$ 354,735	\$ 340,002	\$ 340,836	20
	TOTAL CUSTOMER SERVICES (1989)					
21	Labor		\$ 117,717	\$ 112,271	\$ 112,271	21
22	Labor Loading		51,885	44,748	45,582	22
23	Materials & Expenses		185,133	182,983	182,983	23
24	Total		\$ 354,735	\$ 340,002	\$ 340,836	24

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
	Sales Expense					
	Supervision	911				
1	Labor		\$ 0	\$ 0	\$ 0	1
2	Labor Loading		0	0	0	2
3	Materials & Expenses		0	0	0	3
4	Total		\$ 0	\$ 0	\$ 0	4
	Customer Assistance Expense	912				
5	Labor		\$ 13,182	\$ 3,485	\$ 3,485	5
6	Labor Loading		5,429	1,294	1,348	6
7	Materials & Expenses		73,631	9,644	9,644	7
8	Total		\$ 92,222	\$ 14,423	\$ 14,476	8
	Advertising Expenses	913				
9	Labor		\$ 0	\$ 0	\$ 0	9
10	Labor Loading		0	0	0	10
11	Materials & Expenses		15,185	3,421	3,421	11
12	Total		\$ 15,185	\$ 3,421	\$ 3,421	12
	TOTAL SALES EXPENSE (1989)					
13	Labor		\$ 13,182	\$ 3,485	\$ 3,485	13
14	Labor Loading		5,429	1,294	1,348	14
15	Materials & Expenses		88,796	13,065	13,065	15
16	Total		\$ 107,387	\$ 17,844	\$ 17,896	16
	TOTAL SALES EXPENSE (1989)					
17	Labor		\$ 13,182	\$ 3,485	\$ 3,485	17
18	Labor Loading		5,429	1,294	1,348	18
19	Materials & Expenses		88,796	13,065	13,065	19
20	Total		\$ 107,387	\$ 17,844	\$ 17,896	20

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
	TOTAL OPERATIONS AND MAINTENANCE (1989)					
1	Labor		\$ 4,435,813	\$ 4,212,125	\$ 4,212,125	1
2	Labor Loading		2,115,120	1,838,262	1,888,725	2
3	Materials & Expenses		2,171,007	2,080,982	2,080,982	3
4	Other		20,352,020	20,987,793	20,987,793	4
5	Total		\$29,073,760	\$29,089,142	\$29,130,805	5
	TOTAL OPERATIONS AND MAINTENANCE (1989)					
6	Labor		\$ 4,435,813	\$ 4,212,125	\$ 4,212,125	6
7	Labor Loading		2,115,120	1,838,262	1,888,725	7
8	Materials & Expenses		2,171,007	2,080,982	2,080,982	8
9	Other		20,352,020	20,987,793	20,987,793	9
10	Total		\$29,073,760	\$29,089,142	\$29,130,805	10

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

Line No.	Description	FERC Account Number	SMG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
Administrative and General Expenses						
	Admin. and General Salaries	920				
1	Labor		\$ 848,394	\$ 885,989	\$ 757,477	1
2	Labor Loading		348,976	252,801	292,416	2
3	Materials & Expenses		5,103	3,871	3,871	3
4	Total		\$ 1,202,473	\$ 922,640	\$ 1,053,763	4
	Office Supplies and Expense	921				
5	Labor		\$ 0	\$ 0	\$ 0	5
6	Labor Loading		0	0	0	6
7	Materials & Expenses		271,029	270,408	270,408	7
8	Total		\$ 271,029	\$ 270,408	\$ 270,408	8
	Admin. and Gen. Transfer Credit	922				
9	Labor		\$ 0	\$ (59,792)	\$ (69,006)	9
10	Labor Loading		0	(24,594)	(28,448)	10
11	Materials & Expenses		0	(25,657)	(25,657)	11
12	Other		(132,716)	0	0	12
13	Total		\$ (132,716)	\$ (110,043)	\$ (122,109)	13
	Outside Services Employed	923				
14	Labor		\$ 0	\$ 0	\$ 0	14
15	Labor Loading		0	0	0	15
16	Materials & Expenses		78,263	78,084	78,084	16
17	Total		\$ 78,263	\$ 78,084	\$ 78,084	17
	Property Insurance	924				
18	Labor		\$ 0	\$ 0	\$ 0	18
19	Labor Loading		0	0	0	19
20	Materials & Expenses		45,095	0	0	20
21	Other		0	17,072	17,072	21
22	Total		\$ 45,095	\$ 17,072	\$ 17,072	22

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
	Injuries and Damages	925				
1	Labor		\$ 0	\$ 0	\$ 0	1
2	Labor Loading		0	0	0	2
3	Materials & Expenses		585,792	0	0	3
4	Other		0	380,917	440,052	4
5	Total		\$ 585,792	\$ 380,917	\$ 440,052	5
	Employee Pension and Benefits	926				
6	Labor		\$ 0	\$ 0	\$ 0	6
7	Labor Loading		0	38,653	61,590	7
8	Materials & Expenses		0	0	0	8
9	Total		\$ 0	\$ 38,653	\$ 61,590	9
	Regulatory Commission Expenses	928				
10	Labor		\$ 0	\$ 0	\$ 0	10
11	Labor Loading		0	0	0	11
12	Materials & Expenses		12,715	19,029	19,029	12
13	Total		\$ 12,715	\$ 19,029	\$ 19,029	13
	Miscellaneous General Expenses	930				
14	Labor		\$ 784	\$ 772	\$ 772	14
15	Labor Loading		322	317	317	15
16	Materials & Expenses		134,497	115,784	118,657	16
17	Total		\$ 135,603	\$ 116,874	\$ 119,747	17
	Rents	931				
18	Other		\$ 408,023	\$ 317,894	\$ 359,863	18
19	Total		\$ 408,023	\$ 317,894	\$ 359,863	19
	Total Admin. & General - Oper.					
20	Labor		\$ 849,178	\$ 806,950	\$ 890,244	20
21	Labor Loading		349,288	268,177	325,877	21
22	Materials & Expenses		1,132,493	481,518	484,391	22
23	Other		275,307	715,883	816,987	23
24	Total		\$ 2,606,276	\$ 2,052,528	\$ 2,297,499	24

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
	Maintenance of General Plant	935				
1	Labor		\$ 10,114	\$ 9,984	\$ 9,984	1
2	Labor Loading		4,598	4,095	4,095	2
3	Materials & Expenses		76,719	76,544	76,544	3
4	Total		\$ 91,431	\$ 90,603	\$ 90,603	4
	Total Admin. & General - Maint.					
5	Labor		\$ 10,114	\$ 9,984	\$ 9,984	5
6	Labor Loading		4,598	4,095	4,095	6
7	Materials & Expenses		76,719	76,544	76,544	7
8	Other		0	0	0	8
9	Total		\$ 91,431	\$ 90,603	\$ 90,603	9
	TOTAL ADMIN. AND GEN. - (1989)					
10	Labor		\$ 859,292	\$ 816,914	\$ 700,208	10
11	Labor Loading		353,896	272,272	329,972	11
12	Materials & Expenses		1,208,771	538,082	540,935	12
13	Other		275,307	715,883	816,987	13
14	Total		\$ 2,697,266	\$ 2,143,131	\$ 2,388,102	14
	TOTAL ADMIN. AND GEN. - (1989)					
15	Labor		\$ 859,292	\$ 816,914	\$ 700,208	15
16	Labor Loading		353,896	272,272	329,972	16
17	Materials & Expenses		1,208,771	538,082	540,935	17
18	Other		275,307	715,883	816,987	18
19	Total		\$ 2,697,266	\$ 2,143,131	\$ 2,388,102	19

APPENDIX A
Revised Page 26SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
1990 ATTRITION
(\$000)SCHEDULE 1
SHEET 14 OF 14

(ATTR12)

Line No.	Description	Stipulated Test Year 12-31-89	Escalation Rates	Escalation Amounts	Non-Escalation Amounts	Volumes	Total	Estimated 1990	Revenue Increase Attrition	Attrition 1990	Line No.
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
1	Operating Revenues	\$ 43,395				\$ 3,607	\$ 3,607	\$ 47,002	\$ 609	\$ 47,610	1
2	Gas Cost	20,840				1,634	1,634	22,474		22,474	2
3	Franchise & Uncollectables	0				0	0	0		0	3
4	Operating Margin	\$ 22,555				\$ 1,973	\$ 1,973	\$ 24,528	\$ 609	\$ 25,136	4
5	O & M Expenses										
5	Labor	\$ 4,212	4.75%	\$ 200	\$ 355	\$	\$ 555	\$ 4,767	\$	\$ 4,767	5
6	Labor Loading	1,870	4.75%	89	170		259	2,129		2,129	6
7	Materials & Supplies	2,081	4.93%	103	239		342	2,423		2,423	7
8	Other	133			14		14	147	2	149	8
9	Total O & M	\$ 8,296		\$ 391	\$ 778	\$ 0	\$ 1,169	\$ 9,465	\$ 2	\$ 9,467	9
10	A & G Expenses										
10	Labor	\$ 700	4.88%	\$ 34	\$	\$	\$ 34	\$ 734	\$	\$ 734	10
11	Labor Loading	330	4.88%	16			16	346		346	11
12	Materials & Supplies	541	4.93%	27			27	568		568	12
13	Other	817	0.00%	0			0	817		817	13
14	Total A & G	\$ 2,388		\$ 77	\$ 0	\$ 0	\$ 77	\$ 2,465	\$ 0	\$ 2,465	14
15	Other Expenses										
15	Franchises	\$ 463		\$	\$ 39	\$	\$ 39	\$ 502	\$ 7	\$ 509	15
16	Taxes Other Than Income Tax	678			76		76	754		754	16
17	Depreciation & Amortization	3,678			459		459	4,137		4,137	17
18	Total Other Expenses	\$ 4,819		\$ 0	\$ 574	\$ 0	\$ 574	\$ 5,393	\$ 7	\$ 5,400	18
19	Total Operating Expenses	\$ 15,503		\$ 468	\$ 1,352	\$ 0	\$ 1,820	\$ 17,323	\$ 9	\$ 17,332	19
20	Taxable Income Before Interest	\$ 7,052					\$ 153	\$ 7,205	\$ 600	\$ 7,804	20
21	Income Tax Adjustment	2,308			268		268	2,576		2,576	21
22	State Taxable Income	\$ 4,744					\$ (115)	\$ 4,629	\$ 600	\$ 5,228	22
23	State Income Tax @ 9.3%	441					(11)	430	56	486	23
24	Add: South Georgia	33			0		0	33		33	24
25	Total State Income Tax	\$ 474					\$ (11)	\$ 463	\$ 56	\$ 519	25
26	Taxable Income Before Interest	\$ 7,052					\$ 153	\$ 7,205	\$ 600	\$ 7,804	26
27	Income Tax Adjustment	2,405			268		268	2,673		2,673	27
28	Federal Taxable Income	\$ 4,647					\$ (115)	\$ 4,532	\$ 600	\$ 5,131	28
29	Less: State Income Tax	441					(11)	430	56	486	29
30	Federal Taxable Income	\$ 4,206					\$ (104)	\$ 4,102	\$ 544	\$ 4,645	30
31	Federal Inc Tax @ 34%	\$ 1,430					\$ (36)	\$ 1,395	\$ 185	\$ 1,579	31
32	Add: South Georgia	185			0		0	185		185	32
33	Less: LTC	(96)			0		0	(96)		(96)	33
34	Total Federal Income Tax	\$ 1,519					\$ (36)	\$ 1,484	\$ 185	\$ 1,668	34
35	Total Operating Expense	\$ 17,496					\$ 1,773	\$ 19,270	\$ 250	\$ 19,519	35
36	Net Operating Income	\$ 5,059					\$ 200	\$ 5,258	\$ 359	\$ 5,617	36
37	Rate Base	\$ 42,358			4,770		\$ 4,770	\$ 47,128		\$ 47,128	37
38	Return	11,944					4,182	11,162		11,944	38

APPENDIX A
Revised Page 27SOUTHWEST GAS CORPORATION
SIERRA DIVISION
STIPULATED REVENUE DEFICIENCYSCHEDULE 2
SHEET 1 OF 12

Line No.	Description	Ferc Account Number	SWG As Filed	DRA	Stipulation Amount	Deficiency	Revenue Requirement	Line No.
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
<u>Operating Revenues</u>								
1	Revenues	400	\$ 5,637,147	\$ 5,724,716	\$ 5,724,716	\$ 238,600	\$ 5,963,316	1
2	Less: Gas Cost	803 - 805	3,105,723	3,134,752	3,134,752	0	3,134,752	2
3			0	0	0	0	0	3
4	Net Margin		\$ 2,531,424	\$ 2,589,964	\$ 2,589,964	\$ 238,600	\$ 2,828,564	4
<u>Operating Expenses</u>								
5	Other Gas Supply	813 - 815	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5
6	Transmission	850 - 860	0	0	0	0	0	6
7	Distribution	870 - 893	431,876	418,425	420,157	0	420,157	7
8	Customer Accounts	901 - 905	396,893	363,990	364,877	0	364,877	8
9	Uncollectibles	904	24,803	18,828	18,828	795	19,623	9
10	Customer Service	907 - 910	71,151	69,980	96,858	0	96,858	10
11	Sales	911 - 913	7,078	2,644	2,644	0	2,644	11
12	Administrative & General	920 - 935	386,168	283,609	322,444	0	322,444	12
13	Sub Total		\$ 1,317,969	\$ 1,157,476	\$ 1,225,808	\$ 795	\$ 1,226,603	13
14	Depreciation	403	\$ 472,349	\$ 471,279	\$ 471,279	\$ 0	\$ 471,279	14
15	Taxes Other Than Income	408	72,514	72,514	72,514	0	72,514	15
16	Franchise Requirements	408	50,210	50,822	50,835	2,125	52,960	16
17	CA. Corporation Franchise Tax	409	37,252	58,629	52,273	21,918	74,191	17
18	Federal Income Tax	409	136,118	203,919	182,842	72,682	255,524	18
19	Total Operating Expense		\$ 2,086,412	\$ 2,014,639	\$ 2,055,551	\$ 97,520	\$ 2,153,071	19
20	Net Operating Income		\$ 445,012	\$ 575,325	\$ 534,413	\$ 141,080	\$ 675,493	20
21	Rate Base		\$ 5,716,381	\$ 5,657,393	\$ 5,657,393	\$ 0	\$ 5,657,393	21
22	Rate Of Return		7.78%	10.17%	9.45%		11.94%	22

SOUTHWEST GAS CORPORATION
SIERRA DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION.SCHEDULE 2
SHEET 2 OF 12

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
	Other Supply Expenses					
	Natural Gas Purchases	803				
1	Other		\$ 3,105,723	\$ 3,134,752	\$ 3,134,752	1
2	Total		\$ 3,105,723	\$ 3,134,752	\$ 3,134,752	2
	Purchase Gas Cost Adjustment	805.1				
3	Other		\$ 0	\$ 0	\$ 0	3
4	Total		\$ 0	\$ 0	\$ 0	4
	Other Gas Supply Expenses	813				
5	Labor		\$ 0	\$ 0	\$ 0	5
6	Labor Loading		0	0	0	6
7	Materials and Expenses		0	0	0	7
8	Other		0	0	0	8
9	Total		\$ 0	\$ 0	\$ 0	9
	TOTAL OTHER GAS SUPPLY EXPENSE (1989)					
10	Labor		\$ 0	\$ 0	\$ 0	10
11	Labor Loading		0	0	0	11
12	Materials and Expenses		0	0	0	12
13	Other		3,105,723	3,134,752	3,134,752	13
14	Total		\$ 3,105,723	\$ 3,134,752	\$ 3,134,752	14

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
	Transmission - Operation					
	Supervision & Engineering	850				
1	Labor		\$ 0	\$ 0	\$ 0	1
2	Labor Loading		0	0	0	2
3	Materials & Expenses		0	0	0	3
4	Total		\$ 0	\$ 0	\$ 0	4
	Transmission & Compression by Others	858				
5	Labor		\$ 0	\$ 0	\$ 0	5
6	Labor Loading		0	0	0	6
7	Materials & Expenses		0	0	0	7
8	Total		\$ 0	\$ 0	\$ 0	8
	Rents	860				
9	Labor		\$ 0	\$ 0	\$ 0	9
10	Labor Loading		0	0	0	10
11	Materials & Expenses		0	0	0	11
12	Total		\$ 0	\$ 0	\$ 0	12
	TOTAL TRANSMISSION - OPERATION (1989)					
13	Labor		\$ 0	\$ 0	\$ 0	13
14	Labor Loading		0	0	0	14
15	Materials & Expenses		0	0	0	15
16	Total		\$ 0	\$ 0	\$ 0	16

SOUTHWEST GAS CORPORATION
SIERRA DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATIONSCHEDULE 2
SHEET 4 OF 12

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
Distribution - Operation						
	Operation Supervision & Engineering	870				
1	Labor		\$ 21,703	\$ 21,381	\$ 21,381	1
2	Labor Loading		8,873	8,911	8,955	2
3	Materials & Expenses		3,424	3,418	3,418	3
4	Total		\$ 35,000	\$ 33,708	\$ 33,752	4
	Distribution Load Dispatching	871				
5	Labor		\$ 0	\$ 0	\$ 0	5
6	Labor Loading		0	0	0	6
7	Materials & Expenses		0	0	0	7
8	Total		\$ 0	\$ 0	\$ 0	8
	Mains Expense	874				
9	Labor		\$ 4,050	\$ 3,990	\$ 3,990	9
10	Labor Loading		1,825	1,847	1,672	10
11	Materials & Expenses		778	777	777	11
12	Total		\$ 6,653	\$ 6,414	\$ 6,439	12
	Measuring & Regulating Station Expense	875				
13	Labor		\$ 4,848	\$ 4,778	\$ 4,778	13
14	Labor Loading		2,190	1,977	2,000	14
15	Materials & Expenses		1,800	1,597	1,597	15
16	Total		\$ 8,638	\$ 8,350	\$ 8,373	16
	Meter and House Regulator Expense	878				
17	Labor		\$ 59,844	\$ 58,780	\$ 58,780	17
18	Labor Loading		26,848	24,232	24,808	18
19	Materials & Expenses		12,024	11,997	11,997	19
20	Total		\$ 38,673	\$ 36,229	\$ 36,806	20
	Customer Installation Expenses	879				
21	Labor		\$ 55,365	\$ 54,545	\$ 54,545	21
22	Labor Loading		24,447	22,084	22,843	22
23	Materials & Expenses		1,067	1,064	1,064	23
24	Total		\$ 80,879	\$ 77,673	\$ 78,452	24
	Other Expenses	880				
25	Labor		\$ 15,408	\$ 15,178	\$ 15,178	25
26	Labor Loading		5,929	5,254	5,358	26
27	Materials & Expenses		48,824	48,713	48,713	27
28	Total		\$ 71,159	\$ 70,145	\$ 70,247	28
	Rents	881				
29	Labor		\$ 0	\$ 0	\$ 0	29
30	Labor Loading		0	0	0	30
31	Materials & Expenses		2,623	2,617	2,617	31
32	Total		\$ 2,623	\$ 2,617	\$ 2,617	32
	Total Distribution - Operation					
33	Labor		\$ 181,018	\$ 158,830	\$ 158,830	33
34	Labor Loading		72,113	65,085	66,435	34
35	Materials & Expenses		70,340	70,181	70,181	35
36	Total		\$ 303,469	\$ 293,896	\$ 295,245	36

SOUTHWEST GAS CORPORATION
SIERRA DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATIONSCHEDULE 2
SHEET 5 OF 12

Line No.	Description	FERC Account Number	BWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
Distribution - Maintenance						
	Maintenance Supervision & Engineering	885				
1	Labor		\$ 18,340	\$ 18,089	\$ 18,089	1
2	Labor Loading		8,277	7,470	7,567	2
3	Materials & Expenses		2,207	2,202	2,202	3
4	Total		\$ 28,824	\$ 27,741	\$ 27,838	4
	Maintenance of Struc. & Improv.	886				
5	Labor		\$ 3,264	\$ 3,215	\$ 3,215	5
6	Labor Loading		1,470	1,327	1,347	6
7	Materials & Expenses		4,862	4,851	4,851	7
8	Total		\$ 9,596	\$ 9,393	\$ 9,413	8
	Maintenance of Mains	887				
9	Labor		\$ 22,833	\$ 22,405	\$ 22,495	9
10	Labor Loading		10,285	9,282	9,421	10
11	Materials & Expenses		18,684	18,642	18,642	11
12	Total		\$ 51,802	\$ 50,419	\$ 50,558	12
	Maintenance of Meas. & Reg. Sta. Equip	888				
13	Labor		\$ 0	\$ 0	\$ 0	13
14	Labor Loading		0	0	0	14
15	Materials & Expenses		0	0	0	15
16	Total		\$ 0	\$ 0	\$ 0	16
	Maintenance of Services	889				
17	Labor		\$ 20,240	\$ 19,938	\$ 19,938	17
18	Labor Loading		9,111	8,224	8,360	18
19	Materials & Expenses		8,834	8,814	8,814	19
20	Total		\$ 38,185	\$ 36,976	\$ 37,102	20
	Maintenance of Meters & House Regulat	893				
21	Labor		\$ 0	\$ 0	\$ 0	21
22	Labor Loading		0	0	0	22
23	Materials & Expenses		0	0	0	23
24	Total		\$ 0	\$ 0	\$ 0	24

APPENDIX A
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 SOUTHWEST GAS CORPORATION
 SIERRA DIVISION
 OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
 PER STIPULATION

SCHEDULE 2
 SHEET 8 OF 12

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
	Total Distribution - Maint. Expense					
1	Labor		\$ 64,877	\$ 63,717	\$ 63,717	1
2	Labor Loading		28,143	26,303	26,685	2
3	Materials & Expenses		34,567	34,509	34,509	3
4	Total		\$ 128,407	\$ 124,528	\$ 124,911	4
	TOTAL DISTRIBUTION - OPER. & MAIN. (1989)					
5	Labor		\$ 225,693	\$ 222,347	\$ 222,347	5
6	Labor Loading		101,256	81,388	83,120	6
7	Materials & Expenses		104,927	104,690	104,690	7
8	Total		\$ 431,876	\$ 418,425	\$ 420,157	8

SOUTHWEST GAS CORPORATION
SIERRA DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATIONSCHEDULE 2
SHEET 7 OF 12

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
Customer Accounts						
	Supervision	901				
1	Labor		\$ 45,878	\$ 45,003	\$ 45,003	1
2	Labor Loading		18,872	18,025	18,848	2
3	Materials & Expenses		475	474	474	3
4	Total		\$ 65,026	\$ 63,502	\$ 64,325	4
	Meter Reading Expense	902				
5	Labor		\$ 57,522	\$ 51,459	\$ 51,459	5
6	Labor Loading		25,886	21,321	21,551	6
7	Materials & Expenses		9,302	9,281	9,281	7
8	Total		\$ 92,710	\$ 82,061	\$ 82,291	8
	Customer Records & Collections Expense	903				
9	Labor		\$ 91,007	\$ 79,814	\$ 79,814	9
10	Labor Loading		41,804	33,508	33,343	10
11	Materials & Expenses		97,230	97,008	97,008	11
12	Total		\$ 229,841	\$ 210,130	\$ 209,965	12
	Uncollectibles	904				
13	Other		\$ 24,803	\$ 18,828	\$ 18,828	13
	Misc. Customer Accounts Expense	905				
14	Labor		\$ 0	\$ 0	\$ 0	14
15	Labor Loading		0	0	0	15
16	Materials & Expenses		8,316	8,297	8,296	16
17	Total		\$ 8,316	\$ 8,297	\$ 8,296	17
	TOTAL CUSTOMER ACCOUNTS (1988)					
18	Labor		\$ 184,208	\$ 176,076	\$ 176,076	18
19	Labor Loading		87,382	72,854	73,742	19
20	Materials & Expenses		115,323	115,060	115,059	20
21	Other		0	0	0	21
22	Sub Total		\$ 386,893	\$ 363,990	\$ 364,877	22
23	Uncollectible Accounts		\$ 24,803	\$ 18,828	\$ 18,828	23
24	Total		\$ 421,696	\$ 382,818	\$ 383,705	24

SOUTHWEST GAS CORPORATION
SIERRA DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATIONSCHEDULE 2
SHEET 8 OF 12

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
Customer Service & Informational Expense						
	Supervision	907	\$ 0	\$ 0	\$ 0	1
1	Labor		\$ 0	\$ 0	\$ 0	2
2	Labor Loading		\$ 0	\$ 0	\$ 0	3
3	Materials & Expenses					
4	Total		\$ 0	\$ 0	\$ 0	4
Customer Assistance Expense						
		908	\$ 27,184	\$ 27,159	\$ 27,150	5
5	Labor		11,808	10,844	11,027	6
6	Labor Loading		18,802	18,759	45,855	7
7	Materials & Expenses					
8	Total		\$ 57,795	\$ 56,762	\$ 84,042	8
Informational & Instructional						
		909	\$ 1,302	\$ 1,283	\$ 1,283	9
9	Labor		528	478	486	10
10	Labor Loading		2,797	2,791	2,675	11
11	Materials & Expenses					
12	Total		\$ 4,627	\$ 4,553	\$ 4,454	12
Miscellaneous						
		910	\$ 842	\$ 830	\$ 830	13
13	Labor		345	310	320	14
14	Labor Loading		7,542	7,525	7,212	15
15	Materials & Expenses					
16	Total		\$ 8,729	\$ 8,665	\$ 8,362	16
TOTAL CUSTOMER SERVICE (1989)						
17	Labor		\$ 29,328	\$ 29,272	\$ 29,273	17
18	Labor Loading		12,682	11,833	11,843	18
19	Materials & Expenses		29,141	29,075	55,742	19
20	Total		\$ 71,151	\$ 69,980	\$ 96,858	20

SOUTHWEST GAS CORPORATION
SIERRA DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

SCHEDULE 2
SHEET 9 OF 12

Line No.	Description	FERC Account Number	SMG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
Sales Expense						
1	Supervision Labor	911	\$ 0	\$ 0	\$ 0	1
2	Labor Loading		0	0	0	2
3	Materials & Expenses		0	0	0	3
4	Total		\$ 0	\$ 0	\$ 0	4
Customer Assistance Expense						
5	Labor	912	\$ 1,708	\$ 0	\$ 0	5
6	Labor Loading		788	0	0	6
7	Materials & Expenses		3,974	2,018	2,018	7
8	Total		\$ 6,448	\$ 2,018	\$ 2,018	8
Advertising Expenses						
9	Labor	913	\$ 0	\$ 0	\$ 0	9
10	Labor Loading		0	0	0	10
11	Materials & Expenses		630	628	628	11
12	Total		\$ 630	\$ 628	\$ 628	12
TOTAL SALES EXPENSE (1988)						
13	Labor		\$ 1,708	\$ 0	\$ 0	13
14	Labor Loading		788	0	0	14
15	Materials & Expenses		4,804	2,644	2,644	15
16	Total		\$ 7,078	\$ 2,644	\$ 2,644	16
TOTAL OPERATIONS AND MAINTENANCE (1988)						
17	Labor		\$ 450,835	\$ 427,895	\$ 427,895	17
18	Labor Loading		202,088	175,875	178,705	18
19	Materials & Expenses		253,995	251,489	276,135	19
20	Other		3,130,526	3,153,580	3,153,580	20
21	Total		\$ 4,037,524	\$ 4,008,819	\$ 4,038,115	21

APPENDIX A
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SOUTHWEST GAS CORPORATION
SIERRA DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

SCHEDULE 2
SHEET 10 OF 12

Line No.	Description	FERC Account Number	BWC As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
Administrative and General Expenses						
	Administrative and General Salaries	920				
1	Labor		\$ 113,118	\$ 88,795	\$ 101,777	1
2	Labor Loading		48,530	33,707	38,327	2
3	Materials & Expenses		679	545	545	3
4	Total		\$ 160,327	\$ 123,047	\$ 141,649	4
	Office Supplies and Expense	921				
5	Labor		\$ 0	\$ 0	\$ 0	5
6	Labor Loading		0	0	0	6
7	Materials & Expenses		36,135	38,109	38,081	7
8	Total		\$ 36,135	\$ 38,109	\$ 38,081	8
	Admin. and Gen. Transfer Credit	922				
9	Labor		\$ 0	(2,414)	(2,787)	9
10	Labor Loading		0	(984)	(1,180)	10
11	Materials & Expenses		0	(1,085)	(1,094)	11
12	Other		(5,360)	0	0	12
13	Total		\$ (5,360)	\$ (4,503)	\$ (5,021)	13
	Outside Services Employed	923				
14	Labor		\$ 0	\$ 0	\$ 0	14
15	Labor Loading		0	0	0	15
16	Materials & Expenses		6,338	6,684	6,679	16
17	Total		\$ 6,338	\$ 6,684	\$ 6,679	17
	Property Insurance	924				
18	Labor		\$ 0	\$ 0	\$ 0	18
19	Labor Loading		0	0	0	19
20	Materials & Expenses		8,758	0	0	20
	Other		0	1,727	1,727	
21	Total		\$ 8,758	\$ 1,727	\$ 1,727	21

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
	Injuries and Damages	925				
1	Labor		\$ 0	\$ 0	\$ 0	1
2	Labor Loading		0	0	0	2
3	Materials & Expenses		81,338	0	0	3
	Other		0	34,122	44,996	
4	Total		\$ 81,338	\$ 34,122	\$ 44,996	4
	Employee Pension and Benefits	925				
5	Labor		\$ 0	\$ 0	\$ 0	5
6	Labor Loading		0	4,500	8,399	6
7	Materials & Expenses		0	0	0	7
8	Total		\$ 0	\$ 4,500	\$ 8,399	8
	Regulatory Commission Expenses	928				
9	Labor		\$ 0	\$ 0	\$ 0	9
10	Labor Loading		0	0	0	10
11	Materials & Expenses		12,713	6,704	6,699	11
12	Total		\$ 12,713	\$ 6,704	\$ 6,699	12
	Miscellaneous General Expenses	930				
13	Labor		\$ 116	\$ 114	\$ 114	13
14	Labor Loading		48	47	47	14
15	Materials & Expenses		20,124	18,998	19,425	15
16	Total		\$ 20,288	\$ 19,159	\$ 19,586	16
	Rents	931				
17	Other		\$ 54,437	\$ 42,386	\$ 47,982	17
18	Total		\$ 54,437	\$ 42,386	\$ 47,982	18
	Total Administrative & General - Oper.					
19	Labor		\$ 113,234	\$ 86,495	\$ 89,124	19
20	Labor Loading		48,578	37,260	48,613	20
21	Materials & Expenses		188,083	89,945	70,336	21
22	Other		49,077	78,235	84,705	22
23	Total		\$ 374,972	\$ 271,935	\$ 310,777	23

APPENDIX A
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SOUTHWEST GAS CORPORATION
SIERRA DIVISION
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT
PER STIPULATION

SCHEDULE 2
SHEET 12 OF 12

Line No.	Description	FERC Account Number	SWG As Filed	DRA	Stipulation Amount	Line No.
	(a)	(b)	(c)	(d)	(e)	
	Maintenance of General Plant	835				
1	Labor		\$ 1,371	\$ 1,350	\$ 1,350	1
2	Labor Loading		553	554	554	2
3	Materials & Expenses		8,262	8,770	9,763	3
4	Total		\$ 11,186	\$ 11,674	\$ 11,667	4
	Total Administrative & General - Maint.					
5	Labor		\$ 1,371	\$ 1,350	\$ 1,350	5
6	Labor Loading		553	554	554	6
7	Materials & Expenses		8,262	8,770	9,763	7
8	Other		0	0	0	8
9	Total		\$ 11,186	\$ 11,674	\$ 11,667	9
	TOTAL ADMIN. AND GEN. - (1989)					
10	Labor		\$ 114,805	\$ 87,845	\$ 100,474	10
11	Labor Loading		47,141	37,814	47,167	11
12	Materials & Expenses		176,345	78,715	80,098	12
13	Other		48,077	78,235	84,705	13
14	Total		\$ 386,168	\$ 283,809	\$ 322,444	14

(END OF APPENDIX A)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHWEST GAS CORPORATION for the)
Authority to Increase natural gas rates)
in San Bernardino and Placer Counties,)
California)

A. 88-02-003

EXHIBIT 13

RATE DESIGN
and
PROPOSED TARIFF SHEETS

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
CLASS REVENUE ALLOCATION
PER STIPULATION

Line No.	Description (a)	Total Division (b)	Residential		Commercial (e)	Industrial (f)	Gas Engines (g)	Cogeneration (h)	Street Lighting (i)	Master Metered (j)	Other Revenue GS Discount (k)	Line No.
			Primary (c)	Secondary (d)								
1	Summary of Allocated Cost of Service											
2	Cost of Gas [1]	\$ 21,375,790	\$ 10,746,830	\$ 909,013	\$ 3,668,150	\$ 3,898,478	\$ 198,865	\$ 1,032,532	\$ 201	\$ 921,712	\$ 0	1
3	Amortization of PCA Balancing Account [2]	(3,390,830)	(1,708,786)	(144,536)	(583,251)	(619,872)	(31,820)	(164,176)	(32)	(146,556)	0	2
3	Allocated Fixed Cost	22,264,953	15,381,716	1,042,373	2,435,804	826,216	87,225	261,159	120	644,883	785,456	3
4	Total Cost of Service	\$ 40,241,913	\$ 24,419,760	\$ 2,606,850	\$ 5,520,712	\$ 4,104,822	\$ 254,469	\$ 1,129,515	\$ 290	\$ 1,420,040	\$ 785,456	4
5	Comparison of Revenues At Present Rates to Cost of Service Revenue at Present Rates [3]	\$ 41,889,027	\$ 23,388,823	\$ 2,585,622	\$ 7,694,443	\$ 4,754,048	\$ 334,637	\$ 1,096,586	\$ 543	\$ 1,300,797	\$ 733,526	5
6	Cost Based Allocation Of Proposed Rates	\$ 40,241,913	\$ 24,419,760	\$ 2,606,850	\$ 5,520,712	\$ 4,104,822	\$ 254,469	\$ 1,129,515	\$ 290	\$ 1,420,040	\$ 785,456	6
7	Percent Change From Present Revenues	(3.93)%	4.41%	0.82%	(28.25)%	(13.66)%	(23.96)%	3.00%	(46.67)%	9.17%	7.08%	7
8	Development of Settlement Revenue Allocation Weighting Factors	\$ (849,522)	\$ 515,468	\$ 10,614	\$ (1,086,866)	\$ (324,613)	\$ (40,084)	\$ 16,464	\$ (127)	\$ 59,621	\$ ---	8
9	Cost of Service @ 50%	(849,522)	(482,787)	(53,372)	(158,827)	(98,132)	(6,908)	(22,635)	(11)	(26,851)	---	9
10	System Average Increase @ 50%	(1,699,044)	32,682	(42,758)	(1,245,693)	(422,745)	(46,992)	(6,171)	(138)	32,770	\$ 51,930	10
11	Total Weighted Increase	41,889,027	23,388,823	2,585,622	7,694,443	4,754,048	334,637	1,096,586	543	1,300,797	733,526	11
12	Present Revenues	\$ 41,889,027	\$ 23,388,823	\$ 2,585,622	\$ 7,694,443	\$ 4,754,048	\$ 334,637	\$ 1,096,586	\$ 543	\$ 1,300,797	\$ 733,526	12
12	Total Weighted Class Revenues	\$ 40,241,913	\$ 23,421,505	\$ 2,542,864	\$ 6,448,750	\$ 4,331,303	\$ 287,646	\$ 1,090,415	\$ 405	\$ 1,333,568	\$ 785,456	12
13	Maximum Class Revenue Allowed System Average Inc. Plus St [4]		\$ 23,638,595	\$ 2,613,235	\$ 7,776,613	\$ 4,804,817	\$ 338,211	\$ 1,054,202	\$ 549	\$ 1,314,689	\$ 785,456	13
14	Proposed Settlement Revenue Allocation	\$ 40,241,913	\$ 23,456,349	\$ 2,546,647	\$ 6,458,344	\$ 4,337,747	\$ 288,074	\$ 1,054,202	\$ 406	\$ 1,314,689	\$ 785,456	14
15	Percent Change From Present Revenues	(3.93)%	0.29%	(1.51)%	(16.06)%	(8.76)%	(13.91)%	(3.87)%	(25.29)%	1.07%	7.08%	15
16	Proposed Fixed Cost Revenue Allocation	\$ 22,264,953	\$ 14,418,305	\$ 1,782,171	\$ 3,373,437	\$ 1,059,141	\$ 120,829	\$ 185,846	\$ 236	\$ 539,532	\$ 785,456	16
17	Average Rates Per Class Total Rate - \$/Therm	\$ 0.51089	\$ 0.59231	\$ 0.76027	\$ 0.47780	\$ 0.30195	\$ 0.39311	\$ 0.27707	\$ 0.54682	\$ 0.38708	---	17
18	Gas Cost Rate - \$/Therm	0.27137	0.27137	0.27137	0.27137	0.27137	0.27137	0.27137	0.27137	0.27137	---	18
19	Amortization Rate - \$/Therm	(0.04315)	(0.04315)	(0.04315)	(0.04315)	(0.04315)	(0.04315)	(0.04315)	(0.04315)	(0.04315)	---	19
20	Fixed Cost(Trans) Rate - \$/Therm	\$ 0.28266	\$ 0.36409	\$ 0.53205	\$ 0.24957	\$ 0.07373	\$ 0.16489	\$ 0.04884	\$ 0.31859	\$ 0.15885	---	20
21	DRA Estimated Deliveries	78,768,538	39,601,440	3,349,660	13,516,948	14,365,665	732,805	3,804,822	742	3,396,456	---	21
22	DRA Number of Customers	77,418	63,879	8,694	4,708	6	30	3	1	97	---	22

[1] PG&E rates effective July 1, 1988 as filed in Advice Letter No. 399, Supplement. Includes FBV associated with gas cost of 1.3962, per Exhibit 13, Schedule 3.

[2] Amortization account balances at August 31, 1988 as filed in Advice Letter No. 399, Supplement.

[3] Present Revenues reflect rates effective per Advice Letter No. 399, Supplement.

[4] Cogeneration Class Revenue Level set at rate equivalent to Southern California Edison UEG purchases from SoCal Gas.

A-88-02-003 /AJU/FCO/jt

APPENDIX B.
Revised Page 2

(20/11/11)
3/2/11

SOUTHWEST GAS CORPORATION
SIERRA DIVISION
CLASS REVENUE ALLOCATION
PER STIPULATION

Line No.	Description	Total Division	Residential		Commercial	Master Metered	Other Revenue	Line No.
			Primary	Secondary				
(a)	(b)	(c)	(d)	(e)	(f)	(g)		
1	Summary of Allocated Cost of Service							1
2	Cost Of Gas (1)	\$ 2,818,641	\$ 783,192	\$ 1,440,569	\$ 588,424	\$ 6,456	\$ 0	2
3	Amortization of Balancing Accounts (2)	(212,010)	(58,909)	(108,356)	(44,260)	(486)	0	3
3	Allocated Fixed Cost	2,789,944	790,055	1,658,362	268,989	2,219	70,319	4
4	Total Cost of Service	\$ 5,396,574	\$ 1,514,338	\$ 2,990,576	\$ 813,153	\$ 8,189	\$ 70,319	
Comparison of Revenues At Present Rates								
5	to Cost of Service							
5	Revenue at Present Rates (3)	\$ 5,188,231	\$ 1,214,758	\$ 2,842,250	\$ 1,052,600	\$ 8,644	\$ 69,978	5
6	Cost Based Allocation Of Proposed Rates	\$ 5,396,574	\$ 1,514,338	\$ 2,990,576	\$ 813,153	\$ 8,189	\$ 70,319	6
7	Percent Change From Present Rates	4.02 %	24.66 %	5.22 %	(22.75) %	(5.26) %	0.49 %	7
Development of Settlement Revenue								
8	Allocation Weighting Factors							8
9	Cost of Service @ 50%	\$ 104,001	\$ 149,790	\$ 74,163	\$ (119,724)	\$ (228)	\$ ---	9
9	System Average Increase @ 50%	104,001	24,684	57,754	21,389	176	---	
10	Total Weighted Increase	\$ 208,003	\$ 174,473	\$ 131,917	\$ (98,335)	\$ (52)	\$ 341	10
11	Present Revenues	5,188,231	1,214,758	2,842,250	1,052,600	8,644	69,978	11
12	Total Weighted Class Revenues	\$ 5,396,574	\$ 1,389,231	\$ 2,974,166	\$ 954,265	\$ 8,593	\$ 70,319	12
13	Maximum Class Revenue Allowed		1,324,277	3,098,498	1,147,500	9,424	70,319	13
13	System Average Inc. Plus SL							
14	Proposed Settlement Revenue Allocation	\$ 5,396,574	\$ 1,324,277	\$ 3,023,235	\$ 970,009	\$ 8,734	\$ 70,319	14
15	Percentage Change From Present Rates	4.02 %	9.02 %	6.37 %	(7.85) %	1.04 %	0.49 %	15
16	Proposed Fixed Cost Revenue Allocation	\$ 2,789,944	\$ 599,995	\$ 1,691,022	\$ 425,845	\$ 2,764	\$ 70,319	16
17	Average Rates Per Class							
17	Total Cost - \$/Therm	\$ 0.73086	\$ 0.64545	\$ 0.80111	\$ 0.62927	\$ 0.51642	\$ ---	17
18	Gas Cost Rate - \$/Therm	0.38173	0.38173	0.38173	0.38173	0.38173	---	18
19	Amortization Rate - \$/Therm	(0.02871)	(0.02871)	(0.02871)	(0.02871)	(0.02871)	---	19
20	Fixed Cost(Trans) Rate - \$/Therm	\$ 0.37784	\$ 0.29244	\$ 0.44809	\$ 0.27626	\$ 0.16341	\$ ---	20
21	DRA Estimated Deliveries	7,383,910	2,051,704	3,773,816	1,541,477	16,913	---	21
22	DRA Number of Customers	8,181	2,470	5,241	469	1	---	22

(1) Palute rates effective November 1, 1988 as filed in Advice Letter No. 399, Supplement. Includes FAU associated with gas cost of 1.232%, per Exhibit 13, Schedule 3.

(2) Amortization of balancing accounts at August 31, 1988 as filed in Advice Letter No. 399, Supplement.

(3) Present Revenues reflect rates effective per Advice Letter No. 399, Supplement.

A-88-02-003 /ALJ/RSO/jt

APPENDIX B
Revised Page 3

EXHIBIT 13
SCHEDULE 3
PAGE 1 OF 2

SOUTHWEST GAS CORP.
MOJAVE DIVISION
CALCULATION OF PROPOSED RATE CLASS
PER STIPULATION.

Line No.	Description	Proposed Schedule	Annual Number of Bills	Sales Volumes (Therms)	Rates Effective Per Advice Letter No. 399, Supplement		Rates Proposed To Be Effective January 1, 1989		Increase/(Decrease)		Line No.
					Rates	Revenues	Rates	Revenues	Dollars	Percent	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Residential Gas Service											
1	Primary	G-1	766,549		4.25	\$ 3,257,833	4.25	\$ 3,257,833	\$ 0	0.00 %	1
2	Basic Service Charge	GS & GN	1,164		4.25	4,947	25.00	29,100	\$ 24,153	488.24	2
3	Basic Service Charge			29,448,073	0.39175	\$11,536,283	0.39930	\$ 11,750,616	\$ 222,333	1.93 %	3
4	Commodity Charge per Therm			13,549,823	0.72994	9,890,558	0.71776	9,725,521	(165,037)	(1.67)	4
	Baseline										
	Tier II										
5	Total Primary		767,713	42,997,896		\$24,689,621		\$ 24,771,070	\$ 81,449	0.33 %	5
6	Secondary	G-1N	104,326		4.25	\$ 443,386	4.25	\$ 443,386	\$ 0	0.00 %	6
7	Basic Service Charge			2,067,850	0.54461	1,126,172	0.62790	1,298,403	172,231	15.29	7
8	Commodity Charge			1,281,810	0.79268	1,016,065	0.62790	804,848	(211,217)	(20.79)	8
	TIER I (1)										
	TIER II (1)										
9	Total Secondary		104,326	3,349,660		2,585,622		2,546,637	(38,985)	(1.51)	9
10	Total Residential		872,039	46,347,556	0.58849	\$27,275,243	0.58941	\$ 27,317,707	\$ 42,464	0.16 %	10
Commercial Gas Service											
11	Basic Service Charge	GN-1	56,498		4.25	\$ 240,117	10.00	\$ 564,980	\$ 324,864	135.29 %	11
12	Commodity Charge per Therm			13,516,948	0.55148	7,454,326	0.43600	5,893,389	(1,560,937)	(20.94)	12
13	All Usage per Therm										
	Total Commercial		56,498	13,516,948		7,694,443		6,458,369	(1,236,074)	(16.06)	13
Cogeneration Gas Service											
14	Basic Service Charge	GN-2	36		75.00	\$ 2,700	75.00	\$ 2,700	\$ 0	0.00 %	14
15	Commodity Charge			3,804,822	0.28750	1,093,886	0.27636	1,051,501	(42,386)	(3.87)	15
16	All Usage per Therm										
	Total Cogeneration		36	3,804,822		\$ 1,096,586		\$ 1,054,201	\$ (42,386)	(3.87) %	16
Industrial Gas Service											
17	Basic Service Charge	GN-3	72		4.25	\$ 306	75.00	\$ 5,400	\$ 5,094	1,664.71 %	17
18	Commodity Charge			14,365,665	0.33091	4,753,742	0.30158	4,332,397	(421,345)	(8.86)	18
19	All Usage per Therm										
	Total Industrial		72	14,365,665		4,754,048		4,337,797	(416,251)	(8.76)	19
19	Total This Sheet		928,645	78,034,991		\$40,820,321		\$ 39,168,074	\$ (1,652,247)	(4.05) %	19

[1] At implementation of January 1, 1989 rates, all Secondary usage billed at same rate per stipulation.

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Sheet 1 of 3

SOUTHWEST GAS CORPORATION
MOJAVE DIVISION
CALCULATION OF PROPOSED RATES BY CLASS
PER STIPULATION

Line No.	Description	Proposed Schedule	Annual Number of Bills	Sales Volumes (Therms)	Rates Effective Per Advice Letter No. 399, Supplement		Rates Proposed To Be Effective January 1, 1989		Increase/(Decrease)		Line No.
					Rates	Revenues	Rates	Revenues	Dollars	Percent	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
	<u>Electric Generation Gas Service</u>	<u>GN-5</u>									
1	Basic Service Charge		0		500.00	\$ 0	500.00	\$ 0	\$ 0	0.00 %	1
2	Commodity Charge			0	0.28750	0	0.27636	0	0	0.00	2
3	All Usage per Therm			0		\$ 0		\$ 0	\$ 0	0.00 %	3
	<u>Total Electric Generation</u>		<u>0</u>	<u>0</u>							
	<u>Internal Combustion Engine Gas Service</u>	<u>GN-6</u>									
4	Basic Service Charge		360		10.00	\$ 3,600	25.00	\$ 9,000	\$ 5,400	150.00 %	4
5	Commodity Charge			732,805	0.45174	331,037	0.38083	279,074	(51,963)	(15.70)	5
6	All Usage per Therm			360		\$ 334,637		\$ 288,074	\$ (46,563)	(13.91) %	6
	<u>Total Internal Combustion Engine</u>		<u>360</u>	<u>732,805</u>							
	<u>Standby Gas Service</u>	<u>GN-7</u>									
7	Basic Service Charge		0		10.00	\$ 0	10.00	\$ 0	\$ 0	0.00 %	7
8	Commodity Charge			0	0.55842	0	0.55842	0	0	0.00	8
9	All Usage per Therm			0		\$ 0		\$ 0	\$ 0	0.00 %	9
	<u>Total Standby Service</u>		<u>0</u>	<u>0</u>							
	<u>Street Lighting Gas Service</u>	<u>G-5</u>									
10	Charge per Lamp per Month		12	742	11.31	\$ 543	8.45	\$ 406	\$ (137)	(25.29) %	10
11	1.99 cfh or Less (Lamps X 12)		0	0	14.23	0	12.45	0	0	0.00	11
12	2.00 - 2.49 cfh (Lamps X 12)					543		406	(137)	(25.29)	12
	<u>Total Street Lighting</u>		<u>12</u>	<u>742</u>		<u>543</u>		<u>406</u>	<u>(137)</u>	<u>(25.29)</u>	
13	<u>Total This Sheet</u>		<u>372</u>	<u>733,547</u>		<u>335,180</u>		<u>288,480</u>	<u>(46,701)</u>	<u>(13.93)</u>	13
14	<u>Total All Schedules</u>		<u>929,017</u>	<u>78,768,538</u>		<u>\$41,155,501</u>		<u>\$ 39,456,554</u>	<u>\$ (2,698,947)</u>	<u>(4.13) %</u>	14
15	Other Operating Revenues					\$ 823,774		\$ 841,355	\$ 17,581	2.13 %	15
16	GS & GN Discount					(90,248)		(55,899)	34,349	(38.06)	16
17	<u>Total Operating Revenue / SAR</u>					<u>\$41,889,027</u>	<u>\$ 0.51089</u>	<u>\$ 40,242,010</u>	<u>\$ (1,647,017)</u>	<u>(3.93) %</u>	17
18	<u>Total Revenue Requirement</u>							<u>\$ 40,241,913</u>			18
19	<u>Over / (Under)</u>							<u>\$ 97</u>			19

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SOUTHWEST GAS CORPORATION
SIERRA DIVISION
CALCULATION OF PROPOSED RATES BY CLASS
PER STIPULATION

Line No.	Description	Proposed Schedule	Annual Number of Bills	Sales Volumes (Therms)	Rates Effective Per Advice Letter No. 399, Supplement		Rates Proposed To Be Effective January 1, 1989		Increase/(Decrease)		Line No.
					Rates	Revenues	Rates	Revenues	Dollars	Percent	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)		
Residential Gas Service											
1	Primary	6-10	30,902		4.25	\$ 131,334	4.25	\$ 131,334	\$ 0	0.00	1
2	Basic Service Charge	GS & GN	12		4.25	51	7.75	93	42	82.35	2
3	Basic Service Charge										
4	Commodity Charge per Therm			1,449,803	0.50650	\$ 734,375	0.56311	\$ 816,399	\$ 82,023	11.18	3
5	Baseline			618,814	0.57803	357,693	0.62246	385,187	27,494	7.69	4
6	Tier II										
7	Total Primary		30,914	2,068,617		\$ 1,223,403		\$ 1,333,012	\$ 109,609	8.96	5
8	Secondary	6-10H	62,894		4.25	\$ 267,300	4.25	\$ 267,300	\$ 0	0.00	6
9	Basic Service Charge										
10	Commodity Charge			2,319,803	0.68232	1,582,848	0.73028	1,694,106	111,258	7.07	7
11	TIER I (1)			1,454,013	0.68232	992,102	0.73028	1,061,837	69,734	7.03	8
12	TIER II (1)										
13	Total Secondary		62,894	3,773,816		2,842,250		3,023,242	180,992	6.37	9
14	Total Residential		93,808	5,842,433		\$ 4,065,652		\$ 4,356,254	\$ 290,601	7.15	10
Commercial Gas Service											
15	Basic Service Charge	GN-10	5,880		4.25	\$ 24,990	7.75	\$ 45,570	\$ 20,580	82.35	11
16	Commodity Charge per Therm			1,541,477	0.66664	1,027,610	0.59972	924,439	(103,171)	(10.04)	12
17	All Usage per Therm										
18	Total Commercial		5,880	1,541,477		\$ 1,052,600		\$ 970,009	\$ (82,591)	(7.85)	13
Street Lighting Gas Service											
19	Charge per Lamp per Month	6-16									
20	1.99 c/h or Less (Lamps X 12)		0	0	10.58	\$ 0	9.94	\$ 0	\$ 0	0.00	14
21	Total All Schedules		99,688	7,383,910		\$ 5,118,253		\$ 5,326,263	\$ 208,010	4.06	15
22	Other Operating Revenues					\$ 70,805		\$ 71,236	\$ 431	0.61	16
23	GS & GN Discount					(827)		(917)	(90)	10.91	17
24	Total Operating Revenue					\$ 5,188,231	\$ 0.73086	\$ 5,396,582	\$ 208,351	4.02	18
25	Total Revenue Requirement							\$ 5,396,574			19
26	Over / (Under)							\$ 7			20

(1) At implementation of January 1, 1989 rates all Secondary usage billed at same rate.

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SOUTHWEST GAS CORPORATION
MOJAVE AND SIERRA DIVISIONS
CALCULATION OF BASE COST AMOUNT PER YEAR
PER STIPULATION

Description (a)	Mojave (b)	Sierra (c)	Line No.
<u>Calculation of Base Cost Amount per Year</u>			
Settlement Revenue Requirement	\$ 43,395,585	\$ 5,963,316	1
Settlement Gas Cost	20,839,710	3,134,752	2
F & U Associated With Gas Cost	290,922	38,620	3
Base Cost Amount per Year	<u>\$ 22,264,953</u> *****	<u>\$ 2,789,944</u> *****	4
<u>Calculation of Franchise and Uncollectible Percent</u>			
Uncollectibles	\$ 133,693	\$ 19,623	5
Franchise Requirements	463,957	52,960	6
Total F & U	<u>\$ 597,650</u>	<u>\$ 72,583</u>	7
Settlement Revenue Requirement	\$ 43,395,585	\$ 5,963,316	8
F & U Percent	1.377%	1.217%	9
Gross Up Factor (Line 10/(1-Line 10))	<u>1.396%</u> *****	<u>1.232%</u> *****	10

PRELIMINARY STATEMENTS
(Continued)

8. SUPPLY ADJUSTMENT MECHANISM (SAM)

8A. APPLICABILITY

This Supply Adjustment Mechanism (SAM) provision applies to bills for service under all rate schedules and contracts for gas service.

8B. BASE RATES

The Base Rates are the gas rates effective January 1, 1989, for the Company's Mojave and Sierra Divisions.

8C. BASE COSTS

The Base Cost Amount and the Base Weighted Average Cost of Gas included in Base Rates are as follows:

	<u>Mojave Division</u>	<u>Sierra Division</u>
Base Cost Amount per Year	\$22,264,953	\$2,789,944
Base Weighted Average		
Cost of Gas per Therm Sold	\$.26764	\$.37708

8D. CURRENT PERIOD

The volumes of gas, expressed in therms, to be utilized hereunder shall be those estimated to be sold during the twelve calendar month period beginning with the applicable Revision Date.

8E. REVISION DATES

The revision dates each year are April 1 and October 1.

On such dates, or as soon thereafter as the Commission may authorize, the Company shall in accordance with the provisions hereof, increase or decrease the SAM Rates applicable to each rate schedule and contract.

8F. SAM RATES

The Commission shall determine and fix applicable SAM Rates to be placed into effect for each revision period. The Company shall file one or more exemplary SAM Rates.

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EXHIBIT 13
PROPOSED TARIFF SHEETS
SHEET 2 OF 22

Cancelling _____ Cal. P.U.C. Sheet No. _____
_____ Cal. P.U.C. Sheet No. _____

STATEMENT OF RATES
EFFECTIVE RATES APPLICABLE TO MOJAVE DIVISION SCHEDULES

<u>Schedule No. and Type of Charge</u>	<u>Base Tariff Rates</u>	<u>Balancing Account Surcharges^{1/}</u>	<u>Rates After Balancing Account Surcharges</u>	<u>CPUC Surcharge</u>	<u>Currently Effective Tariff Rates</u>
<u>G-1 - Residential Gas Service</u>					
Basic Service Charge	\$ 4.25		\$ 4.25		\$ 4.25
Commodity Charge per Therm:					
Baseline Quantities:	.44245	(\$.04315)	.39930	\$.00076	.40006
Tier II	.76091	(.04315)	.71776	.00076	.71852
<u>G-1N - Residential Gas Service</u>					
Basic Service Charge	\$ 4.25		\$ 4.25		\$ 4.25
Commodity Charge per Therm:					
All Usage	.67105	(\$.04315)	.62790	\$.00076	.62866
<u>G-5 - Street and Outdoor Lighting Gas Service</u>					
Charge per Lamp per Month					
Rate "X":					
1.99 cu.-ft./hr. or less	\$ 9.12	(\$.67)	\$ 8.45	\$.01	\$ 8.46
2.00 - 2.49 cu.-ft./hr.	13.29	(.84)	12.45	.01	12.46
<u>GN-1 - Commercial Gas Service</u>					
Basic Service Charge	\$ 10.00		\$ 10.00		\$10.00
Commodity Charge per Therm:					
All Usage	.47915	(\$.04315)	.43600	\$.00076	.43676
<u>GN-2 - Cogeneration Gas Service</u>					
Basic Service Charge	\$ 75.00		\$ 75.00		\$75.00
Commodity Charge per Therm:					
All Usage	.31951	(\$.04315)	.27636	\$.00076	.27712
<u>GN-3 - Industrial Gas Service</u>					
Basic Service Charge	\$ 75.00		\$ 75.00		\$75.00
Commodity Charge per Therm:					
All Usage	.34473	(\$.04315)	.30158	\$.00076	.30234

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EXHIBIT 13
PROPOSED TARIFF SHEETS
SHEET 3 OF 22

Cancelling _____ Cal. P.U.C. Sheet No. _____
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STATEMENT OF RATES
EFFECTIVE RATES APPLICABLE TO MOJAVE DIVISION SCHEDULES

Schedule No. and Type of Charge	Base Tariff Rates	Balancing Account Surcharges ^{1/}	Rates After Balancing Account Surcharges	CPUC Surcharge	Currently Effective Tariff Rates
<u>GN-5 - Electric Generation</u>					
Gas Service			\$500.00		\$500.00
Basic Service Charge	\$500.00		\$500.00		
Commodity Charge per Therm:					
All Usage	.31951	(\$.04315)	.27636	\$.00076	.27712
<u>GN-6 - Internal Combustion Engine</u>					
Gas Service			\$ 25.00		\$ 25.00
Basic Service Charge	\$ 25.00		\$ 25.00		
Commodity Charge per Therm:					
All Usage	.42398	(\$.04315)	.38083	\$.00076	.38159
<u>GN-7 - Standby Gas Service</u>					
Gas Service			\$ 10.00		\$ 10.00
Basic Service Charge	\$ 10.00		\$ 10.00		
Commodity Charge per Therm:					
All Usage	.60157	(\$.04315)	.55842	\$.00076	.55918
<u>GS & GM - Multi-family Master</u>					
Metered Service			\$ 25.00		\$ 25.00
Basic Service Charge	\$ 25.00		\$ 25.00		
Commodity Charge per Therm:					
Baseline Quantities	.44245	(\$.04315)	.39930	\$.00076	.40006
Tier II	.76091	(\$.04315)	.71776	.00076	.71852

^{1/} The balancing account surcharges consist of the following components including adjustments for franchise taxes and uncollectible accounts expense, where applicable:

PGA	SAM	CFA
(\$.03006)	(\$.01690)	\$.00381

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STATEMENT OF RATES
EFFECTIVE RATES APPLICABLE TO SIERRA DIVISION SCHEDULES

Schedule No. and Type of Charge	Base Tariff Rates	Balancing Account Surcharges ^{1/}	Rates After Balancing Account Surcharges	CPUC Surcharge	Currently Effective Tariff Rates
<u>G-10 - Residential Gas Service</u>					
Basic Service Charge	\$ 4.25		\$ 4.25		\$ 4.25
Commodity Charge per Therm:					
Baseline Quantities	.59183	(\$.02872)	.56311	\$.00076	.56387
Tier II	.65118	(.02872)	.62246	.00076	.62322
<u>G-10N - Residential Gas Service</u>					
Basic Service Charge	\$ 4.25		\$ 4.25		\$ 4.25
Commodity Charge per Therm:					
All Usage	.75900	(\$.02872)	.73028	\$.00076	.73104
<u>GM-10 - Commercial Gas Service</u>					
Basic Service Charge	\$ 7.75		\$ 7.75		\$ 7.75
Commodity Charge per Therm:					
All Usage	.62843	(\$.02872)	.59971	\$.00076	.60047
<u>G-16 - Street and Outdoor Lighting Gas Service</u>					
Charge per Lamp per Month	\$ 10.39	(\$.45)	\$ 9.94	\$.01	\$ 9.95
Rate "X" 1.99 cu.ft./hr. or less					
<u>GS & GM - Multi-Family Master Metered Service</u>					
Basic Service Charge	\$ 7.75		\$ 7.75		\$ 7.75
Commodity Charge per Therm:					
Baseline Quantities	.59183	(\$.02872)	.56311	\$.00076	.56387
Tier II	.65118	(.02872)	.62246	.00076	.62322

^{1/} The balancing account surcharges consist of the following components including adjustments for franchise taxes and uncollectible accounts expense, where applicable:

PGA	SAM	CFA
(\$.02778)	\$.00309	(\$.00403)

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STATEMENT OF RATES
OTHER SERVICE CHARGES

<u>Description</u>	<u>Reference</u>	<u>Charge</u>
<u>Service Establishment Charge</u>	Rule 3C	
Normal Service		\$25.00
Expedited Service		40.00
Call-out Service		80.00
<u>Returned Check Charge</u>	Rule 9F	
Per Return		\$10.00
<u>Late Charge</u>	Rule 9G	
Each Delinquent Bill		\$2.50 per bill
Residential		\$6.00 or 1% of the
Non-Residential		monthly bill, which-
		ever is greater.

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SHEET 6 OF 22

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Schedule No. G-1

RESIDENTIAL GAS SERVICE

APPLICABILITY

Applicable to gas service to customers which consists of direct domestic gas usage in a residential dwelling for space heating, air conditioning, cooking, water heating, and other residential uses. This schedule is available only to primary residences.

TERRITORY

Throughout the Company's certificated gas service areas in its Mojave Division, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

The baseline daily quantity in therms for all individually metered residential uses are:

	<u>Summer Season</u> <u>(May-October)</u>	<u>Winter Season</u> <u>(November-April)</u>
Barstow	.52	2.19
Victorville	.52	2.25
	<u>Summer Season</u> <u>(June-September)</u>	<u>Winter Season</u> <u>(October-May)</u>
Big Bear	.79	2.77

For billing purposes all quantities sold each month in excess of the baseline quantities shall be billed at the Tier II rate.

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Schedule No. G-1N

RESIDENTIAL GAS SERVICE

APPLICABILITY

Applicable to gas service to customers which consists of direct domestic gas usage in a residential dwelling for space heating, air conditioning, cooking, water heating, and other residential uses. This schedule is available only to recreational, vacation or secondary homes.

TERRITORY

Throughout the Company's certificated gas service areas in its Mojave Division, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

The number of therms shall be determined in accordance with the provisions of Rule No. 2C.

Minimum Charge:

The minimum charge per meter per month will be the basic service charge.

SPECIAL CONDITIONS

Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the Company or its wholesale supplier. The Company will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rule No. 21.

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Schedule No. G-5

STREET AND OUTDOOR LIGHTING GAS SERVICE

APPLICABILITY

Applicable to gas service for continuous street or outdoor lighting in lighting devices approved by the Company. Service under this schedule is conditional upon arrangements mutually satisfactory to the customer and the Company for connection of customer's lighting devices to Company's facilities.

TERRITORY

Throughout the Company's certificated gas service areas in its Mojave Division, except as may hereafter be provided.

RATES

Rate "X" - Lighting Only Service:

The charge per lamp per month shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff, and is incorporated herein by reference.

Rate "Y" - Lighting in Combination with other Usage:

Gas consumed by lighting devices installed upstream of the combination customer's meter will be computed at the maximum rated capacity of each lamp and added to the customer's other measured usage and the total billed under the rate schedule applicable for such other usage.

Minimum Charge:

For customers taking service under the "X" rate, the minimum charge per lamp per month will be the charge for one lamp of the maximum size installed.

SPECIAL CONDITIONS

Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the Utility or its wholesale supplier. The Company will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rule No. 21.

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EXHIBIT 13
PROPOSED TARIFF SHEETS
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Cancelling _____ Cal. P.U.C. Sheet No. _____
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Schedule No. GN-1

COMMERCIAL GAS SERVICE

APPLICABILITY

Applicable to gas service for customers that are engaged primarily in the sale of goods or services including institutions and local, state, and federal government agencies and to all classes of customers not qualifying for service under other rate schedules.

TERRITORY

Throughout the Company's certificated gas service areas in its Mojave Division, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

The number of therms shall be determined in accordance with the provisions of Rule No. 2C.

Minimum Charges:

The minimum charge per meter per month will be the basic service charge.

SPECIAL CONDITIONS

Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the Company or its wholesale supplier. The Company will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rule No. 21.

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Las Vegas, Nevada 89193-8510
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Schedule No. GN-2

COGENERATION GAS SERVICE

APPLICABILITY

Applicable to gas service where natural gas is used in a cogeneration facility that meets the efficiency standards outlined in Title 18, Code of Federal Regulation, Part 292, Subparts A and B, and where the customer's generators and load are located at the same premise. This schedule is available for only the cogeneration portion of the customer's gas purchases.

TERRITORY

Throughout the Company's certificated gas service areas in its Mojave Division, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

The number of therms shall be determined in accordance with the provisions of Rule No. 2C.

Minimum Charges:

The minimum charge per meter per month will be the basic service charge.

SPECIAL CONDITIONS

1. Gas service under this schedule is not available unless accompanied by a signed contract for a minimum of one year as the precedent to service under this schedule, and said contract shall continue in force and effect from year to year thereafter until either the Company or the customer shall give the other written notice of a desire to terminate the same at least thirty (30) days prior to the expiration of any such year. If the customer permanently ceases operation, such contract shall not thereafter continue in force.

Advice Letter No. _____
Decision No. _____

Issued by
Marvin R. Shaw
Senior Vice President

Date Filed _____
Effective _____
Resolution No. _____

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Schedule No. GN-2

COGENERATION GAS SERVICE

SPECIAL CONDITIONS (Continued)

2. Gas service under this schedule is not available for "standby" or occasional temporary service.
3. Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the Company or its wholesale supplier. The Company will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rule No. 21.

Advice Letter No. _____
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Senior Vice President

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Schedule No. GN-3

INDUSTRIAL GAS SERVICE

APPLICABILITY

Applicable to gas service to customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product.

TERRITORY

Throughout the Company's certificated gas service areas in its Mojave Division, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

~~The commodity unit rate under this schedule shall not be less than the Company's cost of gas adjusted to a sales basis plus \$.05 per therm and applicable surcharges.~~

The number of therms shall be determined in accordance with the provisions of Rule No. 2C.

Minimum Charge:

The minimum charge per meter per month will be the basic service charge.

SPECIAL CONDITIONS

Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the Company or its wholesale supplier. The Company will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rule No. 21.

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Schedule No. GN-5

ELECTRIC GENERATION GAS SERVICE

APPLICABILITY

Applicable to gas service for electric generating plants designed for gas as a primary fuel.

TERRITORY

Throughout the Company's certificated gas service areas in its Mojave Division, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

The number of therms shall be determined in accordance with the provisions of Rule No. 2C.

Minimum Charge:

The minimum charge per meter per month will be the basic service charge.

SPECIAL CONDITIONS

Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the Company or its wholesale supplier. The Company will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rule No. 21.

Advice Letter No. _____
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Schedule No. GN-6

INTERNAL COMBUSTION ENGINE GAS SERVICE

APPLICABILITY

Applicable to gas service for use as fuel in internal combustion engines used for water pumping or sewage treatment.

TERRITORY

Throughout the Company's certificated gas service areas in its Mojave Division, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

The number of therms shall be determined in accordance with the provisions of Rule No. 2C.

Minimum Charge:

The minimum charge per meter per month will be the basic service charge.

SPECIAL CONDITIONS

Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the Company or its wholesale supplier. The Company will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rule No. 21.

Advice Letter No. _____
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Schedule No. GN-7

STANDBY GAS SERVICE

APPLICABILITY

Applicable to gas service to customers with propane standby facilities installed upon their premises.

TERRITORY

Throughout the Company's certificated gas service areas in its Mojave Division, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

The number of therms shall be determined in accordance with the provisions of Rule No. 2C.

Minimum Charge: .

The minimum bill per meter per month will be the charge for 1,000 therms.

SPECIAL CONDITIONS

1. Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the Company or its wholesale supplier. The Company will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rule No. 21.
2. Service under this schedule is not available unless accompanied by a signed contract.

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Schedule No. G-10

RESIDENTIAL GAS SERVICE

APPLICABILITY

Applicable to gas service to customers which consists of direct domestic gas usage in a residential dwelling for space heating, air conditioning, cooking, water heating, and other residential uses. This schedule is available only to primary residences.

TERRITORY

Throughout the Company's certificated gas service areas in its Sierra Division, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

The baseline daily quantity in therms for all individually metered residential uses are:

<u>Summer Season</u> <u>(June-September)</u>	<u>Winter Season</u> <u>(October-May)</u>
.72	2.83

For billing purposes all quantities sold each month in excess of the baseline quantities shall be billed at the Tier II rate.

Upon completion of an application and verification by a state licensed physician, an additional monthly medical allowance of 25 therms will be provided for paraplegic/quadruplegic persons and multiple sclerosis patients who are full-time residents in a household served under this schedule.

If the customer qualifying for the standard medical allowance can demonstrate to the Company's satisfaction that the 25-therm allowance is insufficient to meet the life-support and comfort requirements of the eligible resident, the Company shall make a determination as to the additional quantity required and round such quantity to the next higher 25 therms.

Advice Letter No. _____
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Senior Vice President

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Schedule No. G-10N

RESIDENTIAL GAS SERVICE

APPLICABILITY

Applicable to gas service to customers which consists of direct domestic gas usage in a residential dwelling for space heating, air conditioning, cooking, water heating, and other residential uses. This schedule is available only to recreational, vacation or secondary homes.

TERRITORY

Throughout the Company's certificated gas service areas in its Sierra Division, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

The number of therms shall be determined in accordance with the provisions of Rule No. 2C.

Minimum Charge:

The minimum charge per meter per month will be the basic service charge.

SPECIAL CONDITIONS

Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the Company or its wholesale supplier. The Company will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rule No. 21.

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Senior Vice President

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Schedule No. GN-10

COMMERCIAL GAS SERVICE

APPLICABILITY

Applicable to gas service for customers that are engaged primarily in the sale of goods or services including institutions and local, state, and federal government agencies and to all classes of customers not qualifying for service under other rate schedules.

TERRITORY

Throughout the Company's certificated gas service areas in its Sierra Division, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

The number of therms shall be determined in accordance with the provisions of Rule No. 2C.

Minimum Charge:

The minimum charge per meter per month shall be the basic service charge.

SPECIAL CONDITIONS

Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the Company or its wholesale supplier. The Company will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rule No. 21.

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Senior Vice President

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Schedule No. G-16

STREET AND OUTDOOR LIGHTING GAS SERVICE

APPLICABILITY

Applicable to gas service for continuous street or outdoor lighting in lighting devices approved by the Company. Service under this schedule is conditional upon arrangements mutually satisfactory to the customer and the Company for connection of customer's lighting devices to Company's facilities.

TERRITORY

Throughout the Company's certificated gas service areas in its Sierra Division, except as may hereafter be provided.

RATES

Rate "X" - Lighting Only Service:

The charge per lamp per month shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff, and is incorporated herein by reference.

Rate "Y" - Lighting in Combination with other Usage:

Gas consumed by lighting devices installed upstream of the combination customer's meter will be computed at the maximum rated capacity of each lamp and added to the customer's other measured usage and the total billed under the rate schedule applicable for such other usage.

Minimum Charge:

For customers taking service under the "X" rate, the minimum charge per lamp per month will be the charge for one lamp of the maximum size installed.

SPECIAL CONDITIONS

Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the Utility or its wholesale supplier. The Company will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rule No. 21.

Advice Letter No. _____
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Senior Vice President

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Schedule No. GM

GENERAL NATURAL GAS SERVICE
MULTI-FAMILY MASTER METERED SERVICE

APPLICABILITY

This schedule is applicable to service for cooking, water heating, space heating, and other residential usages supplied to multi-family accommodations through one meter on a single premise in accordance with Rule No. 18. This schedule is closed to new installations.

TERRITORY

Throughout the Company's certificated gas service areas in its Mojave and Sierra Divisions, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

The baseline daily quantity in therms per residential unit are:

	<u>Summer Season</u> <u>(May-October)</u>	<u>Winter Season</u> <u>(November-April)</u>
Barstow	.39	1.64
Victorville	.39	1.69
	<u>Summer Season</u> <u>(June-September)</u>	<u>Winter Season</u> <u>(October-May)</u>
Big Bear	.59	2.07
North Lake Tahoe	.54	2.12

For billing purposes all quantities sold each month in excess of the baseline quantities shall be billed at the Tier II rate.

Upon completion of an application and verification by a state licensed physician, an additional monthly medical allowance of 25 therms will be provided for paraplegic/quadriplegic persons and multiple sclerosis patients who are full-time residents in a household served under this schedule.

Advice Letter No. _____
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Issued by
Marvin R. Shaw
Senior Vice President

Date Filed _____
Effective _____
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Schedule No. GS

GENERAL NATURAL GAS SERVICE
MULTI-FAMILY MASTER METERED SERVICE - SUBMETERED

APPLICABILITY

This schedule is applicable to service for cooking, water heating, space heating, and other residential usages supplied to multi-family accommodations through one meter on a single premise and submetered to all individual tenants in accordance with Rule No. 18.

TERRITORY

Throughout the Company's certificated gas service areas in its Mojave and Sierra Divisions, except as may hereafter be provided.

RATES

The unit rate and basic service charge shall be set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff and are incorporated herein by reference.

The baseline daily quantity in therms per residential unit are:

	<u>Summer Season</u> <u>(May-October)</u>	<u>Winter Season</u> <u>(November-April)</u>
Barstow	.52	2.19
Victorville	.52	2.25
	<u>Summer Season</u> <u>(June-September)</u>	<u>Winter Season</u> <u>(October-May)</u>
Big Bear	.79	2.77
North Lake Tahoe	.72	2.83

For billing purposes all quantities sold each month in excess of the baseline quantities shall be billed at the Tier II rate.

Upon completion of an application and verification by a state licensed physician, an additional monthly medical allowance of 25 therms will be provided for paraplegic/quadruplegic persons and multiple sclerosis patients who are full-time residents in a household served under this schedule.

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RULE NO. 9

RENDERING AND PAYMENT OF BILLS
(Continued)

F. RETURNED CHECK CHARGE

Should a check from a customer used to pay a bill for service be returned to the Utility as uncollectible for any reason, including a lack of sufficient funds, the Utility shall be allowed to recover a charge as set forth in the currently effective Statement of Rates, Other Service Charges, of this California Gas Tariff. The Utility will require the customer to make full payment in cash or by money order or cashier's check.

The customer whose check is returned to the Utility as uncollectible shall in no way be relieved of the obligation to render payment to the Utility under the original terms of the bill or defer the Utility's provision for termination of service for nonpayment of bills.

G. LATE CHARGE

All bills for Utility services are due and payable upon presentation. Any payment not received within 19 days shall be considered delinquent. The Utility shall be allowed to assess a late charge on all delinquent bills as set forth in the currently effective Statement of Rates, Other Service Charges, of this California Gas Tariff, which will be imposed if payment is not received by the next month's billing.

H. READINGS OF SEPARATE METERS NOT COMBINED

For the purpose of making charges, all meters upon the customer's premises will be considered separately, and the readings thereof will not be combined except that where the Company shall, for operating necessity, install two or more meters upon the customer's premises in place of one meter, then the readings of such two or more meters will be combined for the purposes of making charges.

I. ESTIMATED BILLS

If, for reasons beyond its control, the Utility is unable to read the customer's meters on the scheduled reading date, the Utility may bill the customer for estimated consumption during the billing period, subject to adjustment following the time the meter is next read.

(END OF APPENDIX B)

Advice Letter No. _____
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Issued by
Marvin R. Shaw
Senior Vice President

Date Filed _____
Effective _____
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Decision 88 12 081 DEC19 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of SOUTHWEST GAS CORPORATION for)	Application 88-02-003
Authority to increase Natural Gas)	(Filed February 3, 1988)
Rates in San Bernardino and Placer)	
Counties, California.)	
<hr/>	

Thomas R. Sheets, Attorney at Law, for Southwest Gas Corporation, applicant.

James Hodges, California/Nevada Community Action Association and Project Co, Inc., interested parties.

Alberto Guerrero, Attorney at Law, and Sung B. Han, for the Division of Ratepayer Advocates.

OPINION

Southwest Gas Corporation (Southwest) requests authority to increase rates for its gas service in San Bernardino County (Mojave Division) and Placer County (Sierra Division). As originally filed, the application which is based on a 1989 test year requested an increase of \$3,930,475 and \$439,721 of additional gross revenues above present rates in the Mojave and Sierra Divisions, respectively. The application alleges that these are the amounts necessary to earn a rate of return of 12.33% on rate base and an opportunity to earn a return on common equity of 14.0%.

Background

Southwest is a natural gas company (as defined in the Natural Gas Act) engaged in the transmission and sale of natural gas wholesale and is a public utility engaged in the transmission, distribution, and sale of natural gas to retail customers for domestic, commercial, agricultural, and industrial uses in Arizona, Nevada, and California. As of December 31, 1987, Southwest served approximately 519,242 customers in Arizona, 158,133 customers in Nevada, and 76,140 customers in California of which 68,140 are

located in its Mojave Division and 8,000 are located in its Sierra Division.

Subsequent to the filing of the application, the Commission's Division of Ratepayer Advocates (DRA) conducted an examination of Southwest's operations which included the following:

1. An audit of Southwest's financial records for the period 1985 through 1987;
2. Review of Southwest's women and minority business enterprise program;
3. Review of Southwest's energy conservation programs and long-term plan; and
4. Review of Southwest's results of operations for test year 1989, including its cost of capital and rate of return requirements.

The results of DRA's examination, together with its recommendations, were set forth in various exhibits which were transmitted to Southwest on or about July 15, 1988.

A prehearing conference was held at San Francisco on April 3, 1988. Public witness hearings for the receipt of evidence and/or statements were held before Administrative Law Judge (ALJ) O'Leary at Tahoe City in the afternoon and evening of July 21, 1988, and at Victorville in the afternoon and evening of July 26, 1988. Notice of the public witness hearings was included as an insert with customers' bills. In addition, notice of the public witness hearing at Tahoe City was published in the Tahoe Daily Tribune, and notices of the public witness hearings at Victorville were published in the Victor Valley Daily Press, Big Bear Life & Grizzly, and the Desert Dispatch. At Tahoe City the executive director of Project Go, Inc. made a statement concerning the need for weatherization assistance to the low-income people residing in Southwest's Sierra Division. At both the afternoon and evening public witness hearings in Victorville, Southwest's attorney advised the members of the public in attendance that a stipulation

had been reached with DRA concerning the application which provides for an increase in revenue of approximately \$1.3 million, approximately 1/3 of the original request. At Victorville eight members of the public participated at the public participation hearings. Five people made statements concerning the amount of the requested increase and/or proposed rate design. At the afternoon hearing one person questioned Southwest's representatives and one person made a statement concerning alleged improprieties by an employee of Southwest involved in a political campaign just prior to a recent mayoralty election in the City of Barstow. An employee of Southwest who was actively involved in the campaign of an opponent of the incumbent mayor used Southwest's postage meter to affix postage to a mailing supporting the opponent of the incumbent mayor. Mr. Banford, the division manager of Southwest's Mojave Division, made a statement concerning this matter as follows:

"When this was brought to my attention, it was brought to my attention that a Southwest Gas postage meter was used in sending out political information in the last race that they had in the Barstow area.

"I investigated it, and I discovered that one of our employees, who is of the management level, did use our postage meter on a Sunday. I believe the figure was about \$186 worth of postage. He turned into our treasury, to our cash receipt, a check from the candidate who he was working for, and I don't even know the name of the candidate, but the candidate he was working for paid for the postage; therefore, it was a complete wash.

"We have discussed it within our company, and it is not a policy that we want to follow, to use our equipment in that manner, and it will not happen again. But the postage that came out of our postage meter was completely refunded. So there was no cost to Southwest Gas whatsoever."

Counsel for Southwest stated that:

"I can assure you that, as far as I am concerned, this isn't an acceptable situation, and I will pass that along to the headquarters people in Las Vegas where the corporate headquarters is.

"The money has been reimbursed, as I understand it. And I don't know whether you have any reason to disbelieve Mr. Banford or not. I don't.

"We will assure that it doesn't happen again. And, no, it's not our corporate policy to, as a corporation--we have a political action committee, but that's separate and apart from the corporation. The corporation's policy with respect to politics and races is neutral. Now, what our employees do individually is something different.

"But certainly it isn't our purpose to allow them to use company facilities to engage in whatever individual political pursuits they have.

"And I will, as I said, I will bring to the attention of the people, the appropriate people in Las Vegas, the facts of the situation. And I would tell you it's unfortunate, and I'm sure that Mr. Banford will make sure that it doesn't happen again."

Evidentiary hearings were held before ALJ O'Leary at Victorville on July 27 and at San Francisco on August 3, 1988. The matter was submitted after the conclusion of the August 3 hearing. On September 21, 1988, submission was set aside and the matter was reopened for the receipt of Exhibit 16 (a corrected Schedule 1, page 14 of 14 in Exhibit 12). The matter was resubmitted on September 21, 1988. As a result of a decision in I.88-07-009, Southwest will be required to realign residential rates, including baseline rates. Because of this requirement and because there appeared to be some question with the present rates set forth in the application, ALJ O'Leary issued a ruling on October 6, 1988

requiring Southwest to submit a listing of all effective base rates as of November 1, 1988 as late-filed Exhibit 17. Southwest will submit late-filed Exhibit 17 during the comment period on this proposed decision, and the results from this exhibit will be incorporated in the Commission's final decision.

At the July 27 hearing Southwest's exhibits (Exhibits 1 through 4) and DRA's exhibits (Exhibits 5 through 11) were received in evidence. At the August 3 hearing the stipulation was received in evidence as Exhibits 12 and 13. The parties to the stipulation are Southwest, DRA, and California/Nevada Community Action and Association and Project Go, Inc. (Project Go). Exhibit 12, as corrected by Exhibit 16, and Exhibit 13 are attached hereto as Appendices A and B, respectively. The salient points of the stipulation are as follows:

A. Operating Revenues and Margin

1. Southwest requires operating revenues for test year 1989 as follows:

- | | |
|--------------------|--|
| a. Mojave Division | \$43,237,597 on a volume of 78,768,538 therms. |
| b. Sierra Division | \$ 5,942,265 on a volume of 7,383,910 therms. |

These figures include gas costs from its suppliers at rates effective October 1, 1987 but do not include revenues from surcharges to clear balancing accounts and the Public Utilities Reimbursement Account.

2. Southwest's margin (test year operating revenue less the cost of purchased gas, including associated franchise fee and uncollectible costs) is as follows:

- | | |
|--------------------|--------------|
| a. Mojave Division | \$22,106,965 |
| b. Sierra Division | \$ 2,768,893 |

B. Operation and Maintenance Expenses

Southwest should be allowed to recover operating and maintenance expenses as follows:

- a. Mojave Division \$10,684,000
- b. Sierra Division \$ 1,226,532

C. Depreciation Expenses

Depreciation expenses shall be those approved by D.85-12-103 and are as follows:

- a. Mojave Division \$3,677,929
- b. Sierra Division \$ 471,279

D. Taxes

Full normalization along with an amortization of the unfunded future tax liability, Reverse South Georgia, shall be utilized in calculating the California Corporation Franchise Tax (CCFT) and Federal Income Tax (FIT) liability. Interest synchronization method of computing interest expense shall be utilized for the computation of FIT. Total tax figures for test year 1989, including property, franchise CCFT and FIT, are as follows:

- a Mojave Division \$3,071,606
- b. Sierra Division \$ 446,761

E. Rate Base

Southwest's rate base is as follows:

- a. Mojave Division \$42,357,980
- b. Sierra Division. \$ 5,657,397

F. Rate of Return and Return on Equity

1. The capital structure proposed by DRA is adopted as follows:

Long-term debt	50%
Preferred Stock	5%
Common Stock Equity	45%

2. A return on equity of between 12.25% and 12.75% is recommended by DRA. Southwest's position is that at the very least a return on equity of 12.75% is warranted. The financial schedules accompanying the

stipulation are based upon a return on equity of 12.5% which was used for illustrative purposes only.

G. Rate Design

The rate design developed by DRA, with modifications which have been mutually agreed to by DRA and Southwest, is to be utilized and is set forth in Exhibit 13 and Appendix B hereto. Tables 1 and 2 set forth the present and proposed rates together with the amount and percentage increase for the Mojave and Sierra Divisions, respectively.

F. Rate of Return and Return on Equity

1. The capital structure is adopted as follows:

	<u>Capital Ratios</u> (%)		<u>Cost Factors</u> (%)	<u>Earnings on Common Equity</u> 13% (%)
Long-Term Debt	50	x	11.21	5.61
Preferred Stock	5	x	9.57	0.48
Common Stock Equity	<u>45</u>			<u>5.85</u>
Total	100%			11.94%

2. A return on equity of 13% and a rate of return of 11.9% is authorized.

G. Rate Design

The rate design developed by DRA, with modifications which have been mutually agreed to by DRA and Southwest, is to be utilized and is set forth in Exhibit 13 and Appendix B hereto. Tables 1 and 2 set forth the present and proposed rates together with the amount and percentage increase for the Mojave and Sierra Divisions, respectively.

Appendix B and Tables 1 and 2 have been revised to reflect the authorized return on equity of 13% and the authorized rate of return of 11.94%.

TABLE 1 (See note p. 10.)

Mojave Division

<u>Type of Service</u>	<u>Base Rate</u>		<u>Increase</u>	
	<u>Present</u>	<u>Proposed</u>	<u>Amount</u>	<u>Percent</u>
<u>Residential</u>				
<u>Schedule G-1</u>				
Basic Monthly				
Service Charge	\$4.25	\$4.25	\$ 0	0%
Commodity Charge				
per Therm				
Baseline Tier I	.39983	.43984	.04001	10.01
Tier II	.80915	.75830	(.05085)	-6.28
<u>Residential</u>				
<u>Schedule G-1N</u>				
Basic Monthly				
Service Charge	4.25	4.25	0	0
Commodity Charge				
per Therm				
Baseline Tier I	.57392	*		
Tier II	.80915	.75830	(.05085)	-6.28
<u>Street and Outdoor</u>				
<u>Lighting Service</u>				
Charge per lamp				
per month				
1.99 cu.ft./hr.				
or less	12.54	9.96	(2.58)	-20.08
2-2.49 cu.ft./hr.	15.77	12.45	(3.32)	-21.05
<u>Commercial Service</u>				
Basic Monthly				
Service Charge	4.25	10.00	5.75	135.29
Commodity Charge				
per Therm	.59403	.49226	(.10177)	-17.13
<u>Cogeneration Service</u>				
Basic Monthly				
Service Charge	75.00	75.00	0	0
Commodity Charge				
per Therm	.32087	.27636	(.04451)	-13.87

* Baseline eliminated for second homes \$0.75830
rate applies to all usage.

(Continued)