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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southwest Gas Corporation
(U 905 G) for Authority to Increase Rates and
Charges for Natural Gas Service in
California, Effective January 1, 2021

Application 19-08-015
(Filed August 30, 2019)

**SOUTHWEST GAS CORPORATION (U 905 G)
RISK SPENDING ACCOUNTABILITY REPORT
PURSUANT TO DECISION 19-04-020**

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June 30, 2022

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**SOUTHWEST GAS CORPORATION (U 905 G)
RISK SPENDING ACCOUNTABILITY REPORT
PURSUANT TO DECISION 19-04-020**

Southwest Gas Corporation (Southwest Gas) hereby submits its Risk Spending
Accountability Report (RSAR) pursuant to Decision 19-04-020. Southwest Gas' Annual RSAR
is attached hereto as **ATTACHMENT A** and covers the reporting period from January 1, 2021
through December 31, 2021.

Dated this 30th day of June 2022.

Respectfully submitted,
SOUTHWEST GAS CORPORATION



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ATTACHMENT A

Southwest Gas Corporation (U 905 G)

Risk Spending Accountability Report

In compliance with:
Decision 19-04-020

Reporting Period:
January 1, 2021 through December 31, 2021

June 30, 2022



SOUTHWEST GAS CORPORATION

EXECUTIVE SUMMARY

In compliance with Decision (D.) 19-04-020,¹ Southwest Gas submits this annual Risk Spending Accountability Report (RSAR) for the period January 1, 2021 through December 31, 2021.

Company Overview

Southwest Gas has two distinct and separate service territories in northern and southern California. Areas served in northern California include North Lake Tahoe, South Lake Tahoe and Truckee. In southern California, Southwest Gas serves Big Bear, Needles, Barstow, Victorville and other surrounding cities in the high desert area. For the purposes of ratemaking treatment, Southwest Gas has three rate jurisdictions: Southern California, Northern California and South Lake Tahoe.

BACKGROUND

On April 25, 2019, the Commission approved D.19-04-020, which adopted a Voluntary Risk-Based Decision-Making Framework for use by the small and multi-jurisdictional utilities (SMJU), including Southwest Gas, in their general rate cases. D.19-04-020 also adopted a schedule for the SMJU's to submit their first RSAR after the general rate case proceeding in which funding for risk mitigation spending is authorized. Southwest Gas filed its Test Year (TY) 2021 General Rate Case on August 30, 2019 (Application (A.) 19-08-015), which included a risk-based decision-making framework and associated funding requests for risk-based infrastructure programs (Risk Programs). Pursuant to Ordering Paragraph 13 in D.19-04-020, Southwest Gas' first RSAR is due on June 30, 2022 for the 2021 reporting period.

Southwest Gas submitted its first information only RSAR, or Cal PU § 591 report, in Advice Letter No. 1116. In its disposition of the Advice Letter, the Energy Division recommended that Southwest Gas address the following items in its annual report until the formal RSAR is submitted:

- A thorough description of how authorized spending was derived
- Safety, Reliability and Maintenance (SRM) program descriptions
- Authorized and actual spending
- The difference from authorized spending in dollars and percent
- Variance explanations above 20%
- Balancing account variances

On June 8, 2022, Southwest Gas confirmed with the Energy Division that the existing reporting format should continue to be utilized pending final determination of Track 4 in Rulemaking 20-07-013 *“Order Instituting Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities.”*

SOUTHWEST GAS TY 2021 GENERAL RATE CASE – A.19-08-015

On March 24, 2021, the Commission issued D.21-03-052, approving the Joint Motion for Settlement Agreement in A.19-08-015. Pursuant to D.14-12-025² and D.19-04-020, Southwest Gas included a risk-informed decision-making framework in A.19-08-035 that identified and

¹ D.19-04-020 – *Phase Two Decision Adopting Risk Spending Accountability Report Requirements and Safety Performance Metrics for Investor-Owned Utilities and Adopting a Safety Model Approach for Small and Multi-Jurisdictional Utilities.*

² D.14-12-025 – *Decision Incorporating a Risk-Based Decision-Making Framework Into the Rate Case Plan and Modifying Appendix A of Decision 07-07-004.*

evaluated several risks, reviewed existing controls, and developed three proposed mitigations to address the identified risks. D.21-03-052, authorized the following Risk Programs and annual target spend budgets for the 2021-2025 General Rate Case cycle:

Table 1

Rate Jurisdiction	Targeted Pipe Replacement Program	School Customer-Owned Yard Line (COYL) Replacement Program	Meter Protection Program
Southern California	\$18,000,000/year	\$1,000,000/year	\$1,000,000/year
Northern California		\$500,000/year	\$1,000,000/year
South Lake Tahoe		\$500,000/year	\$1,800,000/year
TOTAL 2021-2025	\$90,000,000	\$10,000,000	\$19,000,000

REPORT

Southwest Gas' RSAR is included as Attachment 1. The RSAR is broken out by rate jurisdiction and authorized program. Southwest Gas' authorized program dollars are accounted for in one account as described below and in Attachment 1.

- ***2021 Authorized Spending***

Table 1 above provides the annual target spend for each authorized Risk Program. Southwest Gas utilizes one regulatory account for its Risk Programs and established Program Reference numbers for each program. Additionally, for the Meter Protection Program, Southwest Gas uses three additional Program Reference numbers to distinguish between the three program components described below. The establishment of this accounting structure enables Southwest Gas to appropriately distinguish and track the spend for its Risk Programs by rate jurisdiction and program.

- ***Safety, Reliability and Maintenance Program Descriptions***

Targeted Pipe Replacement Program – This program will replace eligible pre-1961 vintage distribution and high-pressure steel pipelines and Driscopipe™ 7000 distribution plastic pipelines in the Southwest Gas Southern California jurisdiction only.

School COYL Replacement Program – A 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. COYLs are not owned, maintained, or inspected by Southwest Gas. This program will prioritize and replace known school COYLs within its three rate jurisdictions.

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 implement a comprehensive and proactive program to protect the Company's meter sets from damage due to snow and ice loading. Southwest Gas' proposed Meter Protection Program consists of the following 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.

- ***Authorized and Actual Spending, the Difference from Authorized Spending in Dollars and Percent and Variance Explanations Above 20%***

Southwest Gas' RSAR includes authorized versus actual spending, as well as differences in dollars and percent and explanations of variances of 20% or greater.

- ***Balancing Account Variances***

D.21-03-052 authorized Southwest Gas to recover the costs associated with its Risk Programs through the Infrastructure Reliability and Replacement Adjustment Mechanism (IRRAM) based on incurred costs. The first IRRAM surcharge rate became effective January 1, 2022 in Southwest Gas' Southern California rate jurisdiction only for costs associated with the Targeted Pipe Replacement Program. As such, there are no balancing account variances to report for calendar year 2021.

CONCLUSION

Southwest Gas appreciates the opportunity to provide this RSAR.

ATTACHMENT 1

SOUTHWEST GAS CORPORATION (U 905 G)
RISK SPENDING ACCOUNTABILITY REPORT
ALL JURISDICTIONS
JANUARY 1, 2021 - DECEMBER 31, 2021

Line No.	Jurisdiction/Program Description	Account Number	TY 2021 Authorized	Annual Target Spend	2021 Actuals	Difference	%	Explanation of Variance of 20% or Greater
SOUTHERN CALIFORNIA								
1	Targeted Pipe Replacement Program	18230 5069 4594	\$ 90,000,000	\$ 18,000,000	\$ 13,927,573.08	\$ (4,072,426.92)	-23%	Program includes both Distribution and High Pressure replacements. However, due to the significant cost and planning of High Pressure, the High Pressure projects will not occur until 2023 and 2024. Thus, years without high pressure projects will be below the average of \$18M annually. Additionally, the 2021 actuals were reduced due to the delayed CPUC approval of this program (March 25, 2021).
2	School COYL Replacement Program	18230 5069 4593	\$ 5,000,000	\$ 1,000,000	\$ -	\$ (1,000,000.00)	-100%	No work occurred in 2021 due to the delayed CPUC approval of this program (March 25, 2021). Additional resources will need to be obtained and trained, then reach out and coordination with the schools before design and construction can occur. The schools prefer construction to occur during the summer months when the students are not on campus. Lengthy coordination is required with the schools, including discussions of post construction activities in routine Operations and Maintenance such as Annual Leak Surveys.
3	Meter Protection Program Total		\$ 5,000,000	\$ 1,000,000	\$ -	\$ (1,000,000.00)	-100%	No work occurred in 2021 due to the delayed CPUC approval of this program (March 25, 2021). Additional resources will need to be obtained and trained before design and construction can occur. The excavation permitting entity construction season is between the months of April and September.
3a	Excess Flow Valves (EFV)	18230 5069 4590			\$ -			
3b	Meter Encoder Receiver Transmitter (ERT)	18230 5069 4591			\$ -			
3c	Meter Sheds	18230 5069 4592			\$ -			
NORTHERN CALIFORNIA								
4	School COYL Replacement Program	18230 5069 4593	\$ 2,500,000	\$ 500,000	\$ -	\$ (500,000.00)	-100%	No work occurred in 2021 due to the delayed CPUC approval of this program (March 25, 2021). The schools prefer construction to occur during the summer months when the students are not on campus. Lengthy coordination is required with the schools, including discussions of post construction activities in routine Operations and Maintenance such as Annual Leak Surveys.
5	Meter Protection Program Total		\$ 5,000,000	\$ 1,000,000	\$ 343,625.38	\$ (656,374.62)	-66%	Reduced work occurred in 2021 due to the delayed CPUC approval of this program (March 25, 2021). Additional reduction occurred from the companywide customer service software replacement launch in May 2021. A further impact occurred due to a wildfire which resulted in resident evacuations and Southwest Gas resources deployed isolate pipeline system during the evacuations and restoring services once residents were permitted to return.
5a	Excess Flow Valves (EFV)	18230 5069 4590			\$ -			
5b	Meter Encoder Receiver Transmitter (ERT)	18230 5069 4591			\$ 126,889.24			
5c	Meter Sheds	18230 5069 4592			\$ 216,737.14			

**SOUTHWEST GAS CORPORATION (U 905 G)
RISK SPENDING ACCOUNTABILITY REPORT
ALL JURISDICTIONS
JANUARY 1, 2021 - DECEMBER 31, 2021**

Line No.	Jurisdiction/Program Description	Account Number	TY 2021 Authorized	Annual Target Spend	2021 Actuals	Difference	%	Explanation of Variance of 20% or Greater
SOUTH LAKE TAHOE								
6	School COYL Replacement Program	18230 5069	\$ 2,500,000	\$ 500,000	\$ 7,860.71	\$ (492,139.29)	-98%	Minor work occurred in 2021 due to the delayed CPUC approval of this program (March 25, 2021). The schools prefer construction to occur during the summer months when the students are not on campus. Lengthy coordination is required with the schools, including discussions of post construction activities in routine Operations and Maintenance such as Annual Leak Surveys. Southwest Gas was able to coordinate a partial replacement as this school had previously planned construction activity on the campus during the summer. Southwest Gas will complete the remainder of the replacements in 2022.
7	Meter Protection Program Total		\$ 9,000,000	\$ 1,800,000	\$ 642,978.89	\$ (1,157,021.11)	-64%	Reduced work occurred in 2021 due to the delayed CPUC approval of this program (March 25, 2021). Additional reduction occurred from the companywide customer service software replacement launch in May 2021. A further impact occurred due to a wildfire which resulted in resident evacuations and Southwest Gas resources deployed isolate pipeline system during the evacuations and restoring services once residents were permitted to return.
7a	Excess Flow Valves (EFV)	18230 5069 4590			\$ -			
7b	Meter Encoder Receiver Transmitter (ERT)	18230 5069 4591			\$ 120,828.52			
7c	Meter Sheds	18230 5069 4592			\$ 522,150.37			
CALIFORNIA TOTAL								
8	Targeted Pipe Replacement Program	18230 5069 4594	\$ 90,000,000	\$ 18,000,000	\$ 13,927,573			
9	School COYL Replacement Program	18230 5069 4593	\$ 10,000,000	\$ 2,000,000	\$ 7,861			
10	Meter Protection Program	18230 5069 4591 18230 5069 4592	\$ 19,000,000	\$ 3,800,000	\$ 986,604			

**SOUTHWEST GAS CORPORATION (U 905 G)
RISK SPENDING ACCOUNTABILITY REPORT**

ALL JURISDICTIONS

JANUARY 1, 2021 - DECEMBER 31, 2021

ACCOUNT DESCRIPTION

Account	Description
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18230 5069	This account shall be used to capture the non-revenue-producing infrastructure and incremental expenses related to the infrastructure replacement and/or reliability mechanism.
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