

January 2023

ENERGY DIVISION RATE CHANGE ADVISORY



Southwest Gas – Southwest Gas has three service areas with different rates. These are Southern California (SCA), Northern California (NCA) and South Lake Tahoe (SLT).

Southwest Gas filed Advice Letter (AL) 1236 on November 30, 2022, to implement the rate impacts of the Public Purpose Program (PPP) surcharges¹, Post Test-Year Margin (allowed in the 2021 GRC to adjust revenue for inflation), and Deferred Income Tax Adjustment Amortization² and the annual balancing account surcharges updates, including Greenhouse Gas costs, and allowance proceeds to arrive at the California Climate Credit³. The GHG program costs will be partially offset when Southwest Gas residential non-CARE and CARE customers receive the GHG climate credit.⁴

The consolidated rates in AL 1236 did not include a recently adopted update to the CPUC Reimbursement Fee, which is reduced to \$0.00300 from \$0.00577 (AL 1242, filed on December 19, 2022). On December 30, 2022, Southwest Gas filed AL 1246 for its January gas commodity costs, which incorporates the CPUC reimbursement fee, effective on January 1, 2023.

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The percentage increases in the tables⁵ below for the three service areas are total bill impacts based on annual averages (January to December 2022), including both annual average commodity prices (held constant to calculate the isolated impact of the transportation and delivery rate increases) as well as annual average customer demand.

¹ Advice Letter (AL) 1233.

² AL 1235.

³ AL 1236 covers these balancing accounts and associated surcharges - Customer Data Modernization Balancing Account (CDMIBA), Fixed Cost Adjustment Mechanism (FCAM), Interstate Transportation Cost Adjustment Mechanism (ITCAM), Transportation and Storage rates, Greenhouse Gas (GHG) compliance costs and allowance revenue proceeds, Infrastructure Reliability and Replacement Adjustment Mechanism (IRRAM), Mobilehome Park Conversion Balancing Account (MHPCBA), and Natural Gas Leak Abatement Program (NGLAPBA).

⁴ On January 11, 2023, Public Advocates Office filed an emergency motion in R.11-03-012 for winter bill relief due to the impact of high natural gas prices, to distribute the natural gas Climate Credits in February 2023 applying them to the January bills instead of April 2023. The motion was approved in the Commission Voting Meeting of February 2, 2023. It requires that the IOU's "...apply as soon as practicable the electric and gas climate credits that would otherwise be applied to their customers' bills in April 2023."

⁵ Southwest Gas provided the updated bill impacts to CPUC Energy Division on January 18, 2023.

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Estimated residential bill impacts effective January 1, 2023:

Estimated Bill Impact Consolidated Rate Update	Southwest Gas (SCA) Jan 1, 2023
➤ Average monthly residential non-CARE gas bill	\$103.16
➤ Average monthly residential non-CARE gas bill increase	\$33.47 or 48.03%
➤ Average monthly residential CARE gas bill	\$85.98
➤ Average monthly residential CARE gas bill increase	\$32.72 or 61.43%

Estimated Bill Impact Consolidated Rate Update	Southwest Gas (NCA) Jan 1, 2023
➤ Average monthly residential non-CARE gas bill	\$161.93
➤ Average monthly residential non-CARE gas bill increase	\$36.26 or 28.85%
➤ Average monthly residential CARE gas bill	\$109.35
➤ Average monthly residential CARE gas bill increase	\$28.88 or 35.89%

Estimated Bill Impact Consolidated Rate Update	Southwest Gas (SLT) Jan 1, 2023
➤ Average monthly residential non-CARE gas bill	\$157.57
➤ Average monthly residential non-CARE gas bill increase	\$32.72 or 26.21%
➤ Average monthly residential CARE gas bill	\$105.95
➤ Average monthly residential CARE gas bill increase	\$26.00 or 32.53%

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The bill estimates based on the actual commodity price can be higher than the average bills listed above. Natural gas commodity prices this winter have been more expensive than last winter, which will lead to higher increases in customer bills over the winter months.⁶ The price of natural gas is determined by broader regional, national, and global markets and are passed on directly to customers without the utility adding any markup. The tables⁷ below compare the total bill impacts based on actual January 2023 commodity prices with the actual January 2022 commodity price. The winter usage is generally higher than average annual usage. There are also differences in average usage by service area (SCA versus NCA / SLT). Due to continued high natural gas commodity prices, customers' bills are expected to remain higher than this time last year.

Actual residential bill impacts – SCA – effective January 1, 2022, vs January 1, 2023			
January 1, 2022 Actual		January 1, 2023 Forecasted	
SCA Residential non-CARE (based on 90 therms ⁸)	\$161.20	SCA Residential non-CARE (based on 90 therms)	\$251.72
SCA Residential CARE (based on 83 therms)	\$111.47	SCA Residential CARE (based on 83 therms)	\$193.16

Actual residential bill impacts – NCA – effective January 1, 2022, vs January 1, 2023			
January 1, 2022 Actual		January 1, 2023 Forecasted	
NCA Residential non-CARE (based on 140 therms)	\$243.28	NCA Residential non-CARE (based on 140 therms)	\$329.32
NCA Residential CARE (based on 100 therms)	\$138.44	NCA Residential CARE (based on 100 therms)	\$200.06

⁶ General volatility in the natural gas market is related to seasonal demand changes, and factors affecting overall global demand, and the availability of supplies from multiple production regions.

⁷ Updated bill impacts were provided to CPUC Energy Division by Southwest Gas on January 18, 2023, to incorporate pending ALs effective January 1, 2023, including changes to procurement rate and CPUC fees.

⁸ Average therms per month are calculated by dividing the total throughput for twelve-month forecast period ended December 31, 2023, by the forecasted customer counts for period ended December 31, 2023.

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Actual residential bill impacts – SLT - effective January 1, 2022, vs January 1, 2023			
January 1, 2022 Actual		January 1, 2023 Forecasted	
SLT Residential non-CARE (based on 140 therms)	\$241.61	SLT Residential non-CARE (based on 140 therms)	\$320.45
SLT Residential CARE (based on 100 therms)	\$137.49	SLT Residential CARE (based on 100 therms)	\$193.84

Apart from the impact of procurement costs, the largest 2023 rate driver from the annual regulatory balancing account is the amortization of under-collected transportation and storage costs (interstate reservations, intrastate storage, and intrastate variables) with a revenue requirement of \$13.3 million in the SCA region and \$11.5 million for NCA / SLT regions. The 2021 GRC authorized Post-Test Year Margin revenue adjustment of 2.75% amounted to \$1.9 million, \$0.0028 million, and \$0.249 million in Southwest Gas's SCA, NCA and SLT regions, respectively.

Other annual Regulatory Balancing Account Amortization (in AL 1236) include:

- Customer Data Modernization Initiative Balancing Account (CDMIBA) surcharges approved in D.20-07-016 placed in service on May 3, 2021
- Fixed Cost Adjustment Mechanism (FCAM) as authorized in D.08-11-048 and the Interstate Transportation Cost Adjustment Mechanism (ITCAM) as authorized in D.94-12-022
- Infrastructure Reliability and Replacement Adjustment Mechanism (IRRAM) as authorized in D.21-03-052
- Mobilehome Park Conversion Balancing Account (MHPCBA) surcharges, as authorized in D.14-03-021
- Balancing account surcharges related to the Natural Gas Leak Abatement Program as authorized in Resolution G-3538