

Application: A.22-09-XXX  
Witness: R. Cunningham  
Chapter: 7

**PREPARED DIRECT TESTIMONY OF  
RANDI L. CUNNINGHAM  
ON BEHALF OF SOUTHWEST GAS CORPORATION  
  
(REGULATORY ACCOUNTING, COST RECOVERY,  
REVENUE REQUIREMENT, AND RATES)**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

September 8, 2022

**TABLE OF CONTENTS**

I. PURPOSE .....1

II. SOUTHWEST GAS REGULATORY ACCOUNTING, REVENUE  
REQUIREMENT AND COST RECOVERY .....1

III. SOUTHWEST GAS RATES AND BILL IMPACT .....2

IV. CONCLUSION.....5

V. QUALIFICATIONS .....4

    Randi L. Cunningham.....4

1 **CHAPTER 7**  
2 **PREPARED DIRECT TESTIMONY OF RANDI CUNNINGHAM**  
3 **(Regulatory Accounting, Cost Recovery, Revenue Requirement, and Rates)**

4 **I. PURPOSE**

5 The purpose of this chapter is to present Southwest Gas Corporation's (Southwest Gas)  
6 cost recovery, revenue requirement, and rate proposal related to: 1) the accounting treatment and  
7 recovery of costs associated with the Hydrogen Blending Demonstration Project of Southwest  
8 Gas (Demonstration Project) as described in Chapter 4, Direct Testimony of Kevin Lang; and 2)  
9 the request of Southwest Gas to establish a balancing account. This chapter will also present  
10 Southwest Gas' revenue requirement associated with the Project and provide the cost allocation  
11 method for the proposed balancing account. Southwest Gas estimates the total project cost will  
12 be approximately \$10.21 million.

13 **II. SOUTHWEST GAS REGULATORY ACCOUNTING, REVENUE**  
14 **REQUIREMENT AND COST RECOVERY**

15 Southwest Gas proposes to establish the Hydrogen Blending Demonstration Project  
16 Balancing Account (HBDPBA). The HBDPBA will be an interest-bearing, two-way balancing  
17 account recorded on Southwest Gas' financial statements. Southwest Gas estimates that the total  
18 revenue requirement to be recorded to the HBDPBA will be based on a total Demonstration  
19 Project cost of approximately \$10.21 million. Southwest Gas proposes to treat all costs  
20 associated with its Demonstration Project as research, development and demonstration expense  
21 and will record the costs as debit entries to the HBDPBA dollar for dollar as incurred. None of  
22 Southwest Gas' Demonstration Project costs would be considered capital costs. An entry to  
23 record interest on the HBDPBA would be calculated as set forth in Section 12B of the  
24 Preliminary Statement in Southwest Gas' California Gas Tariff.

1 Table RLC-1 below shows the forecasted annual revenue requirement for the  
2 Demonstration Project.

**RLC-1: Forecasted Revenue Requirement Summary (In Millions)**

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total</b>
<b>Revenue Requirement</b>	<b>\$1.64</b>	<b>\$7.81</b>	<b>\$0.33</b>	<b>\$0.43</b>	<b>\$10.21</b>

3  
4 **III. SOUTHWEST GAS RATES AND BILL IMPACT**

5 Southwest Gas requests Commission approval of the HBDPBA and proposes to recover  
6 the total costs recorded to the HBDPBA from all customer classes using a flat volumetric rate  
7 applicable to all of Southwest Gas' California jurisdictional customers, including transportation  
8 customers, which would be reset annually based on the balance of the HBDPBA on September  
9 30 of each year.

10 The first HBDPBA rate would be effective January 1, 2025 and based on the balance of  
11 the HBDPBA recorded as of September 30, 2024. First, the HBDPBA balance would be  
12 allocated to each of the three Southwest Gas California ratemaking jurisdictions (Southern  
13 California or SCA, Northern California or NCA, and South Lake Tahoe or SLT) based on the  
14 number of therms for each ratemaking jurisdiction projected at December 31, 2025. An  
15 illustrative example of the 2024 estimated jurisdictional HBDPBA balance allocation is provided  
16 below in Table RLC-2, and is based on an estimated HBDPBA balance of approximately \$1.64  
17 million at September 30, 2024:

**RLC-2: Forecasted 2024 Jurisdictional Revenue Requirement**

	<b>Therms</b>	<b>%</b>	<b>Juris. Rev Req</b>
SCA	104,273,329	67.52%	\$ 1,107,271
NCA	28,119,318	18.21%	298,597
SLT	22,048,495	14.28%	234,131
<b>TOTAL</b>	<b>154,441,142</b>	<b>100.00%</b>	<b>\$ 1,640,000</b>

Southwest Gas would then develop the volumetric rate for each of the three Southwest Gas California ratemaking jurisdictions. The illustrative 2025 rate calculation for Southwest Gas’ Southern California rate jurisdiction based on the HBDPBA balance as allocated above is provided below in Table RLC-3:

**RLC-3: Forecasted 2025 Southern California HBDPBA Rate**

<b>Description</b>	<b>Percent</b>	<b>Amount</b>
(a)	(b)	(c)
SCA Revenue Requirement Before Franchise and Uncollectibles		\$ 1,107,271
SCA Franchise and Uncollectibles Rate	1.5925%	17,633
SCA Revenue Requirement After Franchise and Uncollectibles		\$ <u>1,124,905</u>
SCA Applicable Volumes (therms)		104,273,329
SCA Rate Applicable to all Rate Schedules		\$ <u>0.01079</u>

The rate applicable to all NCA and SLT rate schedules is estimated to be \$0.01083, which is slightly different than the SCA rate because SCA is authorized a different franchise and uncollectible (F&U) rate than NCA and SLT, which have the same F&U rate.

This cost allocation methodology minimizes the rate impact and burden on residential customers and matches recovery of the Demonstration Project costs to the customers taking service when those costs will be incurred. This methodology also recognizes that all customers in California, large and small, will share in the societal benefits of this Demonstration Project.

The illustrative rate and bill impacts for all rate schedules and jurisdictions from 2025-2028 are provided below in Table RLC-4.

**RLC-4: Illustrative Class Average Rates and Bill Impacts  
\$/therm**

SCA	2022	2025	\$ Change	% Chg	2026	\$ Change	% Chg	2027	\$ Change	% Chg	2028	\$ Change	% Chg
Primary Residential	\$ 2.12606	\$ 2.13685	\$ 0.01079	0.47%	\$ 2.17743	\$ 0.04059	1.77%	\$ 2.12823	\$ (0.04920)	-2.11%	\$ 2.12889	\$ 0.00066	0.03%
Secondary Residential	\$ 2.58392	\$ 2.59471	\$ 0.01079	0.39%	\$ 2.63529	\$ 0.04059	1.46%	\$ 2.58609	\$ (0.04920)	-1.75%	\$ 2.58675	\$ 0.00066	0.02%
Master-Metered	\$ 2.12606	\$ 2.13685	\$ 0.01079	0.50%	\$ 2.17743	\$ 0.04059	1.88%	\$ 2.12823	\$ (0.04920)	-2.23%	\$ 2.12889	\$ 0.00066	0.03%
Master-Metered – Submetered	\$ 2.12606	\$ 2.13685	\$ 0.01079	0.50%	\$ 2.17743	\$ 0.04059	1.89%	\$ 2.12823	\$ (0.04920)	-2.25%	\$ 2.12889	\$ 0.00066	0.03%
Core General	\$ 2.04573	\$ 2.05652	\$ 0.01079	0.52%	\$ 2.09710	\$ 0.04059	1.94%	\$ 2.04790	\$ (0.04920)	-2.30%	\$ 2.04856	\$ 0.00066	0.03%
Core Motor Vehicle	\$ 1.46626	\$ 1.47705	\$ 0.01079	0.74%	\$ 1.51763	\$ 0.04059	2.75%	\$ 1.46843	\$ (0.04920)	-3.24%	\$ 1.46909	\$ 0.00066	0.04%
Core Internal Combustion Engine	\$ 1.55165	\$ 1.56244	\$ 0.01079	0.69%	\$ 1.60302	\$ 0.04059	2.58%	\$ 1.55382	\$ (0.04920)	-3.05%	\$ 1.55448	\$ 0.00066	0.04%
Small Electric Power Generation	\$ 1.49982	\$ 1.51061	\$ 0.01079	0.72%	\$ 1.55119	\$ 0.04059	2.68%	\$ 1.50199	\$ (0.04920)	-3.17%	\$ 1.50265	\$ 0.00066	0.04%
Noncore General	\$ 0.50530	\$ 0.51609	\$ 0.01079	2.13%	\$ 0.55667	\$ 0.04059	7.85%	\$ 0.50747	\$ (0.04920)	-8.82%	\$ 0.50813	\$ 0.00066	0.13%
City of Victorville	\$ 1.31018	\$ 1.32097	\$ 0.01079	0.82%	\$ 1.36155	\$ 0.04059	3.07%	\$ 1.31235	\$ (0.04920)	-3.61%	\$ 1.31301	\$ 0.00066	0.05%

NCA	2022	2025	\$ Change	% Chg	2026	\$ Change	% Chg	2027	\$ Change	% Chg	2028	\$ Change	% Chg
Primary Residential	\$ 2.05129	\$ 2.06212	\$ 0.01083	0.51%	\$ 2.10288	\$ 0.04076	1.90%	\$ 2.05347	\$ (0.04941)	-2.26%	\$ 2.05413	\$ 0.00066	0.03%
Secondary Residential	\$ 2.22793	\$ 2.23876	\$ 0.01083	0.47%	\$ 2.27952	\$ 0.04076	1.74%	\$ 2.23011	\$ (0.04941)	-2.08%	\$ 2.23077	\$ 0.00066	0.03%
Master-Metered	\$ 2.05129	\$ 2.06212	\$ 0.01083	0.52%	\$ 2.10288	\$ 0.04076	1.93%	\$ 2.05347	\$ (0.04941)	-2.29%	\$ 2.05413	\$ 0.00066	0.03%
Master-Metered – Submetered	\$ 2.05129	\$ 2.06212	\$ 0.01083	0.00%	\$ 2.10288	\$ 0.04076	0.00%	\$ 2.05347	\$ (0.04941)	0.00%	\$ 2.05413	\$ 0.00066	0.00%
Core General	\$ 1.93823	\$ 1.94906	\$ 0.01083	0.55%	\$ 1.98982	\$ 0.04076	2.05%	\$ 1.94041	\$ (0.04941)	-2.44%	\$ 1.94107	\$ 0.00066	0.03%
Core Motor Vehicle	\$ 1.34310	\$ 1.35393	\$ 0.01083	0.80%	\$ 1.39469	\$ 0.04076	3.00%	\$ 1.34528	\$ (0.04941)	-3.54%	\$ 1.34594	\$ 0.00066	0.05%
Core Internal Combustion Engine	\$ 1.68905	\$ 1.69988	\$ 0.01083	0.00%	\$ 1.74064	\$ 0.04076	0.00%	\$ 1.69123	\$ (0.04941)	0.00%	\$ 1.69189	\$ 0.00066	0.00%
Noncore General	\$ 0.26162	\$ 0.27245	\$ 0.01083	4.09%	\$ 0.31321	\$ 0.04076	14.77%	\$ 0.26380	\$ (0.04941)	-15.61%	\$ 0.26446	\$ 0.00066	0.25%

SLT	2022	2025	\$ Change	% Chg	2026	\$ Change	% Chg	2027	\$ Change	% Chg	2028	\$ Change	% Chg
Primary Residential	\$ 2.03433	\$ 2.04516	\$ 0.01083	0.51%	\$ 2.08592	\$ 0.04076	1.91%	\$ 2.03651	\$ (0.04941)	-2.27%	\$ 2.03717	\$ 0.00066	0.03%
Secondary Residential	\$ 2.22756	\$ 2.23839	\$ 0.01083	0.46%	\$ 2.27915	\$ 0.04076	1.74%	\$ 2.22974	\$ (0.04941)	-2.07%	\$ 2.23040	\$ 0.00066	0.03%
Master-Metered	\$ 2.03433	\$ 2.04516	\$ 0.01083	0.52%	\$ 2.08592	\$ 0.04076	1.96%	\$ 2.03651	\$ (0.04941)	-2.33%	\$ 2.03717	\$ 0.00066	0.03%
Master-Metered – Submetered	\$ 2.03433	\$ 2.04516	\$ 0.01083	0.53%	\$ 2.08592	\$ 0.04076	1.99%	\$ 2.03651	\$ (0.04941)	-2.36%	\$ 2.03717	\$ 0.00066	0.03%
Core General	\$ 2.06000	\$ 2.07083	\$ 0.01083	0.52%	\$ 2.11159	\$ 0.04076	1.94%	\$ 2.06218	\$ (0.04941)	-2.31%	\$ 2.06284	\$ 0.00066	0.03%
Core Motor Vehicle	\$ 1.93307	\$ 1.94390	\$ 0.01083	0.10%	\$ 1.98466	\$ 0.04076	0.38%	\$ 1.93525	\$ (0.04941)	-0.46%	\$ 1.93591	\$ 0.00066	0.01%
Noncore General	\$ 0.63002	\$ 0.64085	\$ 0.01083	0.00%	\$ 0.68161	\$ 0.04076	0.00%	\$ 0.63220	\$ (0.04941)	0.00%	\$ 0.63286	\$ 0.00066	0.00%

1 **IV. CONCLUSION**

2 For all the reasons discussed above, Southwest Gas requests that the Commission adopt  
3 its regulatory accounting, cost recovery, revenue requirement, and rate proposals, and find the  
4 request to be just and reasonable. This concludes my prepared direct testimony.

1 **V. QUALIFICATIONS**

2 **Randi L. Cunningham**

3 My name is Randi L. Cunningham. I am employed by Southwest Gas. My business  
4 address is 8360 S. Durango Drive, Las Vegas, NV 89113. I am the Director of Regulation and  
5 Financial Planning. I am responsible for overseeing the development of and compliance with  
6 internal regulatory cost accounting standards, overseeing complex regulatory technical analysis  
7 and modeling, and Southwest Gas' budget and financial planning functions. I have served as a  
8 subject matter expert in a broad range of regulatory matters. I have worked at Southwest Gas  
9 since 1996 in positions of increasing responsibility, most recently Manager/Revenue  
10 Requirements and Sr. Regulatory Professional, before assuming my current position. I hold a  
11 Bachelor of Arts in Business Administration with an emphasis in Accounting and Finance from  
12 the University of Washington and a Master's in Business Administration (MBA) from the  
13 University of Nevada, Las Vegas. I am a Certified Management Accountant (CMA) and hold  
14 the Certified in Strategy and Competitive Analysis (CSCA) credential, and a member of the  
15 Institute of Management Accountants. I have previously testified before the Commission, the  
16 Federal Energy Regulatory Commission, the Arizona Corporation Commission, and the Public  
17 Utilities Commission of Nevada.