

Docket: : A.24-09-001  
Exhibit Number : CA-01  
Commissioner : M. Baker  
Admin Law Judge : J. Lee  
Witness : S. Hunter



**PUBLIC ADVOCATES OFFICE**  
**CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations  
for  
Southwest Gas Corporation  
General Rate Case  
Test Year 2026**

**Executive Summary and  
Post-Test Year**

San Francisco, California  
April 4, 2025

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1 EXECUTIVE SUMMARY

2 I. INTRODUCTION – THE PUBLIC ADVOCATES OFFICE  
3 RECOMMENDS LOWER REVENUE INCREASES FOR 2026 - 2030  
4 COMPARED TO SOUTHWEST GAS’ PROPOSED INCREASES

5 The Public Advocates Office (Cal  
6 Advocates) submits its report and exhibits in  
7 response to Southwest Gas Corporation’s  
8 (SWG) Application (A.) 24-09-001 for a Test  
9 Year (TY) 2026 General Rate Case (GRC).  
10 SWG proposes a 5-year (2026-2030) GRC  
11 term and that the changes in rates and  
12 charges be effective on January 1, 2026.

13 SWG requests authorization from the  
14 California Public Utilities Commission  
15 (CPUC or Commission) for revenue  
16 increases associated with its retail  
17 distribution, transportation, and sale of  
18 natural gas for domestic, commercial,  
19 agricultural, and industrial uses which fall  
20 within the CPUC’s ratemaking jurisdiction.<sup>1</sup>  
21 This GRC addresses only the revenues  
22 derived from base rates and does not  
23 address revenues and expenses related to  
24 the natural gas commodity.

SWG requests \$187.4 million for its California operations, which is an increase of \$43.67 million or 30.38% for TY 2026.

For the 2027, 2028, 2029, and 2030 Post-Test Years, SWG requests year-over-year increases of \$7.1 million, \$6.55 million, \$6.69 million, and \$5.58 million, respectively.

Cal Advocates recommends a TY 2026 increase of \$26.06 million, which is 9.39% lower than SWG’s request.

For the 2027, 2028, 2029, and 2030 Post-Test Years, Cal Advocates recommends year-over-year increases of \$2.67 million, \$2.05 million, \$2.10 million, and \$0.90 million, respectively.

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<sup>1</sup> Application (A.)24-09-001, p. 1.

1 SWG seeks a total of \$187.42 million in operating margin<sup>2</sup> in TY 2026  
2 for its three California ratemaking jurisdictions: Southern California (SCA),  
3 Northern California (NCA), and South Lake Tahoe (SLT) rate jurisdictions.<sup>3</sup>  
4 Cal Advocates recommends that the Commission authorize a total of \$169.82  
5 million in TY 2026 operating margin which is \$17.6 million or 10.36% less than  
6 SWG's proposed operating margin. SWG proposes to consolidate the  
7 existing NCA rate jurisdiction with the existing SLT rate jurisdiction into a  
8 single, new Northern California (new NCA) rate jurisdiction, and presents its  
9 Depreciation Study on a consolidated basis.<sup>4</sup> Cal Advocates does not oppose  
10 the consolidation. Cal Advocates presents its analyses of SWG's historical  
11 data and TY 2026 forecasts for each of the three current jurisdictions and  
12 presents its TY 2026 operating margin and rate base recommendations on a  
13 consolidated basis consisting of SCA and the new NCA. SWG proposes  
14 additional revenue in the four subsequent Post-Test Years (PTY) 2027-2030  
15 including an infrastructure adjustment in SCA related to a large new customer,  
16 Ft. Irwin.

17 This exhibit presents Cal Advocates' executive summary and  
18 addresses SWG's proposed GRC requests, and its revenue increases for TY  
19 2026 and for the 2027- 2030 post-test years.

20 **II. OVERVIEW OF SWG'S REQUESTS FOR THE TEST-YEAR 2026**  
21 **AND POST-TEST YEARS 2027-2030**

22 This section provides an overview and summary of SWG's requests  
23 regarding the utility's 2026 through 2030 revenue requirements.

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<sup>2</sup> Operating margin refers to the revenues derived from base rates, excluding revenues and expenses related to the natural gas commodity. Natural gas commodity-related revenues and expenses are subject to a separate purchased gas cost adjustment mechanism and are not included in GRC base revenues.

<sup>3</sup> A.24-09-001, p. 1.

<sup>4</sup> A.24-09-001, p. 9.

1           On September 5, 2024, SWG filed its GRC application seeking  
2 Commission authorization for revenue requirement increases effective  
3 January 1, 2026, relative to its 2023 authorized revenues. SWG proposes a  
4 5-year GRC term, comprising one test year (2026) and four post-test years  
5 (2027- 2030). In addition to SWG’s request for increased expenditures for its  
6 routine natural gas business, SWG also requests continued funding of its  
7 suite of Conservation and Energy Efficiency (CEE) programs approved in  
8 D.21-03-052<sup>5</sup> and requests the continuation of its risk mitigation programs  
9 which will continue to be recovered through the Infrastructure Reliability and  
10 Replacement Adjustment Mechanism (IRRAM) originally approved by the  
11 Commission in D.14-06-048.<sup>6</sup>

12           Table 1-1 compares SWG’s proposed TY 2026 forecasts for TY 2026  
13 relative to SWG’s currently authorized revenues.<sup>7</sup>

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<sup>5</sup> A.24-09-001, pp. 4-5.

<sup>6</sup> A.24-09-001, pp. 5-6.

<sup>7</sup> SCA RO, Vol. II-A, Ch. 6, Sheet 1 of 3; Northern California (NCA) RO, Vol. II-B, Ch. 6, Sheet 1 of 3; and South Lake Tahoe (SLT) RO, Vol. II-C, Ch. 6, Sheet 1 of 3.

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**Table 1-1**  
**SWG Proposed Increase in TY 2026 Operating Margin**  
**For the Three California Ratemaking Jurisdictions**  
**(in millions of Dollars)**

Jurisdiction (a)	SWG's Proposed 2026 Operating Margin (b)	Authorized Operating Margin (c)	\$ Increase over Authorized Margin (d=b-c)	% Increase over Authorized Operating Margin (e=d/c)
Southern CA	\$130.32	\$93.71	\$36.61	39.07%
Northern CA	\$31.36	\$34.15	(\$2.79)	(8.17%)
South Lake Tahoe	\$25.74	\$15.89	\$9.85	61.98%
Total	\$187.42	\$143.75	\$43.67	30.38%

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6 SWG proposes a post-test year ratemaking mechanism (PTYM) for the  
7 years 2027 through 2030 that is largely consistent with the settlement agreement  
8 and decision in the Company's last general rate case in D.21-23-052. The PTYM  
9 applies a 2.75 percent adjustment to the previous year's authorized margin and  
10 includes the appropriate adjustments for Excess Accumulated Deferred Taxes.<sup>8</sup>  
11 Cal Advocates does not oppose SWG's proposed PTYM or PTY forecasts.

12 In SCA, the PTYM also tracks the difference between authorized  
13 revenue and the actual revenue paid by a large new customer, Ft. Irwin, as  
14 well as the annual change in revenue requirement related to the investment in  
15 Ft. Irwin, based on actual costs, as compared to authorized.<sup>9</sup> This will protect  
16 ratepayers from the risk of overinflated estimates but allow SWG to collect  
17 revenues associated with this increased infrastructure as it is placed to  
18 service each year instead of waiting for the next GRC. Cal Advocates does  
19 not oppose SWG's PTYM proposal for the Ft. Irwin adjustments.

20 Tables 1-2 through 1-4 show SWG's proposed PTY requests.

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<sup>8</sup> Southern California (SCA) Results of Operations (RO), Volume (Vol.) II-A, Chapter (Ch.) 22, Sheet 1 of 12.

<sup>9</sup> SCA RO, Vol. II-A, Ch. 22, Sheet 1 of 12.

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**Table 1-2**  
**SWG Proposed Post-Test Year Increases**  
**For the Southern California rate jurisdiction<sup>10</sup>**  
**2027-2030**

Line No.	Description (a)	Attrition Percent (b)	Attrition Year					Line No.
			2026 (c)	2027 (d)	2028 (e)	2029 (e)	2030 (f)	
1	Prior Year Margin After Rate Relief		\$ 130,115,665	\$ 130,115,665	\$ 133,693,846	\$ 137,370,427	\$ 141,148,114	1
2	Add: Attrition Adjustment @ 2.75%	2.75%	N/A	3,578,181	3,676,581	3,777,687	3,881,573	2
3	Margin before Infrastructure Adjustment		\$ 130,115,665	\$ 133,693,846	\$ 137,370,427	\$ 141,148,114	\$ 145,029,687	3
4	Ft Irwin Infrastructure Adjustment		N/A	1,949,120	1,258,305	1,258,005	0	4
5	Revenue After Infrastructure Adjustment		\$ <u>130,115,665</u>	\$ <u>135,642,966</u>	\$ <u>137,370,427</u>	\$ <u>141,148,114</u>	\$ <u>145,029,687</u>	5

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**Table 1-3**  
**SWG Proposed Post-Test Year Increases**  
**For the Northern California rate jurisdiction<sup>11</sup>**  
**2027-2030**

Line No.	Description (a)	Attrition Percent (b)	Attrition Year					Line No.
			2026 (c)	2027 (d)	2028 (e)	2029 (e)	2030 (f)	
1	Prior Year Margin After Rate Relief		\$ 31,338,501	\$ 31,338,501	\$ 32,200,310	\$ 33,085,819	\$ 33,995,679	1
2	Add: Attrition Adjustment @ 2.75%	2.75%	-	861,809	885,509	909,860	934,881	2
3	Margin before Infrastructure Adjustment		\$ 31,338,501	\$ 32,200,310	\$ 33,085,819	\$ 33,995,679	\$ 34,930,560	3
4	Infrastructure Adjustment		N/A	N/A	N/A	N/A	N/A	4
5	Revenue After Infrastructure Adjustment		<u>31,338,501</u>	<u>32,200,310</u>	<u>33,085,819</u>	<u>33,995,679</u>	<u>34,930,560</u>	5

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<sup>10</sup> SCA RO, Vol. II-A, Ch. 22, Sheet 2 of 12.

<sup>11</sup> NCA RO, Vol. II-B, Ch. 22, Sheet 2 of 11.

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**Table 1-4**  
**SWG Proposed Post-Test Year Increases**  
**For the South Lake Tahoe rate jurisdiction<sup>12</sup>**  
**2027-2030**

Line No.	Description (a)	Attrition Percent (b)	Attrition Year					Line No.
			2026 (c)	2027 (d)	2028 (e)	2029 (e)	2030 (f)	
1	Prior Year Margin After Rate Relief		\$ 25,727,094	\$ 25,727,094	\$ 26,434,589	\$ 27,161,540	\$ 27,908,482	1
2	Add: Attrition Adjustment @ 2.75%	2.75%	N/A	707,495	726,951	746,942	767,483	2
3	Margin before Infrastructure Adjustment		\$ 25,727,094	\$ 26,434,589	\$ 27,161,540	\$ 27,908,482	\$ 28,675,966	3
4	Infrastructure Adjustment		N/A	N/A	N/A	N/A	N/A	4
5	Revenue After Infrastructure Adjustment		<u>25,727,094</u>	<u>26,434,589</u>	<u>27,161,540</u>	<u>27,908,482</u>	<u>28,675,966</u>	5

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6 **III. CAL ADVOCATES RECOMMENDS MORE MODEST REVENUE**  
7 **INCREASES FOR THE GRC TERM**

8 This section provides an overview and summary of Cal Advocates’  
9 recommendations regarding the utility’s TY 2026 revenue requirements.<sup>13</sup>

10 Table 1-5 compares Cal Advocates’ recommendations for the TY 2026  
11 with SWG’s current authorized operating margins for each of the three  
12 California rate jurisdictions.

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**Table 1-5**  
**Cal Advocates’ Recommended TY 2026 Operating Margin**  
**For SWG’s Three California Rate Jurisdictions**  
**(in millions of Dollars)**

Rate Jurisdiction (a)	Cal Advocates’ Recommended 2026 Operating Margin (b)	Authorized Operating Margin (c)	\$ Increase over Authorized Operating Margin (d=b-c)	% Increase over Authorized Operating Margin (e=d/c)
Southern CA	\$117.99	\$93.71	\$24.28	25.91%
Northern CA	\$28.47	\$34.15	(\$5.68)	-16.63%
South Lake Tahoe	\$23.36	\$15.89	\$7.46	46.97%
Total	\$169.82	\$143.75	\$26.06	18.13%

<sup>12</sup> SLT RO, Vol. II-C, Ch. 22, Sheet 2 of 11.

<sup>13</sup> As stated in the section above, Cal Advocates does not oppose SWG’s PTYM or forecasts.

1 Table 1-6 compares SWG’s proposed TY 2026 forecasts with Cal  
 2 Advocates’ recommendations for the TY 2026 for each of the three California  
 3 rate jurisdictions.

4 **Table 1-6**  
 5 **Cal Advocates’ Recommended TY 2026 Operating Margin**  
 6 **For SWG’s Three California Rate Jurisdictions**  
 7 **(in millions of Dollars)**

<b>Rate Jurisdiction (a)</b>	<b>SWG’s Recommended 2026 Operating Margin (b)</b>	<b>Cal Advocates’ Recommended 2026 Operating Margin (c)</b>	<b>\$ Increase SWG over Cal Advocates (d=b-c)</b>	<b>% Increase over Cal Advocates (e=d/b)</b>
Southern CA	\$130.32	\$117.99	\$12.33	9.46%
Northern CA	\$31.36	\$28.47	\$2.89	9.21%
South Lake Tahoe	\$25.74	\$23.36	\$2.38	9.25%
Total	\$187.42	\$169.82	\$17.60	9.39%

8 If the Commission adopts SWG’s proposals, the utility’s ratepayers  
 9 would experience a five-year cumulative revenue increase of \$285 million. If  
 10 the Commission adopts Cal Advocates’ proposals, the utility’s ratepayers  
 11 would experience a five-year cumulative revenue increase of \$155.22 million,  
 12 a difference of \$133.13 million or 46.65% lower than SWG’s proposals. Table  
 13 1-7 compares SWG’s proposed cumulative increases with Cal Advocates’  
 14 cumulative increases on a total company basis.

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**Table 1-7**  
**SWG's and Cal Advocates' Cumulative Proposed Increases**  
**On a Company Basis**  
**(in millions of Dollars)**

Description	2026 Proposed Increase	2027 Proposed Increase	2027 Cumulative	2028 Proposed Increase	2028 Cumulative	2029 Proposed Increase	2029 Cumulative	2030 Proposed Increase	2030 Cumulative	Cumulative Total
SWG	\$43.67	\$7.10	\$50.77	\$6.55	\$57.31	\$6.69	\$64.01	\$5.58	\$69.59	\$285.35
Cal Advocates	\$26.06	\$2.67	\$28.73	\$2.05	\$30.77	\$2.10	\$32.88	\$0.90	\$33.78	\$152.22

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6 For SWG cumulative increase, Cal Advocates started with SWG's proposed increase for TY 2026 (\$43.67  
7 million) and added the "Attrition Adjustment" amounts shown on line 2 in Tables 1-2 through 1-4 for each year,  
8 as well as the "Ft. Irwin Infrastructure Adjustment" amounts from line 4 in Table 1-2 for each year. For Cal  
9 Advocates' cumulative increase, Cal Advocates started with its own recommended increase for TY 2026 of  
10 \$26.06 million and then added 2.75% attrition adjustment for each year. Cal Advocates also added the "Ft. Irwin  
11 Infrastructure Adjustment" amounts from line 4 in Table 1-2 for each year.

1 **IV. PROCEDURAL BACKGROUND AND SCHEDULE**

2 On September 5, 2024, SWG filed its Test Year 2026 GRC Application, A.24-  
3 09-001, with the Commission. SWG’s Application was first noticed on the  
4 Commission’s Daily Calendar on September 6, 2024. Cal Advocates submitted a  
5 timely Protest to the Application on October 14, 2024. SWG filed an Amendment to  
6 its Application on December 20, 2024.

7 A Prehearing Conference (PHC) was held on December 11, 2024. The  
8 Assigned Commissioner’s Scoping Memo and Ruling (Scoping Memo) was issued  
9 on January 22, 2025, and established the procedural schedule. The Scoping Memo  
10 and Ruling procedural schedule for SWG’s 2026 GRC is shown below in Table 1-8.

11 **Table 1-8**  
12 **Procedural Schedule for SWG’s**  
13 **Test Year 2026 General Rate Case, A.24-09-001**

<b>Event</b>	<b>Date</b>
Intervenor Testimony	April 4, 2025
SWG Prepared Rebuttal	May 9, 2025
Close of Discovery	By agreement of parties
Status Report on Settlement Discussions	No later than May 23, 2025
Remote Status Conference	No later than May 30, 2025
All parties’ final hearing materials served	No later than May 30, 2025
All responses to motions <i>in limine</i>	No later than June 4, 2025
Evidentiary Hearing (in-person)	To commence no later than June 10, 2025
Opening briefs	No later than July 2, 2025
Reply briefs	No later than July 18, 2025

14  
15 The procedural schedule requires intervenors to serve their testimony by April  
16 4, 2025. Cal Advocates fulfills the requirement by serving its testimony today.

17 **V. CAL ADVOCATES’ DIRECT TESTIMONY**

18 Cal Advocates responds to SWG’s TY 2026 GRC Application,  
19 A.24-09-001, by issuing its “Report on the Results of Operations for  
20 Southwest Gas Corporation’s Test Year 2026 General Rate Case,”  
21 comprising of 10 exhibits. Cal Advocates’ team for this case consists of

1 approximately 14 staff responsible for the project coordination, support,  
 2 financial review, and analytical responsibilities needed to process SWG’s  
 3 GRC application.

4 **A. Organization of Cal Advocates’ Exhibits**

5 Table 1-8 shows the specific exhibit(s) and subject matter(s) for which  
 6 each Cal Advocates witness is responsible.

7 **Table 1-8**  
 8 **Cal Advocates’ Exhibits with Corresponding**  
 9 **Subject Matter and Witnesses**

<b>Exhibit No.</b>	<b>Subject</b>	<b>Witness</b>
CA-01	Executive Summary and Post-Test Years	Stacey Hunter
CA-02	Operations and Maintenance – SCA	Maya Kang
CA-03	Operations and Maintenance – NCA and SLT	Wen Yang
CA-04	Administrative and General Expenses, Pensions and Benefits	Emily Chow
CA-05	Allocation of Common Costs	Chauncey Quam
CA-06	Summary of Earnings, Cost Escalation, and Taxes	Monica Weaver
CA-07	Conservation and Energy Efficiency (CEE) programs	Monica Weaver
CA-08	Risk-Based Decision-Making Framework and Infrastructure Programs	Phillip McNeil
CA-09	Rate Base, Plant Additions, and Depreciation	Bibi Benitez
CA-10	Cost of Capital and Rate of Return	Dr. J. R. Woolridge

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1           **B. Summary of Cal Advocates’ Recommendations**

2           The following briefly summarizes the recommendations contained within each  
3 of Cal Advocates’ exhibits that address SWG’s application.

<b>CA-01</b> <b>Executive Summary and Post-Test Years</b>
This exhibit provides a brief overview of SWG’s request; presents the overall organization of Cal Advocates’ exhibits; summarizes the differences between Cal Advocates’ and SWG’s Test Year 2026 and 2027-2030 Post-Test Year revenue requirement forecasts; and addresses the Post-Test Year ratemaking.

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<b>CA-02</b> <b>Operations and Maintenance – SCA</b>
<p>This exhibit addresses SWG’s Operations and Maintenance expenses for its TY 2026 General Rate Case for the Southern California service territory/rate jurisdiction.</p> <ul style="list-style-type: none"><li>• The Commission should authorize \$206,888 for SWG’s proposed Gas Supply Expense of \$188,539. Cal Advocates’ recommendation is \$9,651 lower than SWG’s request of \$216,539.</li><li>• The Commission should authorize \$20,147,244 for SWG’s Distribution Expense for TY 2026. Cal Advocates’ recommendation is \$945,423 lower than SWG’s request of \$21,092,668.</li><li>• The Commission should authorize \$4,863,760 for SWG’s Customer Accounts Expense for TY 2026. Cal Advocates’ recommendation is \$663,233 lower than SWG’s request of \$5,526,992.</li><li>• The Commission should authorize \$41,603 for SWG’s Customer Service and Information Expense for TY 2026. Cal Advocates’ recommendation is \$27 lower than SWG’s request of \$41,630.</li><li>• Cal Advocates does not oppose SWG’s proposed Lost and Unaccounted For Gas Percentage (LUFG) of 0.79%.</li></ul> <p>Cal Advocates’ adjustments are primarily related to differences in forecasting methodology, and for an unsupported AI/ML Dig-In Analytics position.</p>

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## CA-03

### Operations and Maintenance – NCA/SLT

This exhibit addresses SWG's Operations and Maintenance expenses for its TY 2026 General Rate Case for the Northern California and South Lake Tahoe service territories/rate jurisdictions.

For NCA rate jurisdiction:

- The Commission should authorize a Lost and Unaccounted For Gas Percentage (LUFG) of 0.79%.
- The Commission should authorize \$3,306,559 for SWG's proposed Distribution Expense for TY 2026. Cal Advocates' recommendation is \$69,533 lower than SWG's request of \$3,376,092.
- The Commission should authorize \$959,673 for SWG's proposed Customer Accounts Expense for TY 2026. Cal Advocates' recommendation is \$11,036 lower than SWG's request of \$970,709.
- The Commission should authorize \$12,619 for SWG's Customer Service and Information Expense for TY 2026. Cal Advocates' recommendation is \$11,683 lower than SWG's request of \$24,302.

For SLT rate jurisdiction:

- The Commission should authorize a Lost and Unaccounted for Gas Percentage of 0.79%.
- The Commission should authorize \$3,832,731 for SWG's proposed Distribution Expense for TY 2026. Cal Advocates' recommendation is \$69,063 lower than SWG's request of \$3,901,794.
- The Commission should authorize \$666,387 for SWG's proposed Customer Accounts Expense for TY 2026. Cal Advocates' recommendation is \$3,306 lower than SWG's request of \$669,692.
- Cal Advocates does not oppose SWG's TY 2026 forecasts for proposed Gas Supply Expenses, Customer Service and Information Expenses, and proposed Sales Expenses.

Cal Advocates' adjustments are primarily related to differences in forecasting methodology, to remove an unsupported AI/ML Dig-In Analytics position, and to remove costs related to short-term incentives.

## CA-04

### Administrative and General Expenses, Pensions and Benefits

This exhibit addresses SWG's requests for Administrative and General and Pensions and Benefits expenses for TY 2026.

For Administrative and General Expenses:

- For the Southern California Division, Cal Advocates recommends adjustments of \$730,800 to SWG's request of \$3,206,391.
- For the Northern California Division, Cal Advocates recommends adjustments of \$112,765 to SWG's request of \$1,072,760.
- For the South Lake Tahoe Division, Cal Advocates recommends adjustments of \$95,402 to SWG's request of \$529,296.

This exhibit also addresses issues regarding SWG's companywide Pensions and Benefits Programs:

- Cal Advocates recommends adjustments of \$4,728,721 to SWG's request of \$77,155,141.
- The Commission should adopt Cal Advocates' recommended 45.07% labor loading rate in contrast to SWG's forecast of 47.11%.
- The Commission should adopt Cal Advocates' recommended forecast of \$20.645 million in contrast to SWG's forecast of \$22.113 million for P&B Medical.

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## CA-05

### Allocation of Common Costs

This exhibit addresses SWG's requests for System Allocable (i.e. common) Costs which include System Allocable expenses and System Allocable Rate Base for Test Year (TY) 2026. This exhibit also reviews SWG's proposed allocation factors and methodology.

For System Allocable Costs:

- The Commission should authorize \$50,077,118 for SWG's FERC Account 920 for TY 2026 forecast. Cal Advocates recommendation is \$6,085,700 lower than SWG's request of \$56,162,818.
- The Commission should authorize \$952,213 for SWG's FERC Account 930.1 for TY 2026 forecast. Cal Advocates' recommendation is \$341,241 lower than SWG's request of \$1,293,454.
- The Commission should authorize \$9,101,121 for SWG's FERC Account 930.2 for TY 2026 forecasts. Cal Advocates' recommendation is \$728,542 lower than SWG's request of \$9,829,663.

For other System Allocable issues:

- Cal Advocates does not oppose SWG's methodology or forecasts for System Allocable Rate Base.
- Cal Advocates recommends the following Allocation Factors be adopted for SWG: SCA jurisdiction, 7.93%; NCA rate jurisdiction, 1.59%; SLT rate jurisdiction, 1.41%.

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## CA-06

### Summary of Earnings, Cost Escalation, and Taxes

This exhibit compares Cal Advocates' and SWG's Summary of Earnings, Cost Escalation, and Taxes for the Southern California rate jurisdiction and the new consolidated Northern California rate jurisdiction which combines South Lake Tahoe and Northern California.

For the Southern California rate jurisdiction, Cal Advocates recommends:

- A TY 2026 revenue forecast for Operating Margin of \$117,990,994 compared to SWG's proposed Operating Margin of \$130,323,100.
- Cal Advocates does not oppose SWG's forecast for escalation regarding Labor and Materials & Services.
- Cal Advocates does not oppose SWG's proposal for Excess Average Deferred Income Tax which decreased the margin revenue for SCA by \$2.10 million.
- Cal Advocates does not oppose SWG's Safe Harbor election which decreased the margin revenue by \$0.45 million.

For the consolidated Northern California/South Lake Tahoe rate jurisdiction, Cal Advocates recommends:

- A TY 2026 revenue forecast for Operating Margin of \$51,827,011 compared to SWG's proposed Operating Margin of \$57,100,890.
- Cal Advocates does not oppose SWG proposal to consolidate the NCA and SLT jurisdictions into one jurisdiction.
- Cal Advocates does not oppose SWG's forecast for escalation regarding Labor and Materials & Services.
- Cal Advocates does not oppose SWG's proposal for Excess Average Deferred Income Tax which decreased the margin revenue for NCA by \$1.5 million.
- Cal Advocates does not oppose SWG's Safe Harbor election which decreased the margin revenue by \$0.05 million.

For SWG's future GRC applications, Cal Advocates recommends 1) SWG provide a detailed and accurate RO model guide with their testimony which includes specific instructions on where adjustments are to be made for each chapter, 2) that all tabs in the RO in each jurisdiction are to be labeled the same, and 3) to include all Accounts in each tab in the RO model, where SWG has any amount in the revenue requirement even if SWG does not have an adjustment to those Accounts in the GRC.

### CA-07

#### Conservation and Energy Efficiency Program

This exhibit addresses issues regarding SWG's Conservation and Energy Efficiency (CEE) Program for TY 2026. Cal Advocates recommends:

- The Commission should authorize \$500,000 per year for the years 2026-2030 for CEE Plan budget for a total of \$2.5 million.
- The Commission should authorize the option to increase the CEE Plan budget to \$650,000 per year, under certain circumstances.
- Cal Advocates opposes SWG's proposal to change the Advice Letter tier designation for minor program modifications and additional funding requests between GRCs.
- Cal Advocates does not oppose SWG's Conservation and Energy Efficiency Balancing Account (CEEBA).

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### CA-08

#### Risk-Based Decision-Making Framework and Infrastructure Programs

This exhibit addresses issues regarding SWG's Risk-Based Decision-Making Framework and Infrastructure Programs for 2026. These programs are funded through the Infrastructure Reliability and Replacement Adjustment Mechanism.

- For the Southern California rate jurisdiction, Cal Advocates recommends a program budget of \$26.60 million.
- For the Northern California rate jurisdiction, Cal Advocates recommends a program budget of \$1.55 million.
- For the South Lake Tahoe rate jurisdiction, Cal Advocates recommends a program budget of \$2.32 million.
- The Commission should require that SWG provide active working spreadsheets which demonstrate how the risk scores and risk spend efficiencies are calculated.
- The Commission should require SWG to incorporate into risk calculations whether SWG is directly responsible for the assets or infrastructure at risk or whether SWG is managing the assets on behalf of another entity.
- The Commission should authorize 21 miles of M7000 pipeline, instead of 26.5, and 8.3 miles of VSP pipeline, instead of 10 miles, to be replaced by the Targeted Pipe Replacement Program.
- The Commission should authorize \$2,583,000 per year for the years 2026-2030 for the Meter Protection Program.
- The Commission should authorize \$3,273,732 per year for the years 2026-2030 for School Customer Owned Yard Line Program.
- Cal Advocates recommends that \$221,000 be deducted from the proposed capital investment in the Advanced Mobile Leak Detection vehicle that will be used in SWG's Northern California jurisdiction.

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### CA-09

#### Rate Base, Plant, and Depreciation

This exhibit addresses issues regarding SWG's rate base, plant, and depreciation for the Southern California rate jurisdiction and the consolidated Northern California/South Lake Tahoe rate jurisdiction.

- For Southern California Direct Gas Plant in Service, the Commission should authorize \$765,724,607 for TY 2026.
- For Northern California Direct Gas Plant in Service, the Commission should authorize \$245,314,810 for TY 2026.
- For South Lake Tahoe Direct Gas Plant in Service, the Commission should authorize \$153,089,138 for TY 2026.
- Cal Advocates does not oppose SWG's forecasts for Depreciation, Customer Advances for Construction, or Direct Working Capital for the Southern California rate jurisdiction or the consolidated Northern California/South Lake Tahoe rate jurisdiction.

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### CA-10

#### Cost of Capital and Rate of Return

This exhibit addresses issues regarding SWG's capital structure and cost of capital for TY 2026:

- Cal Advocates recommends a rate of return of 6.71% for the Southern California rate jurisdiction and 6.82% for the consolidated Northern California/South Lake Tahoe rate jurisdiction.
- Cal Advocates recommends SWG's capital structure should consist of 48% common equity and 52% long-term debt.
- Cal Advocates recommends a cost of equity of 9.5%.
- Cal Advocates does not oppose SWG's proposed long-term debt cost of 4.14% for the Southern California rate jurisdiction and 4.34% for the consolidated Northern California/South Lake Tahoe rate jurisdiction.

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1 **VI. WITNESS QUALIFICATIONS**

2 My name is Stacey Hunter. My business address is 505 Van Ness Avenue,  
3 San Francisco, California San Francisco, California. I am employed by the Public  
4 Advocates Office (Cal Advocates) as a Program and Project Supervisor in the  
5 Energy Cost of Service and Natural Gas Branch. I am the Project Coordinator for  
6 Cal Advocates' activities regarding the Southwest Gas Corporation's General Rate  
7 Case (GRC).

8 I have a Bachelor of Science degree in Accounting from Golden Gate  
9 University. Since joining Cal Advocates in 2003, I have prepared Human Resources  
10 testimony in recent Pacific Gas and Electric Company, Southern California Gas  
11 Company, San Diego Gas & Electric Company, and Southern California Edison  
12 Company General Rate Cases. I have also prepared other expense analysis  
13 testimony in many other proceedings, including PG&E's sale of its headquarters  
14 complex in 2020.

15 I was the Project Coordinator for Cal Advocates in Sempra's 2024 GRC and I  
16 have served as project coordinator for several non-GRC proceedings and have  
17 testified numerous times before the California Public Utilities Commission.

18 This completes my prepared testimony.