

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the  
Commission's Own Motion to Adopt new  
Safety and Reliability Regulations for Natural  
Gas Transmission and Distribution Pipelines  
and Related Ratemaking Mechanisms

Rulemaking 11-02-019  
(Filed February 24, 2011)

**REPLY COMMENTS OF  
SOUTHWEST GAS CORPORATION (U 705 G)  
ON THE PROPOSED DECISION MANDATING  
SAFETY IMPLEMENTATION PLAN, DISALLOWING COSTS,  
AND AUTHORIZING MEMORANDUM ACCOUNT**

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10 Southwest Gas Corporation (Southwest Gas or Company) hereby submits its Reply  
11 Comments to the California Public Utilities Commission (Commission) concerning the  
12 Proposed Decision Mandating Safety Implementation Plan, Disallowing Costs, and Authorizing  
13 Memorandum Account (Proposed Decision), in accordance with Rule 14.3 of the  
14 Commission's Rules of Practice and Procedure. Specifically, Southwest Gas replies to the  
15 Comments filed by the Division of Ratepayer Advocates (DRA).

16 Southwest Gas disagrees with DRA's assertion that the Proposed Decision "errs in  
17 authorizing memorandum account treatment of SWG's implementation plan costs. SWG does  
18 not need such a mechanism given its pending general rate case (GRC)."<sup>1</sup> The fact that  
19 Southwest Gas included its Implementation Plan work among the plant additions set forth in its  
20 pending rate case<sup>2</sup> does not eliminate the need for a memorandum account. Because this  
21 proceeding and the Company's rate case are running concurrently, the potential for a gap in  
22 how cost recovery should be fully addressed exists - in terms of what, when, and how the  
23 costs will be recovered. To avoid the potentially inequitable scenario where a gap exists in the  
24 ultimate determination of cost recovery (either what, when, or how), the Company seeks  
approval of a memorandum account, which will only be utilized by the Company if the cost

25 <sup>1</sup> DRA Comments, at 1.

<sup>2</sup> A.12-12-024.

1 recovery issue is not fully resolved in the pending rate case proceeding.<sup>3</sup> Consequently, there  
2 is no harm in approving the memorandum account to address any gap in cost recovery that  
3 may exist.

4 DATED this 6<sup>th</sup> day of May 2013.

5 Respectfully submitted,  
6 SOUTHWEST GAS CORPORATION

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<sup>3</sup> The Company recognizes that the determination of any allocation of Implementation Plan costs between customers and shareholders will occur in the instant proceeding. However, the recovery of those costs may or may not be fully addressed in the pending rate case, which is why a memorandum account is warranted.