

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

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

**RESOLUTION G-3177**  
December 18, 1995

**R E S O L U T I O N**

RESOLUTION G-3177. SOUTHWEST GAS CORPORATION (SOUTHWEST) REQUESTS APPROVAL OF A RATE INCREASE TO REFLECT THE 1996 SAFETY RELATED SYSTEM IMPROVEMENT PLANT ADDITIONS AUTHORIZED IN ITS TEST 1995 GENERAL RATE CASE FOR ITS NORTHERN CALIFORNIA DIVISION.

BY ADVICE LETTER 515, FILED ON NOVEMBER 15, 1995.

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**SUMMARY**

1. In compliance with Decision (D).94-12-022 (Southwest's Test Year 1995 General Rate Case), Ordering Paragraph (OP) 11, Southwest Gas Corporation (Southwest) requests a revenue requirement increase of \$222,644 or 3.2% of adopted revenues for its Northern California Division. This increase reflects the 1996 authorized safety related system improvement plant additions approved in Southwest's 1995 General Rate Case (GRC).
2. No protests to Advice Letter 515 were received.
3. This Resolution approves rates filed by Southwest in Advice Letter 515 to implement the authorized revenue requirement increase related to safety.

**BACKGROUND**

1. In (D).94-12-022 of December 7, 1994, the Commission adopted the stipulated alternative ratemaking method for Southwest that established margin revenues at test year 1995 levels. As a result, Southwest's balancing account treatment for margin revenues was suspended, the rate case cycle was extended from three years to four years. Additionally, Southwest's participation in the annual generic cost of capital proceeding through 1998 was replaced with a rate of return (ROR) adjustment mechanism tied to the movement of at least 150 basis points of the 30-year Treasury Bond rate.
2. D.94-12-022 directs that "During the period this alternative ratemaking methodology will be in place, Southwest's margin rates for both divisions will remain at test year 1995 levels, subject to revision for: (1) the ROR adjustment mechanism and (2) attrition adjustments in the Northern California Division due to safety-related system improvements and funding for expansion areas conservation programs."
3. OP 11 of D.94-12-022 states "Southwest is authorized to file attrition adjustments for 1996, 1997, and 1998 based on the results of operations adopted in Appendix B." The decision cites Appendix B, however, this should have been Appendix 5 of

Appendix B. Appendix 5 is specific about revenue requirements for authorized safety related expenditures.

4. On November 15, 1995, in compliance with the OP 11, Southwest filed Advice Letter 515 requesting a revenue requirement increase of \$222,644 for its Northern California Division. This amount represents the effects of authorized expenditures for Mains and Services on rate of return, taxes, depreciation, and property tax. The authorized expenditures for Mains and Services are \$649,620 and \$514,582 respectively, a total of \$1,164,202. This produces revenue requirements of \$169,712 for rate of return and taxes, \$40,126 for depreciation, and \$12,806 for property tax.

#### **NOTICE**

1. Public notice of this filing has been made by publication in the Commission's calendar and copies of the advice letter have been distributed by Southwest in accordance with Section III Paragraph G, of the General Order (GO) 96-A, utilities, and interested parties.

#### **PROTESTS**

1. The Commission Advisory and Compliance Division (CACD) has received no protests to Advice Letter 515.

#### **DISCUSSION**

1. CACD has reviewed Southwest's Advice Letter 515 and the attachments to it for compliance with D.94-12-022.

2. Southwest requests an increase of \$222,644 in revenue requirement for safety related improvements as authorized by the Commission for its Northern California Division. CACD has verified that this amount is within the limits authorized in D.94-12-022. CACD recommends that Southwest's request be granted.

3. CACD has determined that the rate revisions are in accordance with D.94-12-022.

#### **FINDINGS**

1. D.94-12-022 authorized Southwest to file attrition adjustments for 1996, 1997, and 1998 for safety related system improvements in its Northern California Division.

2. By Advice Letter 515 Southwest requests to adjust margin rates to reflect the effects of the 1996 safety related improvement plant additions of \$222,644 in Southwest's Northern Division.

3. CACD finds Southwest's filing in compliance with Appendix 5 of Appendix B to D.94-12-022.

December 18, 1995

4. CACD finds the rate increase as a result of compliance to be reasonable.

**THEREFORE, IT IS ORDERED that:**

1. Southwest Gas Company (Southwest) is authorized to increase its revenue requirement in its Northern California Division by \$222,644 effective January 1, 1996.
2. The rates contained in Southwest's Advice Letter 515 shall be effective January 1, 1996.
5. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 18, 1995. The following Commissioners approved it:



WESLEY M. FRANKLIN  
Executive Director

DANIEL Wm. FESSLER  
President  
P. GREGORY CONLON  
JESSIE J. KNIGHT, Jr.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners