

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



September 11, 2017

Advice Letter 1043

Justin Lee Brown
Vice President/Regulatory Affairs
Southwest Gas Corporation
P O Box 98510
Las Vegas, NV 89193-8510

**Subject: Establish the TMA in the Preliminary Statement of SWG's
California Gas Tariff in Compliance with D.17-06-006**

Dear Mr. Brown:

Advice Letter 1043 is effective as of July 14, 2017.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Director, Energy Division



SOUTHWEST GAS CORPORATION

July 14, 2017

ATTN: Tariff Unit, Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4005
San Francisco, CA 94102

Subject: Southwest Gas Corporation (U 905 G)
Advice Letter No. 1043

Enclosed herewith is an original and one (1) copy of Southwest Gas Corporation's Advice Letter No. 1043, together with California Gas Tariff Sheet No. 45.9 and 45.10.

Sincerely,

Valerie J. Ontiveroz
Regulatory Manager/California

VJO:jjp
Enclosures



SOUTHWEST GAS CORPORATION

Advice Letter No. 1043

July 14, 2017

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Southwest Gas Corporation (Southwest Gas or Company) (U 905 G) tenders herewith for filing the following tariff sheets:

California Gas Tariff

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Original Sheet No. 45.9	Preliminary Statement (<i>Continued</i>)	
Original Sheet No. 45.10	Preliminary Statement (<i>Continued</i>)	

Purpose

The purpose of this filing is to request approval to modify the Preliminary Statement of Southwest Gas' California Gas Tariff, to establish a Tax Memorandum Account (TMA), in accordance with Ordering Paragraph 3, in Decision (D.) 17-06-006.

Background

On June 15, 2017, the Commission approved D.17-06-006, which grants Southwest Gas' petition to modify D.14-06-028, the Company's Test Year 2014 General Rate Case (GRC) decision. D.17-06-006 authorizes Southwest Gas to: 1) file its next GRC on September 1, 2019, with a 2021 test year; and 2) maintain its existing rate structure ordered in D.14-06-028, including the extension of its 2.75 percent Post-Test Year Attrition (PTYM) margin adjustments through 2020. Additionally, D.17-06-006 directs Southwest Gas to establish a TMA.

Pursuant to OP 3 in D.17-06-006:

Within 30 days of the effective date of this decision, Southwest Gas Company (Southwest Gas) shall file a Tier 2 advice letter to establish a Tax Memorandum Account and track Southwest Gas' income tax expenses, including repair deductions and bonus depreciation, and comply with the below directives:



Background *(Continued)*

(a) In the Tax Memorandum Account, Southwest Gas shall maintain separate line items detailing the differences between all authorized income tax expenses and all actually-incurred income tax expenses, resulting from (i) net revenue changes, (ii) mandatory tax law changes, tax accounting changes, tax procedural changes, or tax policy changes, and (iii) elective tax law changes, tax accounting changes, tax procedural changes, or tax policy changes;

(b) Southwest Gas shall apply the following definition and formula in its Tax Memorandum Account ordered in this decision: (i) Authorized income tax expenses, as applied to the extended general rate case (GRC) period, means the income tax expenses authorized for 2019 and 2020 as a result of this decision; (ii) The authorized income tax expenses for 2019 and 2020 shall be calculated by first escalating the 2014 tax expenses authorized in Decision 14-06-028 by the Post Test Year Mechanism (PTYM) annual adjustments authorized from 2015 through 2018 and then annually escalating the 2.75 percent annual PTYM adjustments through to 2019 and 2020; and (iii) Southwest Gas shall demonstrate, in its advice letter establishing this Tax Memorandum Account, how the authorized tax expenses were calculated by escalating the amount from 2015 through 2020 and how the authorized revenue requirement relating to income tax expenses were calculated for 2019 and 2020; and

(c) Southwest Gas shall actively maintain and keep open the Tax Memorandum Account and its balances to be reviewed in every subsequent GRC proceeding until a Commission decision closes the account.

In accordance with the above OP, Southwest Gas modifies its Preliminary Statement to incorporate the TMA. The attached schedule demonstrates Southwest Gas calculation of its authorized income tax expenses for 2019 and 2020.

This Advice Letter will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

Effective Date

In accordance with OP 3 in D.17-06-006, this Advice Letter is classified as Tier 2 (Effective after Energy Division Approval) and subject to Energy Division disposition pursuant General Order (GO) 96-B. Therefore, Southwest Gas respectfully requests that this Advice Letter be made effective August 13, 2017, which is 30 days from the date filed.



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Protest

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based with specificity. The protest must be sent no later than 20 days after the date of this Advice Letter filing and shall be sent by letter via U.S. Mail, facsimile, or electronically emailed. The address for mailing or delivering a protest to the Commission is:

Energy Division
California Public Utilities Commission
Attention: Investigation, Monitoring & Compliance Program Manager
505 Van Ness Avenue, Room 4002
San Francisco, CA 94102
E-mail: edtariffunit@cpuc.ca.gov
Facsimile: 415-703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004, at the same address as above and mailed or faxed to:

Mr. Justin Lee Brown
Vice President/Regulation & Public Affairs
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Facsimile: 702-364-3452

Notice

Southwest Gas believes it is exempt from the notice requirements set forth in GO 96-B, General Rule 4.2, since the tariff revisions proposed herein are being filed in compliance with D.17-06-006, and do not request higher rates or charges, or more restrictive terms or conditions, than what is currently in effect.

Service

In accordance with GO 96-B, General Rule 7.2, Southwest Gas is mailing copies of this Advice Letter and related tariff sheets to the utilities and interested parties shown on the attached list.



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Service *(Continued)*

Communications regarding this filing should be directed to:

Valerie J. Ontiveroz
Regulatory Manager/California
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, NV 89193-8510
Telephone: 702-876-7323
E-mail: valerie.ontiveroz@swgas.com

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By: 

Justin Lee Brown

Attachments

Distribution List

Advice Letter No. 1043

In Conformance with General Order 96-B, General Rule 4.3

The following individual has been served by regular, first-class mail:

Elizabeth Echols, Director
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94105

The following individuals or entities have been served by electronic mail (e-mail):

Pacific Gas & Electric Company
PG&ETariffs@pge.com

Southern California Gas Company
ROrtiz@SempraUtilities.com

San Diego Gas & Electric Company
SDG&ETariffs@SempraUtilities.com

Robert M. Pocta
Office of Ratepayer Advocates
California Public Utilities Commission
rmp@cpuc.ca.gov

Nathaniel Skinner
Office of Ratepayer Advocates
California Public Utilities Commission
nws@cpuc.ca.gov

Pearlie Sabino
Office of Ratepayer Advocates
California Public Utilities Commission
pzs@cpuc.ca.gov

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Southwest Gas Corporation (U 905G)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: **Valerie J. Ontiveroz**

Phone #: **(702) 876-7323**

E-mail: **valerie.ontiveroz@swgas.com**

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **1043**

Subject of AL: **Establish the TMA in the Preliminary Statement of Southwest Gas' California Gas Tariff in compliance with D.17-06-006.**

Keywords (choose from CPUC listing): **Memorandum Account**

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Decision 17-06-006

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL **Not applicable**

Summarize differences between the AL and the prior withdrawn or rejected AL¹: **Not applicable**

Resolution Required? Yes No

Requested effective date: **July 14, 2017**

No. of tariff sheets: **2**

Estimated system annual revenue effect (%): **Not applicable**

Estimated system average rate effect (%): **Not applicable**

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: **Not applicable**

Service affected and changes proposed¹: **See 'Subject of AL' above**

Pending advice letters that revise the same tariff sheets: **Not applicable**

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
E-mail: edtariffunit@cpuc.ca.gov

Utility Info (including e-mail)
Mr. Justin Lee Brown,
Vice-President/Regulation & Public Affairs
Southwest Gas Corporation
P. O. Box 98510
Las Vegas, NV 89193-8510
E-mail: justin.brown@swgas.com
Facsimile: 702-364-3452

¹ Discuss in AL if more space is needed.

PRELIMINARY STATEMENT
(Continued)

29. TAX MEMORANDUM ACCOUNT (TMA)

29A. PURPOSE

The purpose of the TMA is to track any revenue difference resulting from differences between the Company's authorized income tax expenses and its actually-incurred income tax expenses, including repair deductions and bonus depreciation. The account shall have separate line items detailing the differences resulting from (1) net revenue changes, (2) mandatory tax law changes, tax accounting changes, tax procedural changes, tax policy changes, and (3) elective tax law changes, tax accounting changes, tax procedural changes, or tax policy changes. The TMA is established in accordance with Decision (D.) 17-06-006.

Pursuant to D. 17-06-006, authorized income tax expenses for 2019 and 2020, shall be calculated by first escalating the 2014 tax expenses authorized in D.14-06-028 by the post-test year margin (PTYM) annual adjustments authorized from 2015 through 2018 and then annually escalating the 2.75 percent annual PTYM adjustments through 2019 and 2020. The Company's calculated authorized income tax expenses for 2019 and 2020 are \$11,479,459 and \$11,795,144, respectively.

29B. TRACKING PROCEDURES

The Company shall maintain the TMA by separately tracking the calendar year difference between authorized income tax expenses and actually-incurred income tax expenses. The TMA shall include separate line items detailing the differences resulting from:

1. Net revenue changes,
2. Mandatory tax law changes, tax accounting changes, tax procedural changes, or tax policy changes, and
3. Elective tax law changes, tax accounting changes, tax procedural changes, or tax policy changes.

Interest on the tracked balance will be calculated as set forth in Section 12B of this Preliminary Statement.

PRELIMINARY STATEMENT
(Continued)

29. TAX MEMORANDUM ACCOUNT (TMA)

29C. DISPOSITION

The TMA shall be reviewed in the Company's GRC proceedings until a Commission decision closes the account. Amounts tracked in the TMA may be recovered or refunded in rates only after a request by the Company and approval by the Commission.

29D. REPORTING

The Company will timely notify the Commission of any tax-related changes, including tax-related accounting changes, or tax-related procedural changes that materially affect, or may materially affect, revenues and any revenue differences if applicable. A "material affect" means a potential increase or decrease of \$3 million or more to the Company's California jurisdictions.

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SOUTHWEST GAS CORPORATION
INCOME TAX EXPENSES
2019 and 2020

Line No.	Description (a)	2019 (b)	2020 (c)	Line No.
Southern California				
1	State Income Taxes	\$ 1,504,801	\$ 1,546,183	1
2	Federal Income Taxes	5,919,316	6,082,098	2
3	Income Tax Total	\$ 7,424,117	\$ 7,628,280	3
Northern California				
4	State Income Taxes	\$ 640,790	\$ 658,412	4
5	Federal Income Taxes	2,303,861	2,367,217	5
6	Income Tax Total	\$ 2,944,651	\$ 3,025,629	6
South Lake Tahoe				
7	State Income Taxes	\$ 240,969	\$ 247,595	7
8	Federal Income Taxes	869,722	893,639	8
9	Income Tax Total	\$ 1,110,690	\$ 1,141,234	9
10	Income Taxes Total	\$ 11,479,459	\$ 11,795,144	10

**SOUTHWEST GAS CORPORATION
SOUTHERN CALIFORNIA
AUTHORIZED RESULTS OF OPERATIONS
TEST YEAR 2014 AND ATTRITION YEARS 2015 THROUGH 2020**

Line No.	Description (a)	2014 (b)	2015 (c)	2016* (d)	2017* (e)	2018 (f)	2019 (g)	2020 (h)	Line No.
1	Base Margin Attrition Rate		2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	1
2	Attrition Rate Applied to Cost of Service		2.75%	5.39%	3.00%	2.75%	2.75%	2.75%	2
Margin									
3	Automatic Trigger Mechanism (ATM) Cost of Capital Adjustment	n/a	-	-	-	-	-	-	3
4	Base Margin	\$ 63,747,104	\$ 65,500,149	\$ 67,301,403	\$ 70,928,030	\$ 73,059,780	\$ 75,068,924	\$ 77,133,319	4
5	PIMA - Victor Valley Transmission Sys.	-	-	1,728,309	176,379	-	-	-	5
6	Special Contracts No Escalator	22,379	22,379	22,379	22,379	22,379	22,379	22,379	6
7	Adjusted Margin	\$ 63,769,483	\$ 65,522,528	\$ 69,052,091	\$ 71,126,788	\$ 73,082,159	\$ 75,091,303	\$ 77,155,698	7
Operating Expenses									
8	Other Gas Supply	\$ 175,163	\$ 179,980	\$ 184,930	\$ 190,015	\$ 195,241	\$ 200,610	\$ 206,127	8
9	Storage	-	-	-	-	-	-	-	9
10	Transmission	-	-	-	-	-	-	-	10
11	Distribution	14,751,791	15,157,466	15,574,296	16,002,589	16,442,660	16,894,833	17,359,441	11
12	Customer Accounts	5,120,419	5,261,231	5,405,915	5,554,577	5,707,328	5,864,280	6,025,547	12
13	Customer Service & Information	188,689	193,878	199,210	204,688	210,317	216,101	222,043	13
14	Sales	-	-	-	-	-	-	-	14
15	Total O&M	\$ 20,236,063	\$ 20,792,555	\$ 21,364,350	\$ 21,951,869	\$ 22,555,546	\$ 23,175,823	\$ 23,813,159	15
16	Administrative & General	11,361,717	11,674,164	12,014,864	12,347,282	12,686,832	13,035,720	13,394,202	16
17	Total O&M and A&G	\$ 31,597,779	\$ 32,466,718	\$ 33,379,214	\$ 34,299,151	\$ 35,242,378	\$ 36,211,543	\$ 37,207,361	17
18	Depreciation & Amortization	12,135,936	12,469,674	13,141,490	13,536,486	13,908,740	14,291,230	14,684,239	18
19	Regulatory Amortizations	79,019	81,192	83,425	85,719	88,076	90,498	92,987	19
20	Other Taxes (Property & Payroll)	3,070,886	3,155,335	3,379,717	3,486,719	3,582,604	3,681,126	3,782,357	20
21	State Income Taxes	1,313,923	1,350,056	1,387,182	1,425,330	1,464,526	1,504,801	1,546,183	21
22	Federal Income Taxes	4,695,560	4,824,688	5,412,367	5,606,707	5,760,892	5,919,316	6,082,098	22
23	Total Operating Expenses	\$ 52,893,104	\$ 54,347,664	\$ 56,783,396	\$ 58,440,113	\$ 60,047,216	\$ 61,698,515	\$ 63,395,224	23
24	Regulatory Net Income (Loss)	\$ 10,876,379	\$ 11,174,864	\$ 12,268,696	\$ 12,686,674	\$ 13,034,943	\$ 13,392,788	\$ 13,760,474	24
25	Authorized Regulatory Rate Base	\$ 159,277,207	\$ 163,657,330	\$ 179,657,907	\$ 185,773,499	\$ 190,882,270	\$ 196,131,533	\$ 201,525,150	25
26	Rate of Return on Regulatory Rate Base	6.83%	6.83%	6.83%	6.83%	6.83%	6.83%	6.83%	26

* Includes amounts related to the Company's Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementaion Plan, authorized in (D.)13-10-024.

