

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southwest Gas Corporation (U905G) for Authority to Increase Rates and Charges for Natural Gas Service in California, Effective January 1, 2021.

Application 19-08-015

**DECISION GRANTING JOINT MOTION FOR APPROVAL OF SETTLEMENT
BETWEEN SOUTHWEST GAS CORPORATION, PUBLIC ADVOCATES
OFFICE AND CITY OF VICTORVILLE ADOPTING TEST YEAR 2021
GENERAL RATE INCREASES**

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Attachment 1 – Settlement Agreement

Attachment 2 – Results of Operations Model

**DECISION GRANTING JOINT MOTION FOR APPROVAL OF SETTLEMENT
BETWEEN SOUTHWEST GAS CORPORATION, PUBLIC ADVOCATES
OFFICE AND CITY OF VICTORVILLE ADOPTING TEST YEAR 2021
GENERAL RATE INCREASES**

Summary

This decision adopts and approves the Joint Motion of Southwest Gas Corporation (Southwest Gas), the Public Advocates Office of the California Public Utilities Commission (Public Advocates Office) and the City of Victorville (Victorville)¹ for Adoption of a Settlement Agreement (Settlement Agreement) pertaining to Southwest Gas' application for authorization to increase rates and charges for gas service in California effective January 1, 2021.

The settlement will produce an average monthly bill impact for average non-CARE residential customers of:

- 3.7 percent increase or \$3.54 for their winter season baseline in the Southern California rate jurisdiction where average winter season baseline usage is 62 therms.
- 7.14 percent decrease or -\$10.82 for their winter season baseline in the Northern California rate jurisdiction where average winter season baseline usage is 116 therms.
- 20.05 percent increase or \$24.25 for their winter season baseline in the South Lake Tahoe rate jurisdiction where average winter season baseline usage is 115 therms.

Attachment 1 to this Decision is the Settlement Agreement, which resolves all issues related to the Application and memorializes the modifications to the Application that the parties agreed upon.

¹ Southwest Gas, Public Advocates Office and Victorville will be referred to collectively as "the parties" throughout this decision.

This Decision authorizes the following agreed rate base and increases set forth in the Settlement Agreement:

- A rate base amount of \$285,691,044 and revenue increase of \$3 million in the Southern California rate jurisdiction.
- A rate base amount of \$92,982,933 and zero (\$0) revenue increase in the Northern California rate jurisdiction.
- A rate base amount of \$56,817,683 and revenue increase of \$3.4 million in the South Lake Tahoe rate jurisdiction.

The parties further agree that the post-test year ratemaking mechanism approved in Decision (D.) 14-06-028 and D.17-06-006, will be continued, but that annual revenues will be adjusted by 2.75 percent in each of the three California rate jurisdictions to recover increases in post-test year expenses and capital expenditures in the 2022 through 2025 post-test year period.

We find that the Settlement Agreement between the parties is reasonable based upon the whole record in this proceeding and is consistent with the law and in the public interest.

This Decision closes proceeding Application 19-08-015.

1. Background

On August 30, 2019, Southwest Gas filed general rate Application (A.) 19-08-015, for authority to increase rates and charges for natural gas service in California effective January 1, 2021.

1.1. Parties

Southwest Gas Corporation (Southwest Gas) is a public utility engaged in the retail distribution, transportation and sale of natural gas for domestic,

commercial, agricultural and industrial uses.² Southwest Gas currently serves over 2 million customers in the states of California, Arizona and Nevada. Southwest Gas has three California rate jurisdictions: (1) Southern California; (2) Northern California; and (3) South Lake Tahoe. The Southern California rate jurisdiction comprises various communities and areas in San Bernardino County. The Northern California rate jurisdiction covers communities and areas in Placer, El Dorado and Nevada Counties and the South Lake Tahoe rate jurisdiction is entirely within El Dorado County. In total, the Company serves approximately 200,000 California customers.

Victorville is a community of approximately 120,000 residents located in southwestern San Bernardino County. Victorville operates Victorville Municipal Utility Services (VMUS), a local publicly owned utility that currently offers retail electric and natural gas service to customers located within, among other locations, the Southern California Logistics Airport (SCLA) (formerly George Air Force Base). Victorville is located within Southwest Gas' "Southern California" rate jurisdiction. Victorville is a Southwest Gas natural gas transportation and commodity customer under Southwest Gas's service schedule GS-40. Victorville receives wholesale service from Southwest Gas which it then resells, through VMUS, to provide retail natural gas service to its customers.

Public Advocates Office serves as representative on behalf of California consumers.³ Public Advocates Office's statutory mandate requires it to

² Southwest Gas is a corporation organized under the laws of the state of California. Its principal place of business is 5241 Spring Mountain Road, Las Vegas, Nevada 89150 and phone number (702) 876-7011.

³ See Public Utilities Code § 309.5.

“advocate on behalf of the interests of public utility customers and subscribers within the jurisdiction of the commission,” and “obtain the lowest possible rate for service consistent with reliable and safe service levels.”

1.2. Procedural Background

On August 30, 2019, Southwest Gas filed A.19-08-015 for authority to increase rates and charges for natural gas service in California effective January 1, 2021 (Application). Southwest Gas seeks authorization to raise rates for Test Year (TY) 2021 – 2025. It proposes to increase its revenue requirement by approximately \$6.8 million for the Southern California rate jurisdiction, by \$1.5 million for Northern California, and by \$4.5 million for the South Lake Tahoe jurisdiction.⁴ Southwest Gas served direct and rebuttal testimony from nine witnesses in support of its Application.⁵

The Application appeared on the Commission’s Daily Calendar on September 4, 2019. On September 26, 2019, in Resolution ALJ-176-3446, the Commission preliminarily designated the proceeding as ratesetting and concluded that hearings would be necessary.

On October 4, 2019, Public Advocates Office filed a protest to the Application, indicating that it will scrutinize Southwest Gas’s forecasts for expenses, proposed capital structure, rate of return, capital expenditures, depreciation, and projections of sales, customers and revenues, to assure that the proposed rate increases are reasonable.⁶

⁴ See Application at 3-4.

⁵ Southwest Gas served prepared testimony by Bradley C. Anderson, Celine Louise R. Apo, Robert B. Hevert, Kevin M. Lang, Brandy L. Little, Timothy S. Lyons, Valerie J. Ontiveroz, Byron C. Williams and Theodore K. Wood.

⁶ Public Advocates Office served its analysis of Southwest Gas’ data and supporting direct testimony dated March 27, 2020, from witnesses Mariana C. Campbell, Shelby Chase,

Victorville also filed a response to the Application on October 4, 2019. It cited concerns about increases sought in Southwest Gas' natural gas rates, which it contends are not supportable because the rates are already higher than peer gas utilities.⁷ In its response, Victorville questions whether Southwest Gas's proposed margin transport rate increases for GS-40 customers are just and reasonable. It also questions whether Southwest Gas's billing determinants for Core General Sales for Resale COV Gas Service are reasonable, accurate, and consistent with accepted industry standards.

A prehearing conference (PHC) was held on November 21, 2019. The assigned Commissioner issued the Scoping Memo and Ruling on January 14, 2020, setting the following as issues to be determined in the proceeding:

- a. Whether the Applicant's proposed rate increases for its Southern California, Northern California, and South Lake Tahoe jurisdictions are reasonable.
- b. Whether Southwest Gas's forecast for expenses is reasonable and justified.
- c. Whether Southwest Gas's proposed capital structure, consisting of 47.0 percent long term debt and 53.0 percent common equity is reasonable.
- d. Whether the proposed Return on Equity (ROE) of 10.50 percent and the overall rate of return of 7.44 percent for Southern California and 7.76 percent for both Northern California and the South Lake Tahoe jurisdictions are reasonable.

Charlotte Chitadje, Matthew A. Karle, Yakov Lasko, Joyce Lee, Mark R. Loy, Thomas Renaghan, Pearl Z. Sabino, Maricela Sierra, and Crystal Yeh.

⁷ See Response of Southwest Gas dated October 4, 2019 at 2-3. On April 10, 2020, Victorville served testimony by Thomas W. Ingwers, in support of its position.

- e. Whether Southwest Gas's Automatic Trigger Mechanism (ATM) that was approved in D.14-06-028 and used to adjust its cost of capital, should be continued.
- f. Whether Southwest Gas's forecast of capital expenditures is reasonable.
- g. Whether Southwest Gas's depreciation study and proposed rates should be adopted and made effective January 1, 2021.

1.3. Settlement of Disputes

The parties met and conferred several times in the weeks following the PHC.⁸ On August 3, 2020, Southwest Gas, Public Advocates Office, and Victorville filed a Settlement Agreement resolving their disputes about the proceeding.⁹

2. Summary of Settlement Provisions Addressing Scope

2.1. Forecast Expenses

In its Application, Southwest Gas forecasts: (a) operating expenses from 2018-2021; (b) TY 2021 distribution expenses; (c) customer accounts expenses; (d) customer and information service account expenses; and (e) depreciation and amortization expenses.

⁸ See Settlement Agreement at 4. During the period following the PHC, Victorville served prepared direct testimony on April 1, 2020; Southwest Gas filed rebuttal testimony on May 15, 2020, and the parties filed a Joint Statement of Resolved issues on May 18, 2020. The parties also held a formal settlement conference on July 28, 2020.

⁹ On December 30, 2020, Southwest Gas filed a motion to amend the Settlement Agreement (with the agreement of Public Advocates Office and Victorville). The amendment concerns Southwest Gas' South Lake Tahoe rate jurisdiction and corrects numerical discrepancies to accurately reflect the terms of settlement. The proposed changes do not impact the rate base amounts or rate increases described in the Summary of this decision.

2.2. Operating Expenses

Southwest Gas forecast its operating expenses for the Southern California region at \$61,798,876. Public Advocates Office proposed operating expenses of \$57,640,619. The parties agreed upon operating expenses of \$59,673,968.¹⁰

Southwest Gas forecast its operating expenses for the Northern California region at \$14,500,252. Public Advocates Office proposed operating expenses of \$12,668,240. The parties agreed upon operating expenses of \$13,873,629.¹¹

Southwest Gas forecast its operating expenses for the South Lake Tahoe region at \$10,213,430. Public Advocates Office proposed operating expenses of \$9,753,531. The parties agreed upon operating expenses of \$9,557,430.¹²

2.3. Distribution Expenses

Southwest Gas' forecast of TY 2021 distribution expenses were uncontested except for Public Advocates Office's proposal to revise the 7-year average used to develop the forecast for "Account 880 Other Distribution Expenses." To reflect an agreed upon adjustment to actual 2014-2018 expenses, the parties agreed that Southwest Gas' forecast would be decreased by \$465,181.¹³

2.4. Customer Account Expenses

Southwest Gas' forecast of TY 2021 customer account expenses were uncontested, but the parties agreed that the expenses will be escalated based upon an agreed cumulative cost escalation factor of 3.5 percent.¹⁴

¹⁰ See Attachment 2 to Settlement Agreement at sheet 1 of 4.

¹¹ See Attachment 2 to Settlement Agreement at sheet 2 of 4.

¹² See Attachment 2 to Settlement Agreement at sheet 3 of 4.

¹³ See Settlement Agreement at 5-6.

¹⁴ See Settlement Agreement at 4.

2.5. Customer Service and Information Account Expenses

Southwest Gas' forecast TY 2021 customer and information service accounts are based on recorded expenses as of December 31, 2018. These expenses were uncontested, but the parties agreed that the expenses will be escalated based upon agreed cost escalation factor of 3.5 percent.

2.6. Proposed Capital Structure

In its Application, Southwest Gas proposes a capital structure consisting of 47.0 percent long term debt and 53.0 percent common equity, with a requested return on common equity of 10.5 percent. The proposed overall rate of return was 7.44 percent for Southern California and an overall rate of return of 7.76 percent for the Northern California and South Lake Tahoe regions.¹⁵

In their settlement, the parties agree upon a target capital structure of 48.0 percent long term debt and 52.0 percent common equity, with an agreed return on common equity of 10.0 percent. The agreed overall rate of return is 7.11 percent for Southern California and an overall rate of return of 7.44 percent for the Northern California and South Lake Tahoe regions.

2.7. Automatic Trigger Mechanism

Southwest Gas seeks to continue the Automatic Trigger Mechanism (Trigger) approved in Decision (D.) 14-06-028. The trigger will provide an automatic adjustment to the rate of return as a result of changes that exceed 100 basis points between the updated benchmark based upon the average monthly yields of A Utility Bonds as reported by Moody's for the twelve months ending September 30, 2020, and the current twelve-month average yield of A Utility Bonds as reported by Moody's.

¹⁵ See Settlement Agreement at 22-23.

2.8. Capital Expenditures

Southwest Gas describes expenditures for programs to replace aging infrastructure which the parties agree will be recovered through an Infrastructure Reliability and Replacement Adjustment Mechanism (IRRAM) surcharge.¹⁶ The expenditures for programs include:

- A Targeted Pipe Replacement program will be implemented with a cumulative program budget of \$90 million over the 2021-2025 general rate case cycle.
- A Customer Owned Yard Line program will be implemented with a cumulative program budget of \$10 million over the 2021-2025 general rate case cycle.
- A Meter Protection program consisting of installation of meter sheds, excess flow valves and meter encoder receiver transmitters will be implemented with a cumulative program budget of \$19 million over the 2021-2025 general rate case cycle.

A Gas Conservation and Energy Efficiency Program, including residential and commercial equipment rebate programs, including residential equipment direct-install, new home and solar thermal rebates will be implemented with an annual budget of \$250,000 with the option to submit an advice letter to request additional funding up to a maximum of \$500,000 per year, beginning two years after a Commission decision is issued in this proceeding.

3. Post-Test Year Rate Increase

The Settlement Agreement provides that the post-test year ratemaking mechanism approved in D.14-06-028 and D.17-06-006 will be continued by adjusting annual revenues by 2.75 percent in each of the three California

¹⁶ See Settlement Agreement at 18-21

jurisdictions to recover increases in post-test year expenses and capital expenditures in the 2022 through 2025 post-test year period.

4. Victorville Agreements

In the Application, Southwest Gas sought increases in its rates for providing natural gas service to Victorville, which provides services to residents through a municipal natural gas utility - VMUS. Victorville responded with concerns about the increases sought and whether they were justified.

To address Victorville's concerns, Southwest Gas and Victorville reached agreement on a revenue requirement of \$299,420 for schedule GS-VIC, applicable to Victorville, and a reduction to the GS-VIC margin charge. Because Victorville is only served by Southwest Gas' distribution system, they agree that Victorville will only be subject to the portion of the IRRAM surcharge that is associated with work performed on Victorville's distribution system facilities.¹⁷ Southwest Gas and Victorville agree that they will assess whether additional changes to allocation of costs is appropriate for Victorville (through GS-VIC) as part of Southwest Gas' next general rate case.

Southwest Gas and Victorville also agree to a bypass option¹⁸ through which Southwest Gas will be given an opportunity to evaluate and negotiate terms of a special rate contract should Victorville find future opportunities to operate its facilities at a lower rate than it pays to Southwest Gas. And, to

¹⁷ See Settlement Agreement at 7. Victorville will not be subject to surcharges for Public Purpose programs, New Environmental Regulatory Balancing Account, Natural Gas Leak Abatement Program Balancing Account or the Mobile Home Park Conversion Balancing Account.

¹⁸ "Bypass" does not mean that Victorville's service territory is an "open territory" as defined in Commission D.88-12-090.

support future Victorville gas load growth, Southwest Gas agrees to provide Victorville with its needs at the SCLA through its current interconnection.¹⁹

5. Settlement Standard of Review

The requirements for approval of a settlement are set forth in Rule 12.1(a).²⁰ The Commission will only approve a proposed settlement if we find that the settlement satisfies Rule 12.1(d), which requires a settlement to be “reasonable in light of the whole record, consistent with law, and in the public interest.” The Commission will not approve settlements, whether contested or uncontested, unless the settlement satisfies the Rule. Rule 12.5 limits the applicability of a settlement.²¹

5.1. The Settlement Agreement Is Reasonable In Light of the Whole Record

To determine whether a settlement meets the standard of review in Rule 12.1, the Commission must be convinced that the parties had a sound and thorough understanding of the application and of the record supporting the application. The record in this proceeding consists of: (1) the Application and attachments; (2) the prepared testimony of nine witnesses in support of the Application; (3) the November 24, 2019 amendments to the Application; (3) the March 27, 2020 analysis by Public Advocates Office and supporting testimony by eleven witnesses; (4) the April 10, 2020 prepared testimony by Victorville; and

¹⁹ See Settlement Agreement at 8.

²⁰ All subsequent Rules refer to the Commission’s Rules of Practice and Procedure.

²¹ Rule 12.5 “Commission adoption of a settlement is binding on all parties to the proceeding in which the settlement is proposed. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.”

(5) the Settlement Agreement (including revisions dated November 5, 2019 and December 30, 2020), and Attachments 1 through 10 to the Settlement Agreement.

The testimony and supporting exhibits submitted in this proceeding demonstrate that the parties have a sound and thorough understanding of the underlying assumptions and data in the record. The Settlement Agreement resolves the concerns that Public Advocates Office raised in its protest and that Victorville raised in its response, addresses the issues within the scoping memorandum and provides sufficient information to permit the Commission to discharge its regulatory obligations.

The Settlement Agreement resolves competing concerns in a collaborative and cooperative manner. The parties have demonstrated that they have extensively researched and debated the issues to arrive at appropriate recommendations for settlement of their disputes. By reaching agreement, the parties also avoided the costs of further litigation.

5.2. The Settlement is Consistent with the Law

Southwest Gas, Public Advocates Office and Victorville contend that the settlement is consistent with applicable law and prior Commission decisions.²² The issues resolved in the Settlement Agreement are within the scope of the proceeding and nothing in the settlement contravenes any statute or Commission decision or rule.

5.3. The Settlement is in the Public Interest

Southwest Gas, Public Advocates Office and Victorville contend that the settlement is in the public interest, because it allows Southwest Gas to recover a

²² See Settlement Agreement at 9, fn 7. The parties cite D.00-09-037 which provides that the requirement that a settlement be consistent with law is satisfied through a representation by the parties that the settlement agreement is consistent with applicable statutes and prior Commission decisions.

reasonable rate of return and promotes safety, reliability, operational efficiency and infrastructure development and investment, while at the same time keeping customer rates as low as is reasonable.²³

We conclude that the Settlement Agreement meets the requirements under 12.1 of the Rules.

6. Request for Confidential Treatment

In a ruling dated November 10, 2020, the assigned Administrative Law Judge (ALJ) adopted procedures for confidential treatment of computer modeling runs of Southwest Gas' results of operations models.²⁴ This decision incorporates the ruling and the processes set forth in Attachments one and two to the ruling. The public interest in protecting the confidential modeling information outweighs the public interest in disclosing the information. Therefore, we keep in place the request for confidential treatment as set forth in the ruling and attachments.

7. Advice Letter Filing Requirements

The Settlement Agreement includes provisions about revenue adjustments, new funding, and adjustments to service areas which will give rise to advice letter (AL) filings. For each, Southwest Gas is required to file revised tariff schedules which comply with General Order 96-B for approval by the Commission's Energy Division, within 90 days of the effective date. Supporting work papers shall be included with each AL.

²³ See Settlement Agreement at 9.

²⁴ The use of computer models in Commission proceedings is governed by Public Utilities Code §§ 1821-1822 and Rules 10.3 - 10.4 of the Commission's Rules of Practice and Procedure.

The following paragraphs (on pages noted) within the Settlement Agreement identify provisions for which ALs must be filed:

- Paragraph 32 (at page 11) – file Tier 3 ALs adjusting the post-test year margins as Southwest Gas places each phase of the Tahoe Lateral Pipeline in-service;
- Paragraph 51 (at page 22) – file Tier 3 ALs for additional funding for the Conservation and Energy Efficiency Account (CEEBA) component of the Public Purpose Program Surcharge, and
- Paragraph 60 (at page 32) – file Tier 1 ALs modifying Southwest Gas' Territory Map to depict Victorville's gas service territory at and around the Southern California Logistics Airport (SCLA).

8. Results of Operations (RO) Model

The parties agree that the RO Model attached as Exhibit 2 represents the parties' agreement regarding revenues and rate design for the twelve months ended December 31, 2021.

9. Admission of Testimony into the Record

In their Settlement Agreement, Southwest Gas, Victorville and Public Advocates stipulate and agree to admission into evidence of prepared testimony and supporting exhibits and agree to waive cross examination of witnesses regarding prepared testimony and exhibits. Accordingly, pursuant to Rule 13.8 of the Commission's Rules of Practice and Procedure, the Commission receives the testimony served by the parties as exhibits into the record.

We identify the direct testimony of Southwest Gas as Exhibits SWG-1, -2, -3, -4, -5, -6, -7, -8, -9 and -10. We identify the rebuttal testimony of Southwest Gas as Exhibits SWG-R1, -R2, -R3, -R4, -R5, -R6, -R7, -R8, -R9 and -R10.²⁵

We identify the Public Advocates Report on the Results of Operations for Southwest Gas Corporation General Rate Case Test Year 2021 Executive Summary and Post Test Year Ratemaking (including attachments and witness qualifications) as Exhibit PAO-1, and its appendices containing direct testimony, as PAO -2, -3, -4, -5, -6, -7, -8, -9, -10, -11 and -12.²⁶

We identify the direct testimony of Thomas W. Ingwers for Victorville as VIC-1.

We admit the testimony of Southwest Gas, Public Advocates and Victorville into the record as evidence supporting the Settlement Agreement and approval of this case.

²⁵ Exhibit SWG-1 – Direct Testimony by Brandy L. Little; SWG-2 – Direct Testimony by Valerie J. Ontiveroz; SWG-3 – Direct Testimony by Timothy S. Lyons (Revenue Requirement); SWG-4 – Direct Testimony by Timothy S. Lyons (Rate Design); SWG-5 – Direct Testimony by Bradley C. Anderson; SWG-6 – Direct Testimony by Kevin M. Lang; SWG-7 – Direct Testimony by Byron C. Williams; SWG-8 – Direct Testimony by Theodore K. Wood; SWG-9 – Direct Testimony by Robert B. Hevert, and SWG-10 – Direct Testimony by Celine Louise R. Apo.

Exhibit SWG-R1 – Rebuttal Testimony by Brandy L. Little; SWG-R2 – Rebuttal Testimony by Valerie J. Ontiveroz; SWG-R3 – Rebuttal Testimony by Timothy S. Lyons (Revenue Requirement); SWG-R4 – Rebuttal Testimony by Timothy S. Lyons (Rate Design); SWG-R5 – Rebuttal Testimony by Bradley C. Anderson; SWG-R6 – Rebuttal Testimony by Kevin M. Lang; SWG-R7 – Rebuttal Testimony by Byron C. Williams; SWG-R8 – Rebuttal Testimony by Theodore K. Wood; SWG-R9 – Rebuttal Testimony by Robert B. Hevert, and SWG-R10 – Rebuttal Testimony by Celine Louise R. Apo.

²⁶ Exhibit PAO-1 is prepared by Charlotte Chitadje; Exhibit PAO-2 – by Mark Loy; Exhibit PAO-3 – by Yakov Lasko; Exhibit PAO-4 – by Crystal Yeh; Exhibit PAO-5 – by Mariana Campbell; Exhibit PAO-6 – by Maricela Sierra; Exhibit PAO-7 – by Shelby Chase; Exhibit PAO-8 – by Maricela Sierra; Exhibit PAO-9 – by Thomas Renaghan; Exhibit PAO-10 – by Pearlie Sabino; Exhibit PAO-11 – by Matthew Karle, and Exhibit PAO-12 – by Joyce Lee.

10. Waiver of Comment Period

Southwest Gas, Victorville and the Public Advocates Office resolved Public Advocates Office's protest and filed a joint Motion for Approval of Settlement on August 3, 2020. This proposed decision grants the joint Motion for Approval of Settlement. Therefore, this is now an uncontested matter in which the proposed decision grants the relief requested. Accordingly, pursuant to § 311(g)(2) and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

11. Categorization and Need for Hearings

In Resolution ALJ 176-3446 dated September 26, 2019, the Commission preliminarily categorized the Application as ratesetting, and preliminarily determined that hearings were necessary. A PHC was held on November 21, 2019, and subsequent status conferences were held as Southwest Gas, Victorville and Public Advocates Office discussed settlement. Because we have determined that the joint motion for adoption of the Settlement Agreement should be approved, evidentiary hearings are not needed in this proceeding.

12. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Patricia Miles is the assigned ALJ in this proceeding.

Findings of Fact

1. On August 30, 2019, Southwest Gas filed the general rate case Application 19-08-015, for authority to increase rates and charges for natural gas service in California effective January 1, 2021.

2. Southwest Gas is a public utility engaged in the retail distribution, transportation and sale of natural gas for domestic, commercial, agricultural and industrial uses with three California rate jurisdictions: (1) Southern California;

(2) Northern California; and (3) South Lake Tahoe, serving over 2 million customers in the states of California, Arizona and Nevada.

3. A protest was filed by Public Advocates Office on October 4, 2019, and Victorville filed a response to the Application on the same date.

4. On August 3, 2020, Southwest Gas, Public Advocates Office, and Victorville filed a Settlement Agreement resolving their disputes about the proceeding.

5. The Settlement Agreement describes each party's position and how their differences were resolved, utilizing data, calculation models and compromises between the parties.

6. Southwest Gas, Public Advocates and Victorville request the admittance of their testimony into evidence pursuant to Rule 13.8 in the Settlement Agreement.

7. The settlement does not violate any statute, Commission decision or rule.

8. The parties demonstrate a sound and thorough understanding of the underlying assumptions and data in the record.

9. The settlement results in rates that are sufficient for Southwest Gas to provide customers with reliable service and to earn a reasonable rate of return.

Conclusions of Law

1. The proposed Settlement Agreement satisfies the requirements of Rule 12.1, which provides that the Commission will not approve a settlement unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

2. The August 30, 2020 Joint Motion for Approval of the Settlement should be granted, and the parties' Settlement Agreement should be adopted.

3. The request to receive the testimony of Southwest Gas, Public Advocates and Victorville into the record, should be granted.

4. All rulings previously issued by the assigned ALJ in this proceeding should be deemed affirmed herein.

5. This is an uncontested matter in which the decision grants the relief requested, and therefore, the otherwise applicable 30-day period for public review should be waived, pursuant to § 311(g)(2).

6. This decision should be effective immediately.

7. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. The Joint Motion of Southwest Gas Corporation, the Public Advocates Office of the California Public Utilities Commission and the City of Victorville for Adoption of a Settlement Agreement (Settlement Agreement) pertaining to Southwest Gas' application for authorization to increase rates and charges for gas service in California effective January 1, 2021, is approved.

2. The procedures for confidential treatment of computer modeling runs of Southwest Gas Corporation's results of operations models shall be maintained for a period of two years after the effective date of this order. After two years, any information pertaining to the models that has not been destroyed, shall be made public unless a party files a motion stating the justification for further withholding of the information from public inspection, or for such other relief as the Commission rules may then provide. This motion must be filed no later than 30 days before the expiration of the two-year period granted by this order.

3. Southwest Gas Corporation is authorized to file by Tier 3 Advice Letters for post-test year Tahoe Lateral Pipeline margin adjustments or additional Conservation and Energy Efficiency funding consistent with provisions of the

Settlement Agreement. The filings shall comply with General Order 96 and must be approved by the Commission's Energy Division.

4. Within 30 days of the Commission Decision approving the Settlement Agreement, Southwest Gas Corporation must submit a Tier 1 Advice Letter to the Commission's Energy Division to modify Southwest Gas Corporation's service territory map to depict the City of Victorville's gas service territory at and around the Southern California Logistics Airport.

5. All rulings previously issued by the assigned Administrative Law Judge are affirmed herein.

6. Within 21 days of the issuance of the Commission Decision approving the Settlement Agreement herein, Southwest Gas Corporation must submit a Tier 1 Advice Letter to the Commission's Energy Division with the tariff changes necessary to clear the balances in the memorandum account established pursuant to the November 10, 2020 ruling of the assigned Administrative Law Judge.

7. Evidentiary hearings are not required in this proceeding.

8. Application 19-08-015 is closed.

This Order is effective today.

Dated _____, at San Francisco, California