

Decision No. 89706 DEC 12 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHWEST GAS CORPORATION For Authority to Increase Natural Gas Rates in San Bernardino and Placer Counties, California.

Application No. 57246 (Filed April 22, 1977)

William A. Claerhout, Attorney at Law, for Southwest Gas Corporation, applicant.
James S. Rood, Attorney at Law, and Ernst G. Knolle, for the Commission staff.

O P I N I O N

Southwest Gas Corporation (SW) seeks authority to increase its rates and charges for natural gas service in its San Bernardino County District (SBCD) approximately \$2,511,417 (20.8 percent) annually and in its Placer County District (PCD) approximately \$840,477 (29.2 percent) over rates which became effective March 15, 1977. On the first day of hearing, SW stated that as a result of 13 months additional experience since filing the application, it was prepared to submit evidence supporting reduced increases of \$2,147,000 for SBCD and \$754,600 for PCD (based on a 1979 test year).

SW, a California corporation, renders public utility natural gas service in certain portions of San Bernardino and Placer Counties, California. It is also engaged in the intrastate transmission, sale, and distribution of natural gas as a public utility in portions of Nevada and Arizona, and is subject to the jurisdiction of the Federal Energy Regulatory Commission with respect to interstate transmission and sales of natural gas for resale in its northern Nevada system.

SW's principal office is at Las Vegas, Nevada, where centralized administrative and office functions are performed. In addition to the direct operating expenses incurred by both the northern and southern districts, it is necessary to apportion common expenses and plant items of the SW systems for both the northern and southern districts in the State of California, in order to calculate the revenue requirements of the separate districts.

SBCD serves approximately 22 percent of SW's total customers, and includes service areas in and around the cities of Barstow and Victorville and the community of Big Bear, all in San Bernardino County. PCD serves approximately 4 percent of SW's total customers and includes service areas in and around Incline Village and North Star, North Lake Tahoe, and Placer County.

After notice, public hearings were held on the matter before Administrative Law Judge N. R. Johnson on May 23 and 24, 1978 in Victorville and on June 6 and 7, 1978 in Tahoe City, California, and the matter was submitted upon receipt of concurrent briefs due July 6, 1978. Testimony was presented on behalf of SW by its vice president and controller, rate administrator, chief accountant, corporate tax manager, manager of consumer services and conservation, senior rate analyst and management intern; and on behalf of the Commission staff by one of its supervising utilities engineers, two of its financial examiners, and two of its utilities engineers. In addition, statements were accepted from three public witnesses who expressed concern that the tax reductions created by passage of the Jarvis-Gann Initiative be passed on to the ratepayer.

Rate of Return

The United States Supreme Court has broadly defined the revenue requirement of utility companies as being the minimum amount which will enable the company to operate successfully, to maintain its financial integrity, and to compensate its investors for risks assumed (Federal Power Commission et al. v The Hope Natural Gas Company (1944) 320 US 591, 605; 88 L ed 333, 346) and will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties (Bluefield Waterworks and Improvement Company v West Virginia Public Service Commission (1923) 262 US 679, 692, 693; 67 L ed at 1176.) The determination of the sum specific to satisfy those requirements derives from the application of logic and informed judgment to numerous complex and interrelated factors such as the cost of money, capital structure of the utility in question as compared with other similar utilities, interest coverage ratios, return on common equity, price/earnings ratios, and price/book ratios. In California this net revenue requirement is expressed as a percentage return on weighted average depreciated rate base for California jurisdictional operations and is intended to provide sufficient funds to pay interest on the utility's long-term debt, dividends on its preferred and preference stock, and a predetermined reasonable return on common equity. ✓

The Commission staff's and SW's capital structures, costs, and ratios estimated as of December 31, 1979 are tabulated below:

Item	SW				Staff			
	Amount	Ratio	Cost	Weighted	Amount	Ratio	Cost	Weighted
	(Dollars in Thousands)				(Dollars in Thousands)			
Debt	\$ 69,106	55.05%	8.38%	4.61%	\$ 70,354	54.74%	8.27%	4.53%
Prd. Stock	12,304	9.80	9.57	.94	12,780	9.94	9.42	.94
Common Equity	<u>44,127</u>	<u>35.15</u>	13.30	<u>4.67</u>	<u>45,392</u>	<u>35.32</u>	12.97	<u>4.58</u>
Total	<u>\$125,537</u>	<u>100.00%</u>		<u>10.22%</u>	<u>\$128,526</u>	<u>100.00%</u>		<u>10.05%</u>

Both SW and the staff estimated an issue of \$10 million of first mortgage bonds late in 1978 at a coupon rate of 10 percent and an effective cost rate of 10.50 percent. At the time of hearing, however, the issue was being negotiated at a coupon rate of 9-3/8 percent. We will adopt this coupon rate for the new issue and maintain the same ratio of effective cost to the coupon rate to derive an effective cost of 9.85 percent.

The staff included estimated unamortized gains on reacquired debt of over \$709,000 in the net proceeds of outstanding first mortgage bonds in its computation of the embedded cost of debt of 8.27 percent. Estimated future yearly amortized gains on reacquired debt of over \$47,000 have been deducted from the annual charge for these outstanding first mortgage bonds reducing the overall embedded cost of debt approximately 0.15 percent. SW treats the gains or losses resulting from the reacquisition of such bonds as current income. SW defends its treatment of

such gains or losses on reacquired debt on the basis of General Instruction 17, paragraph J, of the Uniform System of Accounts, which provides:

" J. Alternate method. Where a regulatory authority or a group of regulatory authorities having prime rate jurisdiction over the utility specifically disallows the rate principle of amortizing gains or losses on reacquisition of long-term debt without refunding, and does not apply the gain or loss to reduce interest charges in computing the allowed rate of return for rate purposes, then the following alternate method may be used to account for gains or losses relating to reacquisition of long-term debt, with or without refunding.

" (1) The difference between the amount paid upon reacquisition of any long-term debt and the face value, adjusted for unamortized discount, expenses or premium, as the case may be applicable to the debt redeemed shall be recognized currently in income and recorded in account 421, Miscellaneous Nonoperating Income, or account 426.5, Other Deductions.

" (2) When this alternate method of accounting is used, the utility shall include a footnote to each financial statement, prepared for public use, explaining why this method is being used along with the treatment given for ratemaking purposes."

It is noted that this method is alternate to the method specified in paragraph B of this Instruction 17 which provides:

" B. Reacquisition, without refunding. When long-term debt is reacquired or redeemed without being converted into another form of long-term debt and when the transaction is not in connection with a refunding operation (primarily redemptions for sinking fund purposes), the difference between the amount paid upon reacquisition and the face value; plus any unamortized premium less any related unamortized debt expense and reacquisition costs; or less any unamortized discount, related debt expense and reacquisition costs applicable to the debt redeemed, retired

and canceled, shall be included in account 189, Unamortized Loss on Reacquired Debt, or account 257, Unamortized Gain on Reacquired Debt, as appropriate. The utility shall amortize the recorded amounts equally on a monthly basis over the remaining life of the respective security issues (old original debt). The amounts so amortized shall be charged to account 428.1, Amortization of Loss on Reacquired Debt, or credited to account 429.1, Amortization of Gain on Reacquired Debt--Credit, as appropriate."

The latter method is that utilized by the staff in its computations of the embedded cost of debt. SW's witness, Preston W. Thompson, testified that gains from reacquired debt have been included in account 421, Miscellaneous Non-operating Income, since 1971 and such treatment is in accordance with the above quoted paragraph J of Rule 17. He did admit under cross-examination, however, that no ratemaking authority having primary jurisdiction over SW had specifically disallowed the rate procedure of amortizing gains or losses on reacquisition of long-term debt without refunding. SW argues that the Public Service Commission of Nevada had exercised its authority over the reacquisition of debt in Docket No. 1056 and had allowed SW to recognize gains or losses therefrom as current income. We are not persuaded that permitting such accounting is the same as specifically disallowing the paragraph B procedure and will, therefore, adopt the staff's methods of computing the embedded cost of debt with respect to reacquired debt.

In its most recent applications for general rate increases, A.55755 and A.55789, SW requested a return on common equity of 16 percent. D.86989 dated February 23, 1977 authorized a rate of return of 9.75 percent with an allowance for return on equity of 13.3 percent. SW's witness Marc Vallen testified that he does not believe there have been sufficient changes in

any of the factors considered by this Commission which would persuade us to grant a higher return on equity and, therefore, SW based its revenue increase request on the previously adopted 13.3 percent return on common equity.

Staff witness C. Frank Filice recommended that the return on equity allowance be reduced from 13.3 percent to 12.97 percent. He testified that, in his opinion, such a decrease in allowed return on equity from the last rate case was justified because SW's common stock equity ratio increased from 31.68 percent to an estimated 35.32 percent with an accompanying reduction in risk; that the recommended return on equity provides a times-interest coverage for debt of 2.22 times after income taxes, as compared to a bond indenture requirement of two times before income taxes; that the lesser return on equity would be an anti-inflationary measure; that the present economic uncertainty in California with possible large unemployment warrants a lesser return on equity; and that our adoption of a supply adjustment mechanism (SAM) would reduce the risk to the utility shareholder and justify a reduction in the allowable return on equity.

We have carefully considered all of the above-listed factors (including the effect of SAM) and conclude that our last authorized return on equity of 13.3 percent is not unreasonable and will, therefore, adopt it for this proceeding. Utilizing the staff's capital structure and the above-described cost factors result in an adopted rate of return of 10.12 percent developed as follows:

4-1

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factors</u>	<u>Weighted Cost</u>
Long-term debt	50.46%	8.15%	4.11%
Short-term requirements	4.28	8.50	.37
Preferred & preference stock	9.94	9.42	.94
Common stock equity	<u>35.32</u>	13.30	<u>4.70</u>
Total	100.00%		10.12%

Our adoption of a 13.3 percent return on equity is made in recognition that, as the staff points out, there are factors since we originally adopted that return (in SW's last rate proceeding) which very arguably reduce risk. However, we stress, on the other hand, that the 13.3 percent rate on equity authorized herein is made with recognition that the next test year we will use to set rates for SW will be 1981. We realize, from this evidentiary record, that costs will tend to increase generally, as will the utility's embedded cost of debt. If we were to consider a test year earlier than 1981 for SW's next general rate proceeding, we would authorize a lower return on equity. Accordingly, we are authorizing the rates herein (through adoption of a results of operation and return on equity rate base) conditional upon employing 1981 as the next earliest test year for establishing SW's base rates (and issuing a rate decision prior to the beginning of such test year).

Our purpose for expressly and conditionally setting SW's rates to have a minimum two-year rate life should be obvious. This Commission is not staffed to process rate applications for all the major utilities annually. This was true when the Regulatory Lag Plan was adopted, and the recent hiring freeze and budget reductions have contributed and will further contribute significantly to our staffing problems. In order to process rate increase applications within the time frame of the lag plan, and have new rates in effect at the start of the test year, we simply cannot have every major

utility before us annually. It is therefore appropriate and in the public interest (for both ratepayers and utilities) to establish and announce ground rules, and set rates so that major utilities can reasonably go at least two years without general rate relief.

Employing 1981 as the next earliest test year for establishing SW's rates will not be a hardship on the utility. Gas expense, which is potentially the most volatile expense item, is covered under the PGA procedure (guaranteeing recovery of reasonably incurred gas expense). The Commission's Regulatory Lag Plan established July 6, 1977 by Resolution No. A-4693 has reduced delay when applications are processed, enabling new rates to go into effect at the start of the test year. We have adopted an SAM to insure that swings in sales volume between general rate decisions do not cause an erosion in earnings. Although SAM does not guarantee a gas utility will realize its authorized rate of return, it minimizes the impact of the most volatile contingencies facing a gas utility, gas supply available for sale, and less use per customer due to conservation efforts.

The factors that may operate between general rate proceedings in such a manner as to preclude SW's realizing its authorized return on equity are expenditures subject to its management's review and discretion. The innovative ratemaking procedures we have adopted, and continue to explore, have clearly paved the way to going a minimum of two years between general rate increases.

Results of Operations

Following receipt of the staff's results of operation report, SW prepared a comparison exhibit indicating it was willing to accept the staff's estimates with the exception of the sales, revenues, and related expense estimates. A review of the sales estimates shows that SW and the staff are in agreement with respect to the number of customers and differ only in the usage per customer. On the record it was agreed that the most equitable method of resolving the differences was the adoption of sales figures midway between the staff and SW and to rely on SAM to compensate for any actual experience that differs from the adopted test year estimate. Such figures were entered into evidence and will be adopted for this proceeding as set forth on the following tabulation.

SUMMARY OF EARNINGS
(Estimated Year 1979)

Item	PCD		SECD	
	Present Rates	Authorized Rates	Present Rates	Authorized Rates
(Dollars in Thousands)				
<u>Operating Revenues</u>				
Sales	\$2,939.4	\$3,493.2	\$13,009.1	\$14,797.7
Other	26.2	26.2	130.2	130.2
Total Operating Revenues	\$2,965.6	\$3,519.4	\$13,139.3	\$14,927.9
<u>Operating Expenses</u>				
Cost of Purchased Gas	\$1,555.7	\$1,555.7	\$ 7,858.5	\$ 7,858.5
Operation and Maintenance	460.3	461.9	2,244.8	2,249.7
Administrative and General	186.5	186.5	738.4	738.4
Depreciation and Amortization	299.5	299.5	867.2	867.2
Taxes Other Than Income	107.6	113.0	335.7	353.3
State Income Tax	20.1	24.0	89.4	101.8
Federal Income Tax	-	230.5	-	755.4
Total Operating Expenses	\$2,629.7	\$2,871.1	\$12,134.0	\$12,924.3
Net Income	\$ 335.9	\$ 648.3	\$ 1,005.3	\$ 2,003.6
Rate Base	\$6,405.8	\$6,405.8	\$19,797.6	\$19,797.6
Rate of Return	5.24%	10.12%	5.08%	10.12%

Ad Valorem Taxes

The record in this proceeding does not address the issue of Article XIII-A of the California Constitution as it relates to ad valorem taxes. On September 6, 1978, SW submitted Advice Letter No. 202 in compliance with paragraphs 3 and 5 of OII No. 19 to provide for rate reductions in its Northern and Southern Districts. The reduced rates became effective September 1, 1978. Present rates, therefore, currently reflect the reduced ad valorem taxes. OII No. 19, paragraph 4, directed establishment of a Tax Initiative Account to track the actual savings associated with Article XIII-A.

In order to reflect Article XIII-A in the rates to be established herein, we will take official notice of SW's compliance filing in OII No. 19, which shows that the assessed valuation after Article XIII-A relating to operating expenses for fiscal year 1978-79

will be \$4,854,475 and \$2,044,025, and for the fiscal year 1979-80 \$5,571,475 and \$1,957,547, for Southern and Northern Districts, respectively. Using the assumed tax rate contained in SW's OII No. 19 filing of 1 percent of market value or 4 percent of assessed value, we developed ad valorem taxes for the test year 1979 of \$208,519 and \$80,032 for Southern and Northern Districts, respectively. For the purpose of this proceeding, we will adopt these amounts as being representative of post-Article XIII-A ad valorem taxes for the test year 1979. Should the taxes, when they become known, vary from this amount, the Tax Initiative Balancing Account will correct any discrepancy, thus protecting both SW and public.

Federal Income Taxes

President Carter signed into law Revenue Bill of 1978 - HR 13511 (Bill). One of the provisions of the Bill will reduce the corporate tax rate from 48 percent to 46 percent effective January 1, 1979, as well as lower tax rates for the first four \$25,000 increments of taxable income. The Bill will reduce the utility's federal income tax liability beginning January 1, 1979. Therefore, our adjusted results for the test year 1979 reflect the Revenue Bill of 1978 corporate tax rates.

Conservation

The staff report on conservation was presented by supervising utilities engineer Sesto F. Lucchi. The specific staff recommendations regarding SW's conservation program are as follows:

a. SW should adjust its attic insulation, water flow controls, and water heater insulation blanket programs to be consistent with D.88551.

b. SW should develop a solar water heating program for domestic hot water heating and swimming pool heating. These programs should be such that they attain their saturation potential in ten years, or adjusted as the Commission may further direct in decisions of C.10150, concerning availability and potential use of solar energy in California, and OII 13, concerning utility involvement in the sales, leasing, installation, and related servicing of solar devices.

c. SW should survey each district and report the remaining potential savings by program proposed for the ensuing year.

d. SW should implement its programs, other than solar, to attain their saturation potential in five years.

e. SW should adjust its programs to take full advantage of various standards established by the State Energy Commission including intermittent ignition device standards for gas ranges effective July 8, 1978.

f. Management should be put on notice to accelerate its conservation efforts to avoid a penalty adjustment in rate of return. In addition, SW should be considered for a merit rate of return adjustment should they demonstrate a sustained conservation effort toward achieving conservation potential in five years for programs other than solar, and achieving solar program potentials in ten years or as further directed by the Commission in C.10150 or OII 13.

SW is proposing conservation expenditures of \$201,122 for its California operations for the 1979 test year. This is approximately \$4.77 per customer and appears adequate to the staff. SW anticipates that the cost-effectiveness of the proposed 1979

programs will equal or exceed the cost-effectiveness of the 1978 programs. SW's conservation programs include temperature setback thermostats, intermittent ignition devices, retrofit residential insulation, low temperature thermostats, water heater replacements, water heater insulation blankets, energy conservation poster contests, new construction builder support, appliance conservation program, voluntary pilot turnoff, and do-it-yourself weatherization.

The staff's recommendations are well-founded and should be ordered. We will continue to scrutinize SW's conservation programs and progress in rate proceedings and will evaluate the vigor and imagination of its conservation activities when we establish an authorized rate of return.

The National Energy Conservation Policy Act (Act) calls for each regulated utility to develop a conservation program in compliance with a state plan (to be prepared within guidelines developed by The Department of Energy (DOE)). The Act instructs DOE to allow ongoing conservation programs to continue. It will be necessary, however, for those programs to later comply with the procedures introduced through the state plan, and (where supplying, installation, or financing of conservation measures is involved) avoid unfair marketing practices, and anticompetitive activities.

It may be a year or more before utility conservation programs in compliance with the Act are submitted. In the interim period the need to move forward with vigorous conservation activities remains. SW should therefore continue to develop its programs as suggested by the staff, assuming that ongoing conservation programs will be allowed to continue, being aware of the possible limitations and additional mandate activities implicit in the Act. The Commission staff should be consulted to assist SW in determining reasonable interim steps to be taken in anticipation of DOE's possible interpretation of any vague portions of the Act.

Rate Design

The staff rate design presentation was made by utilities engineer Grayson S. Grove. He recommends that lifeline allowances for second homes be eliminated in accordance with D.88651 dated April 4, 1978 in C.9988 (our investigation into the establishment of the lifeline quantities of gas and electricity). According to his testimony, the cost of gas in PCD is approaching the cost of propane and the disallowance of lifeline rates to second home customers will permit the maintenance of a reasonable lifeline rate. The elimination of lifeline volumes to the second home will generate an estimated additional \$370,000 at present rates. This witness recommends that the balance of any additional revenue requirement authorized by the decision on this matter be met for PCD by increasing the service charge from \$4.244 a month to \$4.25 (an increase of 0.6 cents per month) and the application of uniform cents per therm for both lifeline and nonlifeline sales.

The staff witness also recommends that SBCD Schedules G-1 and G-2 be combined into one schedule with a uniform service charge of \$3.50 per month. The elimination of lifeline allowances

to the second home customers will generate additional revenues of approximately \$244,000 at present rates. This witness further recommends that lifeline rates be adjusted upward to equal 75 percent of the nonlifeline rates and that Rate Schedules G-45 and G-46, G-50, and G-51 be combined along the lines of priority service.

SW proposes that the increased revenues be obtained by designing a lifeline rate at a level of 25 percent below the system average rate and by maintaining the historical revenue differentials, and that the various rate schedules be simplified by combining gas engine and interruptible with the general natural gas service schedules for each separate ratemaking area.

It will be noted that, except for the disallowance of lifeline allowances for the second home customers ordered subsequent to the preparation of SW's proposed tariffs, the rate design concept proposed by SW is not too different than that proposed by the staff. We find the staff's recommended rate design criteria as shown in Table 3 of Exhibit 35 are reasonable and they are adopted.

Findings

1. SW is in need of additional revenues for its San Bernardino County and Placer County Districts, but the proposed rates set forth in the application are excessive.

2. The adopted estimates previously discussed herein of operating revenues, operating expenses, and rate base for the test year 1979 are reasonable and reflect the results of SW's operations in its San Bernardino County and Placer County Districts in the near future. ✓

3. A rate of return of 10.12 percent on the adopted rate base of \$26,203,400 is reasonable. Such rate of return will provide a return on equity of approximately 13.30 percent, a times interest coverage of approximately 2.46 for long-term debt, and a combined coverage factor for all interest and preferred stock dividends of 1.87 times.

4. The authorized rate of return on rate base and return on common equity (resulting in the increased revenue requirement found necessary herein) is expressly authorized in recognition that the next earliest test year to be used in establishing SW's revenue requirement will be 1981. Accordingly, the rates found reasonable herein are reasonable only if 1981 is the next earliest test year used to set rates for SW.

5. SW should implement programs to attain their conservation saturation potential for other than solar energy in five years and for solar energy in 10 years.

6. SW should accelerate its conservation programs to avoid a penalty adjustment in rate of return and be considered for a merit rate of return adjustment should they demonstrate sustained conservation toward achieving the saturation potential in Finding 5 above. ✓

7. The increases in rates and charges authorized herein 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.

8. The authorized increase in rates is expected to provide increased revenues for test year 1979 of approximately \$1,788,600 in SBCD and \$553,800 in PCD, a total of \$2,342,400 over rates effective March 15, 1977. This compares to the requested modified increase of \$754,600 for PCD and \$2,147,000 for SBCD, a total of \$2,901,000.

9. We take official notice of SW's filing in OII No. 19, which shows estimates of ad valorem taxes reflecting Article XIII-A results. We have used the utility's filing in OII No. 19 to develop a reasonable allowance for ad valorem taxes.

10. We have reflected the corporate tax rate changes associated with the Bill of 1978 in computing federal income taxes for the test year 1979.

11. In order to insure the earliest compliance with the following order, it should be effective the date of signature.

Conclusions of Law

1. The Commission concludes that the application should be granted to the extent set forth in the order which follows.

2. SW should implement programs to attain its conservation saturation potential for other than solar energy in 5 years and for solar energy in 10 years.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Southwest Gas Corporation is authorized to file the revised rate schedules attached to this order as Appendix A and concurrently to cancel and withdraw the presently effective schedules. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be no earlier than January 1, 1979. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. Southwest Gas Corporation shall:

- (a) Vigorously pursue the conservation programs found necessary by page 11 of this decision.
- (b) Southwest Gas Corporation is again placed on notice that the Commission will monitor the continuing effectiveness of its energy conservation efforts and will evaluate the

utility's vigor and imagination in
implementing and expanding its energy
conservation programs when deciding upon
a fair rate of return in future rate cases.

The effective date of this order is the date hercof. ✓

Dated at San Francisco, California, this 12th
day of DECEMBER, 1978.

*I dissent as to the
language fixing #4.
William Synovis-J.*

Robert B. ...

President

Vergon L. Sturgeon
Michael P. ...
Clair T. ...

Commissioners

APPENDIX A
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Southwest Gas Corporation

Applicant's rates and charges are changed to the level or extent set forth in this appendix.

Schedule G-1

Per Meter Per Month

- (1) Applicable to residential use classified in Rule No. 21 as Priority P1 and only to primary residence.
- (2) Territory served is San Bernardino County.
- (3) Rates:
Customer Charge..... \$3.50

General Residential

	<u>Summer</u>	<u>Winter</u>				
	<u>All</u>	<u>Zone</u>				
		<u>Zones</u>	<u>W</u>	<u>X</u>		
First	26	81	106	141	therms, per therm.....	\$0.2443
Next	100	81	106	141	therms, per therm.....	0.3256
Over	126	162	212	282	therms, per therm.....	0.3584

Space Heating

	<u>Summer</u>	<u>Winter</u>				
	<u>All</u>	<u>Zones</u>				
		<u>Zones</u>	<u>W</u>	<u>X</u>		
First	0	55	80	115	therms, per therm.....	\$0.2443
Next	126	55	80	115	therms, per therm.....	0.3256
Over	126	110	160	230	therms, per therm.....	0.3584

Schedule G-"X" (new)

- (1) Applicable to all sales except those under Schedules G-1 and G-15.
- (2) Territory served is San Bernardino County.
- (3) Rates
Customer Charge..... \$3.50
All deliveries, per therm..... 0.3256



Schedule G-10

- (1) Applicable to residential use classified in Rule No. 21 as Priority P1 and only to primary residences.

(2) <u>Rates</u>	<u>Per Meter Per Month</u>
Customer Charge.....	\$4.25

	<u>General Residential</u>		<u>Space Heating</u>		
	<u>Summer</u>	<u>Winter</u>	<u>Summer</u>	<u>Winter</u>	
First	26	166	0	140 therms, per therm.....	\$0.3762
Next	100	166	126	140 therms, per therm.....	0.5016
Over	126	332	126	280 therms, per therm.....	0.5517

Schedule G- "Y" (new)

- (1) Applicable to all sales except those under Schedules G-10 and G-16
- (2) Territory served is Placer County
- (3) Rates:

Customer Charge.....	\$4.25
All deliveries, per therm.....	0.5016

<u>Street and Outdoor Lighting</u>	<u>Per Lamp Per Month</u>
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<u>Schedule G-15, Rate "X"</u>	
1.99 cu. ft./hr. or less.....	\$4.09
2.00 - 2.49 cu. ft./hr.	5.64
Schedule G-16, Rate "X".....	7.66

Schedule G-2, G-45, G-46, G-50, G-51 and G-60 are canceled.

The above rates do not include adjustments authorized subsequent to 9/1/78 for gas price offsets.

The adopted 1979 test year summary of earnings reflects estimated reductions in ad valorem taxes resulting from the passage of Article XIII-A of the California Constitution. Accordingly, the current TCAC rate can be eliminated upon the effective date of the applicant's tariffs authorized herein. Any over- or undercollection resulting from rate decreases or estimated tax savings adopted herein as compared to actual tax savings, when known, will be reflected in the balancing account established pursuant to OII 19, and corresponding rate changes can be made as appropriate.

APPENDIX A
Page 3 of 3Southwest Gas Corporation
Summary of RevenuesNorthern District

M\$

(1) Adopted revenues at 3/15/77 rates	\$2,939.4	
(2) Authorized increase	553.8	✓
(3) Offset increases from 3/15/77 to 9/1/78	<u>145.7</u>	
	\$3,638.9	✓

Revenue Apportionment

	<u>Volume</u> (M Therms)	<u>Rate</u> (\$)	<u>Revenue</u> (M\$)
Customer Months	-	\$ -	\$ 327.2
Tier I	1,812.0	.3762	681.7
Tier II	5,147.1	.5016	2,581.8
Tier III	38.7	.5517	21.4
G-16 Schedule	53.4	.5018	<u>26.8</u>
			\$3,638.9

Southern District

M\$

(1) Adopted revenue at 3/15/77 rates	\$13,009.1	
(2) Authorized increase	1,788.6	✓
(3) Offset increases from 3/15/77 to 9/1/78	<u>615.0</u>	
	\$15,412.7	✓

Revenue Apportionment

	<u>Volume</u> (M Therms)	<u>Rate</u> (\$)	<u>Revenue</u> (M\$)
Customer Months	-	\$ -	\$ 1,491.0
Tier I	17,966.2	.2443	4,389.1
Tier II	27,097.0	.3256	8,822.8
Tier III	1,971.2	.3584	706.5
G-15 Schedule	9.9	.3333	<u>3.3</u>
			\$15,412.7