

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
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November 2, 2022

Valerie J. Ontiveroz  
Southwest Gas Corporation  
Regulatory Manager/California  
P.O. Box 98510  
Las Vegas, NV 89193-8510

**SUBJECT: Southwest Gas Corporation  
2021 Risk Spending Accountability Report Review**

Dear Ms. Ontiveroz:

On June 30, 2022, Southwest Gas Corporation (Southwest Gas) submitted its Risk Spending Accountability Report (RSAR) pursuant to Decision (D.)19-04-020<sup>1</sup>. The CPUC's Energy Division (ED) has reviewed Southwest Gas' 2021 RSAR and provides recommendations for the utility to consider in future RSARs.

In D.19-04-020, the CPUC affirmed that ED's review of RSARs serves to raise concerns and seek understanding of the data and "does not constitute a reasonableness [review] of the utility's proposed risk mitigation budgets or programs as required in Public Utilities Code Section 451." Reasonableness review of the utility's spending is accomplished in the general rate case (GRC) process. In addition, review and verification of the utility's safety, reliability and maintenance (SRM) activities and spending that took place during the reporting period are part of Safety Performance Metrics reporting. Therefore, ED's review of Southwest Gas' RSAR in this letter is limited to the reporting on and highlighting of information and does not make any findings regarding the reasonableness of the utility's spending.

#### ANALYSIS

In the 2021 RSAR, Southwest Gas limited its reporting to spending in capital programs, and thus did not provide information with regard to operations and maintenance (O&M) spending. The spending under the test year (TY) 2021 General Rate Case, Application (A.)19-08-015 contains 3 capital expenditure Risk Programs: Targeted Pipe Replacement Program<sup>2</sup>, School Customer-Owned Yard

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<sup>1</sup> <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M495/K424/495424534.PDF>

<sup>2</sup> The Targeted Pipe Replacement Program will replace eligible pre-1961 vintage distribution and high-pressure steel pipelines and distribution plastic pipelines in the Southern California jurisdiction only.

Line (COYL) Replacement Program<sup>3</sup>, and Meter Protection Program<sup>4</sup>. The Risk Programs and annual target spend budgets for the 2021-2025 GRC cycle were authorized in D.21-03-052.

Southwest Gas provided spending data for its three rate jurisdictions: Southern California, Northern California, and South Lake Tahoe. For all of California in 2021, the School COYL Replacement Program was underspent by 99.6 percent (\$1.99 million) and the Meter Protection Program was underspent by 74.0 percent (\$2.81 million). Targeted Pipe Replacement Program, which is specific to the Southern California territory, was underspent by 22.6 percent (\$4.07 million).

According to Southwest Gas, the primary driver for the overall underspending was due to the delay in CPUC's approval of D.21-03-052, which occurred on March 25, 2021. Southwest Gas also attests that the Northern California and South Lake Tahoe Meter Protection Programs underspending were further impacted by a companywide customer service software replacement launch and a wildfire. The wildfire resulted in resident evacuations and Southwest Gas resources deployed isolate pipeline systems during the evacuations. For the Southern California Targeted Pipe Replacement Program, Southwest Gas states that further underspending was due to the significant cost and planning of High Pressure replacements projects, which will not occur until 2023 and 2024.

## CONCLUSIONS

Energy Division reviewed the Southwest Gas 2021 RSAR and finds that the utility has complied with D.19-08-027 and D.19-04-020. In the 2021 RSAR, Southwest Gas presented information on authorized and actual spending on safety, reliability, and maintenance programs and provided explanations for spending variance exceeding 20 percent.

## RECOMMENDATIONS

ED staff recommends:

1. Southwest Gas should include O&M spending in future RSAR filings while continuing to include capital expenditures.
2. Southwest Gas should follow the guidance in D.22-10-002<sup>5</sup>, which adopted significant changes to the RSAR schedule and reporting requirements.

If you have any questions or comments, please contact Andrew Ngo at [andrew.ngo@cpuc.ca.gov](mailto:andrew.ngo@cpuc.ca.gov).

Sincerely,



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<sup>3</sup> The School COYL Replacement Program will replace known school COYLs within the three rate jurisdictions. COYL is the primary customer-owned gas line running underground from Southwest Gas' meter to the customer's property.

<sup>4</sup> The Meter Protection Program consists of retrofitting meters with customer-owned sheds where none currently exist, evaluating and installing excess flow valves (EFV) on certain lines, and upgrading the meter encoder receiver transmitter (ERT) device to allow for daily meter usage monitoring. This program occurs in all three jurisdictions.

<sup>5</sup> Decision Addressing Phase I Tracks 3 and 4 Issues:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M497/K538/497538476.PDF>

Leuwam Tesfai

Deputy Executive Director for Energy and Climate Policy/  
Director, Energy Division

cc: Bruce Kaneshiro, Energy Division  
Elizabeth La Cour, Energy Division  
Service Lists for A.19-08-015