

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southwest Gas Corporation (U 905 G) for Authority to Increase Rates and Charges for Natural Gas Service in California, Effective January 1, 2026.

Application 24-09-001
(Filed September 6, 2024)

SETTLEMENT AGREEMENT

This Settlement Agreement (Settlement Agreement) is entered into by and between Southwest Gas Corporation (Southwest Gas or Company); the Public Advocates Office (Cal Advocates) at the California Public Utilities Commission (Commission); and Small Business Utility Advocates (SBUA) (collectively referred to herein as the Parties or individually as a Party).

RECITALS

1. On September 6, 2024, Southwest Gas filed Application (A.) 24-09-001 (Application) with the Commission.
2. Southwest Gas requested approval to increase rates and charges for natural gas service for its three California rate jurisdictions¹ effective January 1, 2026.
3. For Test Year (TY) 2026, Southwest Gas requested a revenue increase of approximately \$38.5 million for the Southern California rate jurisdiction, an increase of approximately \$63 thousand in revenue for the Northern California rate jurisdiction, and an increase of approximately \$10.2 million in revenue for the South Lake Tahoe rate jurisdiction.

¹ Southwest Gas' three rate jurisdictions are: (1) Southern California, inclusive of various communities and areas in San Bernardino County; (2) Northern California, inclusive of various communities and areas in Placer, El Dorado, and Nevada Counties; and (3) South Lake Tahoe, located within El Dorado County.

4. Southwest Gas' proposed revenue increase was based upon a capital structure consisting of 50.0 percent long-term debt and 50.0 percent common equity, with a requested return on common equity (ROE) of 11.35 percent. The Company's proposed overall rate of return was 7.68 percent for Southern California. For the Northern California and South Lake Tahoe rate jurisdictions, the proposed overall rate of return was 8.02 percent.

5. Southwest Gas proposed to continue its suite of Conservation and Energy Efficiency programs – Residential Equipment Rebates, Commercial Equipment Rebates, Residential Direct Install, New Homes Rebates, and Solar Thermal Rebates – with proposed modifications to its annual budgets, processes for program and annual budget modifications.

6. Southwest Gas requested authority to continue its Post-Test Year Mechanism (PTYM) to change rates and charges for the post-test years 2027, 2028, 2029, and 2030 for its three rate jurisdictions.

7. Southwest Gas requested to continue to include in its annual PTYM the margin adjustments associated with its North Lake Tahoe Lateral pipeline replacement as well Excess Accumulated Deferred Income Taxes (EADIT). Additionally, the Company proposed to make annual margin and cost of service adjustments (to account for the rate base impact, depreciation expenses, property and income taxes) associated with the pipeline installation to serve the National Army Training Center at Fort Irwin approved in Decision (D.) D.24-04-014.

8. Southwest Gas requested to continue the Automatic Trigger Mechanism (ATM) approved in D.14-06-028 and D.21-03-052, the Company's Test Year 2014 (A.12-12-024) and Test Year 2021 (A.19-08-015) General Rate Case applications, respectively.

9. Southwest Gas proposed to consolidate its Northern California and South Lake Tahoe rate jurisdictions into a single Northern California rate jurisdiction.

10. In compliance with D.14-12-025 and the Voluntary Agreement Between Risk Assessment Section of the Safety and Enforcement Division and Small Multi-Jurisdictional Utilities (SMJU) for a Risk-Based Decision-Making Framework (SMJU Voluntary Agreement), approved by the Commission in D.19-04-020, Southwest Gas engaged in the development of a risk-based² decision-making framework as part of the Application.³ Through this framework, Southwest Gas identified and evaluated several risks, reviewed existing controls, and developed proposed mitigations to address the identified risks. These risk mitigation programs include a Targeted Pipe Replacement (TPR) Program, Meter Protection Program, School Customer-Owned Yard Line (COYL) Replacement Program, and an Annual Leak Survey Program with Advanced Mobile Leak Detection (AMLDD). Southwest Gas proposed to recover the costs associated with these programs through the Infrastructure Reliability and Replacement Adjustment Mechanism (IRRAM), initially approved by the Commission in D.14-06-048.

11. On August 23, 2024, Southwest Gas submitted to Cal Advocates a study of depreciation rates and practices based on 2023 year-end data for Southwest Gas' natural gas properties (Depreciation Study), pursuant to Commission Standard Practice U-4. The Depreciation Study combined the South Lake Tahoe and Northern California properties into one set of depreciation rates for all northern California properties. Southwest Gas requested that the depreciation rates reflected in the Depreciation Study be accepted and made effective concurrently with the rates approved in the Application.

12. On October 14, 2024, Cal Advocates submitted a protest to Southwest Gas' Application.

² The terms "risk-based" and "risk-informed" are used interchangeably throughout this Settlement Agreement.

³ In D.22-10-002, *Decision Addressing Phase 1 Tracks 3 and 4 Issues*, approved October 6, 2022, the Commission kept the SJUM Voluntary Agreement in place.

13. On December 11, 2024, Administrative Law Judge (ALJ) Jeffrey Lee held a prehearing conference at which procedural matters, and Southwest Gas' and Cal Advocates' party status and positions, were determined.

14. On December 20, 2024, Southwest Gas filed an amendment to A.24-09-001, to correct inadvertent errors in its Results of Operations and Class Cost of Service/Rate Design models discovered subsequent to filing. For Southern California, Southwest Gas increased its requested revenue by \$0.7 million to \$39.2 million. For Northern California, Southwest Gas increased its requested revenue by \$43 thousand to \$106 thousand for Northern California. The request for South Lake Tahoe was not substantially changed from the initial \$10.2 million.

15. On January 10, 2025, SBUA filed a Motion for Party Status. The ALJ granted SBUA's motion on January 14, 2025.

16. On January 22, 2025, Assigned Commissioner Matt Baker issued the Scoping Memo and Ruling (Scoping Memo). The Scoping Memo set forth the procedural schedule and identified the following scope of issues to be determined in this Application: a) whether Southwest Gas' proposed rate increases for its Southern California, Northern California and South Lake Tahoe jurisdictions are reasonable; b) whether Southwest Gas' forecast for various types of expenses, e.g., Operations and Maintenance (O&M), Administrative and General (A&G), Pensions and Benefits and Taxes are reasonable; c) whether Southwest Gas' post-test year proposals for the years 2027 through 2030 are reasonable; d) whether Southwest Gas' proposed capital structure, ROE and overall rates of return are reasonable; e) whether Southwest Gas' ATM should be continued; f) whether Southwest Gas' adjustment for EADIT should be continued; g) whether Southwest Gas' forecast of capital expenditures is reasonable; h) whether the depreciation rates represented in Southwest Gas' August 2024 depreciation study and proposed rates should be adopted; i) whether Southwest Gas' risk-based decision-making framework proposal is reasonable; j) whether Southwest Gas' TPR

Program, Meter Protection Program, and School COYL Replacement Program should be continued with recovery of such costs through the IRRAM (as approved in D.14-06-028); k) whether an Annual Leak Survey program with conventional and AMLD technologies should be adopted; l) whether Southwest Gas' operating revenues based on estimated sales, customers, and billing factors are reasonable; m) whether Southwest Gas' proposal to consolidate its Northern California and South Lake Tahoe Rate Jurisdictions into a single rate jurisdiction is in the public interest; n) whether Southwest Gas' intention to adopt the safe harbor tax accounting method outlined in Internal Revenue Service Revenue Procedure 2023-15 is reasonable; and o) whether there exists any unresolved public health or safety issues related to this proceeding.

17. On February 7, 2025, Southwest Gas served Prepared Supplemental Testimony addressing the Company's intention to adopt the new natural gas industry safe harbor tax method of accounting and its impact on the overall revenue deficiency in each jurisdiction which is as follows: a decrease in the overall margin⁴ for the Southern California rate jurisdiction to \$36.6 million; a decrease in the overall margin for the Northern California rate jurisdiction to (\$2.8) million; and a decrease in the overall margin for the South Lake Tahoe rate jurisdiction to \$9.8 million. The request across all jurisdictions totaled \$43.67 million.

18. On April 4, 2025, Cal Advocates served its prepared direct testimony.⁵ Cal Advocates' testimony recommended an authorized margin of \$26.06 million, or 18.13% lower than SWG's request.

19. On May 9, 2025, Southwest Gas served its prepared rebuttal testimony.

20. On May 23, 2025, Southwest Gas and Cal Advocates filed a Joint Status Report on Settlement Discussions.

⁴ "Margin" means the incremental revenue requirement compared to what is already in rates.

⁵ SBUA did not serve Intervenor Testimony.

21. On May 27, 2025, Southwest Gas and Cal Advocates filed a Joint Status Conference Statement.

22. On May 27, 2025, SBUA filed a separate Status Conference Statement.

23. On May 30, 2025, ALJ Lee convened the first Status Conference.

24. On July 3, 2025, the Parties filed a Second Status Conference Statement.

25. On July 9, 2025, ALJ Lee convened the second Status Conference.

Southwest Gas and Cal Advocates informed that all issues were settled except those pertaining to discrete cost of capital items.

26. The Parties engaged in several discussions regarding Southwest Gas' Application and, consistent with Rule 12.1(b) of the Commission's Rules of Practice and Procedure (Commission Rule(s)), convened a formal settlement conference on July 28, 2025.

27. As a result of these discussions on July 23, 2025, and as evidenced by the Third Joint Status Conference Statement of Southwest Gas, Cal Advocates and SBUA filed July 25, 2025, Southwest Gas and Cal Advocates reached a compromise and agreement for all undisputed and resolved issues (Settlement) and agreed to litigate the outstanding issues, limited to the Company's proposed Cost of Capital, comprised of 1) capital structure, 2) ROE and 3) the resultant overall rate of return, at the evidentiary hearing.

28. The Parties agree that consideration of the outstanding Cost of Capital issues may result in further reduction to the statewide net revenue increase of \$39.5 million agreed to in this Settlement, depending on the Commission's final decision on the unresolved issues regarding Cost of Capital. Southwest Gas and SBUA also reached a settlement in principle of all outstanding issues between the two parties as detailed below. The Parties assert this Settlement is fair and reasonable, consistent with applicable law, and in the public interest. Additionally, the Parties recognize that the Settlement avoids the costs and uncertainties of continued litigation in this proceeding. A summary of the results of operations under the Settlement, at currently-authorized and Settlement margins, is included as Attachment 1 to

this Settlement Agreement.

29. On July 25, 2025, the Parties filed a third Joint Status Conference Statement.

30. On July 29, 2025, an Evidentiary Hearing was held on Cost of Capital issues.

31. Opening Briefs on Cost of Capital issues as contested and noted herein were submitted on August 29, 2025, and Reply Briefs are due September 12, 2025.

32. On September 8, 2025, ALJ Lee issued a Proposed Decision granting the motion filed by Southwest Gas to establish a General Rate Case Memorandum Account to track changes in its revenue requirement for the period beginning January 1, 2026, through the effective date of the California Public Utilities Commission final decision regarding Southwest Gas' revenue requirement increase request through Application 24-09-001, in the event that the Commission's decision is issued after January 1, 2026.

33. The issues separately raised by SBUA in this proceeding that were ultimately resolved between Southwest Gas and SBUA, as discussed in more detail below, were principally related to commercial customers on the Company's Schedule Nos. GS-40/GN-40 – Core Commercial Natural Gas Service.

34. Cal Advocates does not object to the terms and conditions of SBUA's settlement with Southwest Gas.

35. SBUA does not object to the terms and conditions of Cal Advocates' settlement with Southwest Gas.

This Settlement agreement provides for a \$33.4 million increase in the Company's Southern California rate jurisdiction and a \$6.1 million increase in the Company's Northern California (consolidated) rate jurisdiction assuming Southwest Gas' proposed Cost of Capital figures are accepted as set forth in its Application, items which are subject to on-going determination by the Commission. The final revenue increase by rate jurisdiction will be determined once the Commission has approved the final Cost of Capital. THEREFORE, in consideration of the mutual obligations, covenants and conditions contained herein, the

Parties hereby agree to resolve the contested issues as follows.

STIPULATIONS REGARDING RESOLUTION OF SPECIFIC ISSUES:

36. Operations and Maintenance (O&M) and Administrative and General (A&G) Expenses. The O&M and A&G expenses proposed in the Application for TY 2026 are in 2023 dollars, including labor loadings, are escalated to 2026. As part of this comprehensive Settlement, Southwest Gas and Cal Advocates agree to the following combination of unopposed, stipulated, and disputed and settled amounts to the various accounts listed below. The Parties agree that the combined O&M and A&G authorized expenses for Southwest Gas total \$56.90 million.

Operations and Maintenance & Administrative and General

Account	Name	SWG Rebuttal	Cal Advocates Filed	Difference	Stipulated
Southern California Rate Jurisdiction - Direct Expenses					
813	Other Gas Supply	\$ 203,322	\$ 203,322	\$ -	\$ 203,322
871	Dist. Load Disp.	\$ 191,332	\$ 191,332	\$ -	\$ 191,332
874	Mains	\$ 2,562,371	\$ 2,562,371	\$ -	\$ 2,562,371
878	Meter and House Reg.	\$ 1,655,042	\$ 1,655,042	\$ -	\$ 1,655,042
879	Customer Install	\$ 5,417,487	\$ 5,417,487	\$ -	\$ 5,417,487
880	Other Exp.	\$ 1,785,492	\$ 1,785,492	\$ -	\$ 1,785,492
885	Maint. Sup. & Eng.	\$ 309,306	\$ 309,306	\$ -	\$ 309,306
887	Maint. of Mains	\$ 2,108,531	\$ 2,108,531	\$ -	\$ 2,108,531
889	Maint. of Meas. & Reg Station	\$ 637,386	\$ 637,386	\$ -	\$ 637,386
901	Supervision	\$ 338,436	\$ 338,436	\$ -	\$ 338,436
902	Meter Reading	\$ 135,770	\$ 135,770	\$ -	\$ 135,770
903	Cust. Recs & Collections	\$ 3,749,754	\$ 3,749,754	\$ -	\$ 3,749,754
908	Customer Assist	\$ -	\$ (2)	\$ 2	\$ -
923	Outside Services Employed	\$ 16,826	\$ 16,826	\$ -	\$ 16,826
925	Injuries and Damages	\$ 474,407	\$ -	\$ 474,407	\$ -
927	Franchise Taxes	\$ 1,149,819	\$ 1,149,819	\$ -	\$ 1,149,819
928	Regulatory Commission Expenses	\$ 129,790	\$ 129,790	\$ -	\$ 129,790
930.1	General Advertising/Safety Education	\$ 148,403	\$ 148,403	\$ -	\$ 148,403
930.2	Miscellaneous General Expense	\$ 303,923	\$ 303,923	\$ -	\$ 303,923
935	Maint. of General Plant	\$ 867,173	\$ 610,780	\$ 256,393	\$ 738,977
Subtotal Southern California Rate Jurisdiction		\$ 22,184,570	\$ 21,453,768	\$ 730,802	\$ 21,581,967
Northern California Rate Jurisdiction - Direct Expenses					
878	Meter and House Reg.	\$ 303,210	\$ 303,210	\$ -	\$ 303,210
879	Customer Install	\$ 779,877	\$ 779,877	\$ -	\$ 779,877
885	Maint. Sup. & Eng.	\$ 65,520	\$ 41,183	\$ 24,337	\$ 53,352
889	Maint. of Meas. & Reg Station	\$ 56,385	\$ 56,385	\$ -	\$ 56,385
902	Meter Reading	\$ 88,682	\$ 88,682	\$ -	\$ 88,682
903	Cust. Recs & Collections	\$ 732,405	\$ 731,646	\$ 759	\$ 732,026
910	Customer Assist	\$ 12,614	\$ 12,614	\$ -	\$ 12,614
923	Outside Services Employed	\$ 8,353	\$ 8,353	\$ -	\$ 8,353
925	Injuries and Damages	\$ 103,116	\$ -	\$ 103,116	\$ -
927	Franchise Taxes	\$ 679,706	\$ 679,706	\$ -	\$ 679,706
928	Regulatory Commission Expenses	\$ 26,079	\$ 26,079	\$ -	\$ 26,079
930.1	General Advertising/Safety Education	\$ 116,597	\$ 116,597	\$ -	\$ 116,597
930.2	Miscellaneous General Expense	\$ 57,688	\$ 57,688	\$ -	\$ 57,688
935	Maint. of General Plant	\$ 60,176	\$ 51,261	\$ 8,915	\$ 55,718
Subtotal Northern California Rate Jurisdiction		\$ 3,090,408	\$ 2,953,281	\$ 137,127	\$ 2,970,287

South Lake Tahoe Rate Jurisdiction - Direct Expenses					
878	Meter and House Reg.	\$ 487,281	\$ 487,281	\$ -	\$ 487,281
880	Other Exp.	\$ 213,661	\$ 193,444	\$ 20,217	\$ 203,552
885	Maint. Sup. & Eng.	\$ 47,664	\$ 38,473	\$ 9,191	\$ 43,069
889	Maint. of Meas. & Reg Station	\$ 42,889	\$ 42,889	\$ -	\$ 42,889
893	Maint. of Meters & House Regs.	\$ 114,104	\$ 96,015	\$ 18,089	\$ 105,060
901	Supervision	\$ 40,995	\$ 40,995	\$ -	\$ 40,995
903	Cust. Recs & Collections	\$ 504,757	\$ 504,209	\$ 548	\$ 504,483
923	Outside Services Employed	\$ 6,659	\$ 6,659	\$ -	\$ 6,659
925	Injuries and Damages	\$ 91,458	\$ -	\$ 91,458	\$ -
927	Franchise Taxes	\$ 316,278	\$ 316,278	\$ -	\$ 316,278
928	Regulatory Commission Expenses	\$ 23,131	\$ 23,131	\$ -	\$ 23,131
930.1	General Advertising/Safety Education	\$ 15,735	\$ 15,735	\$ -	\$ 15,735
930.2	Miscellaneous General Expense	\$ 38,390	\$ 38,390	\$ -	\$ 38,390
935	Maint. of General Plant	\$ 34,854	\$ 31,395	\$ 3,459	\$ 33,124
Subtotal South Lake Tahoe Rate Jurisdiction		\$ 1,977,856	\$ 1,834,894	\$ 142,962	\$ 1,860,646
All Rate Jurisdictions - System Allocable Expenses					
920	MIP	\$ 12,171,401	\$ 6,085,701	\$ 6,085,700	\$ 6,883,051
926	SERP	\$ 370,972	\$ 185,486	\$ 185,486	\$ 209,789
926	Deferred Comp.	\$ 2,890,280	\$ 1,445,140	\$ 1,445,140	\$ 1,634,482
926	Medical	\$ 20,645,407	\$ 20,645,407	\$ -	\$ 20,645,407
930.1	Misc. General Exp. (System Alloc.)	\$ 1,293,454	\$ 976,993	\$ 316,461	\$ 1,122,834
Subtotal All Rate Jurisdictions - System Allocable		\$ 37,371,514	\$ 29,338,727	\$ 8,032,787	\$ 30,495,563
Total O&M and A&G Expenses		\$ 64,624,348	\$ 55,580,670	\$ 9,043,678	\$ 56,908,463
Stipulated Amounts		\$ 22,143,324	\$ 22,142,015	\$ 1,309	\$ 22,142,671
Unopposed Amounts		\$ 3,037,377	\$ 3,037,377	\$ -	\$ 3,037,377
Disputed & Settled Amounts		\$ 39,443,647	\$ 30,401,278	\$ 9,042,369	\$ 31,728,415

Rate Base

37. Net Plant Additions. As part of the comprehensive Settlement, Southwest Gas and Cal Advocates agree that the net plant additions should be adjusted to 50 percent of Cal Advocates' proposed adjustment as filed for each jurisdiction:

Rate Base				
Rate Jurisdiction	Name	SWG Position	Cal Advocates Position	Settlement
Southern California Rate Jurisdiction	Net Plant Additions	\$ 118,759,648	\$ 112,085,356	\$ 115,422,505
Northern California Rate Jurisdiction	Net Plant Additions	\$ 24,957,238	\$ 23,257,650	\$ 24,107,444
South Lake Tahoe Rate Jurisdiction	Net Plant Additions	\$ 31,109,750	\$ 29,401,825	\$ 30,255,787
			Total	\$ 169,785,736

Risk-Informed Decision-Making Framework Infrastructure Programs

38. Risk Informed Decision-Making Framework. Southwest Gas presented its risk-informed decision-making framework in individually sponsored testimony along with supporting exhibits, as well as met with Cal Advocates to provide a walkthrough of its scoring process for identified risks and mitigations. Cal Advocates did not oppose the Company's

process yet opined that the risk process was not transparent given that Southwest Gas used a consultant with proprietary risk models. Cal Advocates proposed that Southwest Gas develop an ‘in-house’ risk process. As part of this comprehensive Settlement, Cal Advocates agrees to Southwest Gas’ filed risk process based on the SMJU Voluntary Agreement adopted in D.19-04-020 and D.22-10-022.

39. TPR Program. Southwest Gas’ proposed TPR Program would replace eligible Driscopipe™ 7000 (M7000) distribution plastic pipelines and pre-1961 vintage steel distribution in Southwest Gas’ Southern California jurisdiction only, at an annual rate of 26.5 miles and 10 miles, respectively. The TPR Program is a proactive measure to replace aging infrastructure before it leaks. Southwest Gas’ proposed budget for this program is approximately \$115.6 million for years 2026-2030, or approximately \$23.1 million annually. Cal Advocates proposed a reduced annual replacement rate of 21 miles for M7000 and 8.3 miles of pre-1961 at total cumulative budget of \$94.32 million for years 2026-2030, or approximately \$18.56 million annually. As part of this comprehensive Settlement, Southwest Gas agrees to Cal Advocates’ adjusted budget for the TPR Program.

Program		SWG Filed	Cal Advocates Filed	SWG Rebuttal	Settlement
Targeted Pipe Replacement	5 yr	\$115,632,000	\$94,322,400	\$115,632,000	\$94,322,400

40. School COYL Replacement Program. A School COYL is the primary customer-owned gas piping that begins from the service point of delivery at the outlet of Southwest Gas' meter located at the property line or public right-of-way and extends underground from the meter to the building or gas utilization equipment where gas is consumed. School COYLs are not owned, maintained, or inspected by Southwest Gas. The Company proposed to continue the School COYL Replacement Program authorized in its last general rate case (D.21-03-052) at a rate of 15 schools per year (11 in Southern California and four in the consolidated Northern California area) for a total cumulative budget of \$29.3 million for years 2026-2030, or approximately \$5.9 million annually. Cal Advocates proposed a reduction in the number of statewide School COYLs replacements to 12 per year at a total budget of \$16.4 million for years 2026-2030. This reflects a total average cost per school of \$390 thousand. As part of this comprehensive Settlement, Southwest Gas agrees to 12 School COYL replacements per year (10 in Southern California and one each in Northern California and South Lake Tahoe) at an average cost per school of \$360 thousand. This reflects a cumulative program budget of \$21.6 million over the 2026-2030 general rate case cycle, which results in an estimated annual target spend of \$3.6 million for Southern California and \$360 thousand each for Northern California and South Lake Tahoe.

Program		SWG Filed	Cal Advocates Filed	SWG Rebuttal	Settlement
School COYL Replacement	5 yr	\$29,250,000	\$16,368,660	\$29,250,000	\$21,600,000

41. Meter Protection Program. Due to heavy snow loads in portions of Southwest Gas' California rate jurisdictions, the Company's risk-informed assessment identified the need to continue its Meter Protection Program, a comprehensive and proactive program to protect the Company's meter sets from damage due to snow and ice loading, authorized in its last general rate case (D.21-03-052). Southwest Gas' proposed Meter Protection Program consists of three components that the Company would evaluate and implement as appropriate

for each eligible meter set assembly: 1) retrofitting meters with customer-owned sheds where none currently exist; 2) evaluating and installing excess flow valves (EFV) on certain service lines; and 3) upgrading the meter encoder receiver transmitter (ERT) device to allow for daily meter usage monitoring. Southwest Gas requested approximately \$44 million over the 2026-2030 general rate case cycle, at an annual rate of approximately \$14.7 million, \$10.5 million and \$18.8 million in the Company’s Southern California, Northern California and South Lake Tahoe rate jurisdictions, respectively. Cal Advocates proposed a reduced number of installations based on Southwest Gas’ historical number of average installations for a total annual budget of \$2.6 million. As part of this comprehensive Settlement, Cal Advocates agrees to Southwest Gas’ filed position. The budget for the Meter Protection Program will be spent on meter sheds, EFVs and ERTs.

Program		SWG Filed	Cal Advocates Filed	SWG Rebuttal	Settlement
Meter Protection	5 yr	\$43,950,000	\$12,915,000	\$43,950,000	\$43,950,000

42. Annual Leak Survey with AMLD. Southwest Gas currently leak surveys its California natural gas assets at a frequency of at least once every three years, except in situations where the Federal and State pipeline safety regulations require a more frequent leak detection survey such as business districts, transmission facilities, and in situations where the Company’s Distribution Integrity Management Program or its Transmission Integrity Management Program require more frequent leak detections surveys. Southwest Gas proposed to increase the frequency of leak surveys to once per year, resulting in an increased amount of pipeline footage to be surveyed. The Company also proposed to invest in new equipment (three AMLD vehicles, two in Southern California and one in Northern California/South Lake Tahoe) and personnel (two new employees in Southern California and one new employee in Northern California/South Lake Tahoe) to establish and facilitate the Annual Leak Survey Program. Southwest Gas proposed to equally split the cost of the AMLD

vehicle between its Northern California service territories and the Company’s Northern Nevada service territory to reflect the limited use of the vehicle in Northern California during the months of May through October. Cal Advocates did not oppose the Company’s Annual Leak Survey Program or the split of the vehicle cost between Southwest Gas’ Northern California and Northern Nevada rate jurisdictions. However, Cal Advocates recommended a reduction of \$221 thousand to account for the difference in the number of customers served in Northern California versus Northern Nevada. As part of this comprehensive Settlement, Southwest Gas agreed to Cal Advocates’ proposed adjustment of \$221 thousand, resulting in an authorized 5-year budget of approximately \$10 million.

Program		SWG Filed	Cal Advocates Filed	SWG Rebuttal	Settlement
Annual Leak Survey w/ AMLD	5 yr	\$10,247,425	\$10,026,425	\$10,247,425	\$10,026,425

Conservation and Energy Efficiency

43. 2026-2030 Conservation and Energy Efficiency Programs. Southwest Gas proposed a Conservation and Energy Efficiency (CEE) programs portfolio for 2026-2030 that continues the five programs authorized in its last general rate case (D.21-03-052) Residential and Commercial Equipment Rebate Programs; Residential Equipment Direct-Install; New Home Rebates; and Solar Thermal Rebates. The Company requested to increase its annual CEE programs budget from the currently authorized \$500 thousand⁶ to \$650 thousand per year with the ability to request an increase in annual program funding for up to a maximum of \$900 thousand per year. Southwest Gas will continue CEE cost recovery through the Conversation and Energy Efficiency Balancing Account (CEEBA) component of the Public Purpose Program Surcharge. Additionally, Southwest Gas requested the authority to modify

⁶ Effective April 2023, the Commission approved Resolution 3594-G authorizing Southwest Gas Advice Letter No. 1243 to increase its annual funding for its CEE programs for Program Years 2023-2025 from \$250 thousand to \$500 thousand.

the existing Advice Letter Tier process for CEE program changes. The Company requested that: 1) minor program modifications between general rate cases through the Tier 1 Advice Letter process (currently authorized through Tier 2), such as modification of Commercial Equipment Rebate program amounts to conform with the annual updates to the Statewide Foodservice Instance Rebates Program, sponsored by the large investor-owned utilities and approved by the Commission; and 2) change from a Tier 3 Advice Letter to a Tier 2 Advice Letter to request an annual increase in program funding.

44. Cal Advocates opposed Southwest Gas' requested annual budget increases and proposed changes to the Advice Letter Tier Process for minor program modifications and budget increase requests. Cal Advocates proposed an annual budget of \$500 thousand with the ability to increase to a max annual budget of \$650 thousand beginning two years after a Commission decision is approved in this Application. Cal Advocates proposed to keep the current Tier 2 and Tier 3 Advice Letter processes for minor program modifications and budget increase requests, respectively. As part of a comprehensive Settlement, Southwest Gas and Cal Advocates agree to an annual CEE budget of \$500 thousand, including an option for Southwest Gas to submit a Tier 3 advice letter to request additional funding up to a maximum of \$800 thousand per year, beginning two years after a Commission decision is issued in this Application. Additionally Southwest Gas and Cal Advocates agree the following:

- Tier 1 Advice Letter – Commercial Equipment Rebates modifications related to the Statewide Foodservice Instance Rebates Program.
- Tier 2 Advice Letter – Other minor program modifications.
- Tier 3 Advice Letter – Budget increase requests.

Proposed Tariff Modifications

Southwest Gas proposed modifications to the Preliminary Statement, Rate Schedules and Rules of its California Gas Tariff to reflect proposals addressed in the Application, revisions to correct minor inconsistencies and other ministerial updates, and to incorporate

revisions resulting from this Settlement. Cal Advocates does not oppose Southwest Gas' proposed tariff modifications. Southwest Gas will submit the tariff sheets reflecting changes conforming to this Settlement in its compliance filing following approval of this Settlement Agreement by the Commission.

AGREEMENTS REGARDING RESOLUTION OF SPECIFIC SBUA ISSUES

45. Schedule No. GS-40/GN-40 – Core Commercial Gas Service (GS-40/GN-40) and CEE Commercial Equipment Rebates Program. SBUA supports and agrees with Southwest Gas' position regarding a high demand for its Commercial Equipment Rebates program and, in turn, the Company's proposed Settlement reached with Cal Advocates. However, SBUA did not believe that the Company's outreach budget to GS-40/GN-40 customers was sufficient and proposed that Southwest Gas' outreach budget approved through this Settlement must proactively identify potentially eligible GS/GN-40 customers and direct outreach to these customers. Additionally, SBUA requested that Southwest Gas report on the efficacy and success of this outreach to the GS-40-GN-40 customer segment through a mid-cycle Tier 1 Advice Letter. As part of a comprehensive Settlement, Southwest Gas will include two additional email blasts to GS-40/GN-40 customers in its annual outreach plan. Southwest Gas will also confer with its third-party contractor on additional outreach that may be performed that will target these customers. Southwest Gas will also report on the participation levels in the Commercial Equipment Rebates program by June 30, 2028, in a Tier 1 Advice Letter that will be served to all parties in A.24-09-001.

46. TPR Program. SBUA opposed testimony regarding the TPR program given that Southwest Gas did not specifically weigh the rate/affordability impact of preemptive replacement of M7000 pipe. SBUA noticed that while preemptive replacement of this pipe type could allow for bill levelization and future cost savings, the testimony presented by the Company does not include any quantification or comparison with GS-40 customers present value of deferring the rate increases. SBUA supports Southwest Gas Settlement with Cal

Advocates regarding its reduced program budgets for the TPR program, but proposed that the Company include testimony that provides comparison of present and future bill impacts from proactive pipe replacement activity that takes into consideration cost savings from the activity and the future rate impact of a greater quantity and faster pace of replacement that would be required in the future if replacement is not performed proactively. SBUA also proposed that the Company include a provision in this Settlement that Southwest Gas will attempt to maximize pipe replacement cost savings as part of its franchise-related trenching. As part of the comprehensive Settlement, Southwest Gas agrees to include in testimony a comparison of present and future bill impacts from proactive pipe replacement activity that takes into consideration cost savings from the activity and the future rate impact of a greater quantity and faster pace of replacement that would be required in the future if replacement is not performed proactively. SBUA agrees that Southwest Gas comparison analysis may be based on assumptions for various activities, including cost associated with leak repairs, related leak survey, and pipe replacement requirements for the DIMP leak analysis process. In addition, Southwest Gas has and will continue to maximize pipe replacement cost savings through planning and coordination with franchise-related trenching.

47. Account 908 – Customer Assistance Expense. SBUA supports Southwest Gas' proposed Customer Assistance amounts, provided that Southwest Gas commits to performing (a) an internal review with Customer Assistance personnel that serve GS-40/GN-40 customers to identify key areas of customer concerns and opportunities for improved service, and (b) a survey of GS-40/GN-40 customers to understand their primary concerns and customer service needs (e.g., difficulties initiating new service, upgrades, billing issues or question, other program eligibility) and familiarity with Company programs (e.g., audits and commercial equipment rebates). SBUA requests that Southwest Gas then evaluate the information gained from the survey to identify key lessons or issues and determine whether any changes to its customer assistance operations in response (e.g., training, additional

outreach, reallocation of staff time, etc.) is warranted and report on the evaluation and proposed course of action through a Tier 1 Advice Letter. As part of the comprehensive Settlement, Southwest Gas agrees to perform a survey targeting GS-40/GN-40 customers to understand the specific needs and concerns of these customers, particularly around service initiation, upgrades, billing and program eligibility in 2026. The survey will be conducted as follows:

- Step 1 – To assist in the development and design of comprehensive survey questions, Southwest Gas will gather insights from Customer Assistance staff who regularly support small business customers to identify common and recurring customer concerns, understand operational challenges, and explore opportunities to improve service. Southwest Gas will gather this information by conducting internal focus groups, structured interviews with internal stakeholders and workshops to address the concerns of its small business customer experience. Southwest Gas will assess common issues raised by small business customers, barriers to solving their problems efficiently, and suggestions for improved training, tools, and processes.
- Step 2 – Upon survey design and development, Southwest Gas will determine the number of customer responses necessary to ensure statistically significant results. This will be based on factors such as the number of GS-40/GN-40 customers, confidence level, and acceptable margin of error. The Company will also determine the best cadence to conduct the survey, and when to follow up for future surveys. This step will ensure that the survey findings are representative of the population and reliable for decision making.
- Step 3 – Distribution of the survey will be cost-effective and sent through email to GS/GN-40 customers, with reminders to ensure that enough data is obtained to ensure meaningful and confident interpretation. To ensure enough survey

responses are received, Southwest Gas may also use other channels to promote the survey, such as links on bill inserts that drive to a website page, or social media posts.

- Step 4 – To mitigate costs, Southwest Gas will use internal staff to perform qualitative and quantitative analysis on the data, and segment survey responses by key characteristics such as industry, region, or length of customer relationship. The Company will identify patterns and uncover differences across different segments and communicate insights to internal stakeholders, including its Call Center, customer service teams, and business account representatives with actionable insights to enhance the customer experience. Based on these insights, Southwest Gas will develop initiatives that may include, direct customer outreach for issue resolution, a thorough review of existing processes to identify improvement opportunities, enhanced staff training and development, and other strategic actions tailored to GS/GN-40 customers' specific needs.
- Step 5 – Southwest Gas will submit a report on its survey findings and resulting course of actions through a Tier 1 Advice Letter by June 30, 2027.

GENERAL TERMS AND CONDITIONS

48. Commission Rule 12.1(d) requires that a settlement be "reasonable in light of the whole record, consistent with the law, and in the public interest." The Settlement between the Parties in this proceeding satisfies the criteria in Commission Rule 12.1(d). The Commission should adopt the Settlement Agreement, which is fully supported by all the Parties.

Settlement is Reasonable

49. Following extensive settlement negotiations over the course of several weeks, the Parties reached a reasonable compromise on most of the contested issues. The Parties believe the Settlement fairly balances the various interests affected in this proceeding and is

reasonable and consistent with the law and in the public interest. The Parties extensively researched, revisited and debated these complex issues, and are knowledgeable and experienced regarding these issues. In agreeing to the Settlement, the Parties have used their collective experience to produce appropriate, well-founded recommendations. The Settlement, taken as a whole, provides a fair and reasonable resolution of the issues in this proceeding. The reasonableness of the Settlement is supported by the testimony and/or exhibits of Southwest Gas, Cal Advocates, and SBUA. In addition, the Parties considered the affordability of the rates in the Company's three California rate jurisdictions and the financial health of Southwest Gas. The Parties fully considered the facts and the law.

The Settlement is Lawful

50. The Parties are not aware of any statutory provisions or prior Commission decisions that would be contravened or compromised by the Settlement. The issues resolved in the Settlement Agreement are clearly within the scope of the proceeding. Moreover, the Settlement Agreement, if approved, would result in just and reasonable rates to Southwest Gas' customers.

The Settlement Serves the Public Interest

51. The Settlement is in the public interest. The Commission has explained in prior Commission decisions that a settlement well-serves the public interest when the settlement "commands broad support among participants fairly reflective of the affected interest" and "does not contain terms which contravene statutory provisions or prior Commission decisions."² In this proceeding, the Parties fairly represent the affected parties' interests, as it is an agreement reached by all participants to the Application proceeding. The principal public interest affected by this proceeding is the delivery of safe, reliable natural gas at reasonable rates. The Settlement advances these interests. In addition, Commission

² *Re San Diego Gas & Elec.*, D.92-12-019, 46 CPUC 2d at 552.

approval of the Settlement Agreement will provide speedy resolution of contested issues, which will conserve Commission and Party resources.

The Settlement Conveys Sufficient Information

52. The Parties believe that this Settlement Agreement conveys sufficient information for the Commission to discharge its future regulatory obligations. Taken as a whole, the Settlement Agreement satisfies the Commission's standards for approving a settlement.

MISCELLANEOUS PROVISIONS

53. The Parties stipulate and agree that except as expressly noted herein, the execution of this Settlement Agreement shall not be deemed to constitute an acknowledgement of any Party hereto of the validity or invalidity of any particular method, theory or principle of ratemaking or regulation, and no Party shall be deemed to have agreed that any principle, method or theory of regulation employed in arriving at this Settlement is appropriate for resolving any issue in any other proceeding. The execution of the Settlement Agreement shall not constitute the basis of estoppel or waiver in future proceedings by any Party. Furthermore, no Party hereafter shall be deemed to be bound by any position asserted by any Party, and no finding of fact or conclusion of law other than those expressly stated herein shall be deemed to be implicit in this Settlement Agreement. (Commission Rule 12.5)

54. The issuance of an Order approving this Settlement Agreement shall not be deemed to work as an estoppel upon the Parties or the Commission, or otherwise establish, or create any limitation on or precedent of the Commission, in future proceedings.

55. The Parties stipulate and agree that all negotiations relating to this Settlement Agreement were consistent with Commission Rules and no Party shall be bound by any position asserted in the negotiations, except to the extent expressly stated in this Settlement Agreement. Accordingly, evidence of conduct or statements made during the course of the negotiation and discussion phases of this Settlement Agreement shall not be

admissible as evidence in any proceeding before the Commission or any court.

56. The Parties acknowledge that this Settlement Agreement represents a compromise of the positions of the Parties in this proceeding and has been negotiated as an integrated and interdependent settlement, in its entirety, and is not based upon its individual components viewed in isolation. The Parties acknowledge that their support and advocacy of this Settlement Agreement may be compromised by alterations to the Settlement Agreement. Any Party may withdraw from this Settlement Agreement if the Commission modifies, deletes from, or adds to the dispositions of the matters stipulated herein. In the event the Commission rejects or materially alters this Settlement Agreement, the Parties agree they are no longer bound by the terms of this Settlement Agreement and are not deemed to have waived any of their respective procedural or due process rights under California law.

57. The Parties agree, however, to negotiate in good faith with regard to any proposed Commission changes to this Settlement Agreement in order to restore the balance of benefits and burdens; and to exercise the right to withdraw only if such negotiations are unsuccessful.

58. This Settlement Agreement may only be modified by a writing subscribed to by all the Parties.

59. The Parties acknowledge that this Agreement settles only those matters expressly addressed herein.

60. This Settlement Agreement shall become effective upon an issuance by the Commission of a final decision that accepts and approves this Settlement Agreement.

61. This Settlement Agreement may be executed in one or more counterparts and each counterpart shall have the same force and effect as an original document and as if all the Parties had signed the same document. Any signature page of this Settlement Agreement may be detached from any counterpart of this Settlement Agreement without impairing the legal effect of any signatures thereon, and may be attached to another

counterpart of the Settlement Agreement identical in form hereto but having attached to it one or more signature page(s).

SIGNATURE PAGES FOLLOW

Dated this 18th day of September 2025.

SOUTHWEST GAS CORPORATION



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Dated this 18th day of September 2025.

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