

Southwest Gas Corporation

(U 905 G)

Mobilehome Park Utility Upgrade Program Annual Status Report 4

In compliance with:
Decision 14-03-021

Reporting Period:
January 1, 2018 through December 31, 2018

February 1, 2019



SOUTHWEST GAS CORPORATION

EXECUTIVE SUMMARY

In accordance with Decision (D.) 14-03-021 of the California Public Utilities Commission (Commission) and under the direction of the Commission's Safety and Enforcement Division (SED) and Energy Division Staff¹, Southwest Gas Corporation (Southwest Gas or Company) submits its fourth Annual Status Report (Annual Report) on the Mobilehome Park Utility Upgrade Program (MHP Program).

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, the Company serves Big Bear, Needles, Barstow, Victorville and other surrounding cities in the high desert area. Southwest Gas serves 38 master-metered submetered mobilehome parks (MHP) in its southern California service territory and 11 MHPs in its northern California service territory totaling approximately 3,200 MHP spaces. Of these 49 MHPs, 36 applied for the MHP Program and seven² were prioritized for conversion by the Commission's Safety and Enforcement Division (SED) based on various risk factors. Approximately 412 spaces were prioritized for conversion under the initial three-year pilot MHP Program approved in D.14-03-021.³

MHP PROGRAM HISTORY AND CONTINUATION

On March 14, 2014, the Commission issued D.14-03-021, which established the MHP Program, a statewide, voluntary three-year (2015 through 2017) "living pilot" program with the goal of converting approximately 10 percent of the total MHP spaces within each of the Commission-regulated gas and electric utilities' service territories. Upon conversion, MHP residents will receive natural gas and/or electric service directly from their respective utilities companies. On September 28, 2017, the Commission approved Resolution E-4878, authorizing, among others, Southwest Gas' Advice Letter No. 1035, which requested to continue the MHP Program beyond the three-year pilot. Specifically, OP 7 in Resolution E-4878 states:

The utilities, listed in Ordering Paragraphs 1-6 above, shall continue the Mobile Home Park (MHP) Utility Upgrade Pilot Program and complete all Category 1 MHP conversions as established in Decision 14-03-021 (approximately 10% of the MHP spaces) and work on Category 2 and 3 MHPs until the earlier date of December 31, 2019 or the issuance of a Commission Decision for the continuation, expansion or modification of the program.

¹ Per electronic mail from the SED Staff dated December 21, 2018, respondent utilities were directed to submit a 2018 Annual Status Report on their Mobilehome Park Utility Upgrade Programs by February 1, 2019. In this same email, SED Staff provide the annual report template to be used.

² The seven MHPs consist of five located in Southwest Gas' southern California service territory and two located in the Company's northern California service territory, with MHP sizes ranging from 24 to 136 spaces.

³ Southwest Gas previously reported 57 MHPs within its California service territories. However, this total was updated after the Company determined that several parks had more than one master-meter located within the park, with different addresses attached to each meter. This resulted in a double-count of parks in some instances. Additionally, it was previously reported that 40 MHPs applied for the MHP Program; however, through verification, certain MHPs were either not in Southwest Gas' service territory, no longer a customer, or were not eligible for the MHP Program given that they were already directly served.

In April 2018, the Commission opened Rulemaking (R.) 18-04-018 to evaluate the MHP and adopt programmatic modifications. Per an Assigned Commissioner’s Scoping Memo and Ruling issued in R.18-04-018 on August 31, 2018, utilities were directed to submit supplemental MHP Program data. Utilizing an annual report template developed through a series of working group meetings with utilities, Commission Staff and other stakeholders, the utilities submitted supplemental MHP program data on November 16, 2018. Commission Staff provide guidance to the utilities for the submission of the supplemental MHP Program data, which included:

1. The total costs for MHP Program conversions were to be reported in the year that final costs were recorded.
2. MHP Program conversions were to be included for 2018, if at September 30, 2018, the estimated trailing costs did not exceed 5% of total conversion costs for that MHP.
3. The number of MHP spaces converted were to be reported in the same year that MHP Program conversion costs are entered, so that the aggregate costs and aggregate spaces correspond.

Per Commission Staff directive, utilities are to utilize the above-noted annual report template for this Annual Status Report. Additionally, Commission Staff directed utilities to also provide an updated list of all MHP Program conversions completed or that are in progress, including MHP location (city/county), MHP space count and the overlapping utility.

REPORT

Southwest Gas has prepared and submits its Annual Status Report 4 using the above-noted annual report template and guidance criteria for the period January 1, 2018 through December 31, 2018.

MHP Program Conversion Rate and Status

Seven MHPs in Southwest Gas’ service territories were prioritized for conversion by SED - two in northern California (totaling 67 spaces) and five in southern California (totaling 515 spaces). Table 1 below depicts the 7 MHP conversions completed through 2018.

| Table 1 | | | | | |
|---------------------|------------------|----------------|------------------------------|-------------|--------------------|
| MHP | City | County | Overlapping Electric Utility | # of Spaces | # Spaces Converted |
| 1 | Kings Beach | Placer | Liberty | 43 | 31 |
| 2 | South Lake Tahoe | El Dorado | Liberty | 24 | 21 |
| 3 | Big Bear Lake | San Bernardino | BVES | 250 | 250 |
| 4 | Victorville | | SCE | 48 | 31 |
| 5 | Victorville | | SCE | 50 | 50 |
| 6 | Victorville* | | SCE | 136 | 69 |
| 7 | Hesperia | | SCE | 31 | 31 |
| Total Spaces | | | | 582 | 483 |

*Southwest Gas already directly served approximately half of the spaces within this MHP.

Table 2 depicts the additional 19 MHPs prioritized for conversion through the 2019 MHP Program continuation and that are currently in progress for conversion.

| Table 1 | | | | |
|---------------------|------------------|----------------|------------------------------|--------------|
| MHP | City | County | Overlapping Electric Utility | # of Spaces |
| 1 | South Lake Tahoe | El Dorado | Liberty | 61 |
| 2 | South Lake Tahoe | | Liberty | 8 |
| 3 | South Lake Tahoe | | Liberty | 270 |
| 4 | Apple Valley | San Bernardino | SCE | 96 |
| 5 | Victorville | | SCE | 68 |
| 6 | Apple Valley | | SCE | 36 |
| 7 | Barstow | | SCE | 61 |
| 8 | Barstow | | SCE | 92 |
| 9 | Barstow | | SCE | 38 |
| 10 | Victorville | | SCE | 104 |
| 11 | Barstow | | SCE | 25 |
| 12 | Apple Valley | | SCE | 72 |
| 13 | Adelanto | | SCE | 41 |
| 14 | Adelanto | | SCE | 15 |
| 15 | Adelanto | | SCE | 30 |
| 16 | Barstow | | SCE | 33 |
| 17 | Daggett | | SCE | 29 |
| 18 | Daggett | | SCE | 24 |
| 19 | Needles | | City of Needles | 65 |
| Total Spaces | | | | 1,103 |

MHP Program Cost Accounting

Southwest Gas did not complete any additional MHP conversions in 2018. Therefore, this Annual Report only updates the supplemental cost data provided in November 2018 through December 31, 2018. There have been no changes to the Program Participation data provided in November 2018. The supplemental program and cost data is provided as Attachment A to this Annual Report.

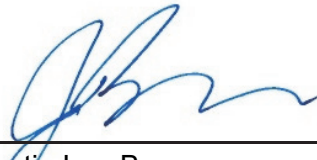
Conclusion

Southwest Gas appreciates the opportunity to provide its fourth Annual Status Report and looks forward to the continuation of the MHP Program.

VERIFICATION

Justin Lee Brown, being first duly sworn, deposes and says: I am the Vice President/Regulation and Public Affairs of Southwest Gas Corporation, and I am authorized to make this verification on its behalf. I have read the foregoing Mobilehome Park Utility Upgrade Program Annual Status Report 3 and I believe the statements contained herein to be true, based upon either my own personal knowledge or upon information and belief. I declare under penalty of perjury that the foregoing is true and correct.

DATED this 1st day of February, 2019.



Justin Lee Brown
Vice President/Regulation and Public Affairs

ATTACHMENT A
SOUTHWEST GAS CORPORATION (U 905 G)
MOBILEHOME PARK UTILITY UPGRADE PROGRAM
ANNUAL STATUS REPORT 4

Specific Recommendations to Section 4. Need for Supplemental Cost and Safety Information.

| Supplemental Data Template* | | Per-year costs; not cumulative | | | |
|---|--|--------------------------------|------|------|------|
| | | 2015 | 2016 | 2017 | 2018 |
| Program Participation | Descriptor | 2015 | 2016 | 2017 | 2018 |
| CARE/FERA enrollment [a] | Number of individuals enrolled in CARE/FERA after the conversion | | | 106 | 47 |
| Medical Baseline | Number of individuals enrolled in Medical Baseline after the conversion | | | 4 | 1 |
| Disadvantaged Community | Number of converted spaces within geographic zones defined by SB 535 map. | | | 187 | 0 |
| Rural Community** | Number of converted spaces within rural community | | | 0 | 31 |
| Urban Community** | Number of converted spaces within urban community | | | 211 | 252 |
| Leak Survey (Optional) | Number of Leaks identified during preconstruction activity (if known) | | | N/A | N/A |
| Completed Spaces | Spaces converted that correspond to the project costs reported below. If a project incurs costs over multiple years, report all project costs and spaces converted in the year the project closes. | | | | |
| Number of TTM MH and Covered Common Area Locations Converted (Gas) | | 0 | 0 | 211 | 283 |
| Number of TTM MH and Covered Common Area Locations Converted (Electric) | | | | | |
| Number of BTM MH Converted Register Spaces (Gas) | | 0 | 0 | 193 | 280 |
| Number of BTM MH Converted Register Spaces (Electric) | | | | | |

ATTACHMENT A
 SOUTHWEST GAS CORPORATION (U 905 G)
 MOBILEHOME PARK UTILITY UPGRADE PROGRAM
 ANNUAL STATUS REPORT 4

| Cost Information | | | | | |
|--------------------------------|---|---|---|---------|-----------|
| To The Meter - Capital Costs | | | | | |
| Construction Direct Costs | | | | | |
| Civil/Trenching | | | | | |
| Electric | | | | | |
| Gas | | | | | 2,419,228 |
| | To the Meter Construction costs for civil related activities | 0 | 0 | 867,067 | |
| Gas System | | | | | |
| | | 0 | 0 | 0 | 0 |
| Labor | Cost for installation of distribution Gas assets, pre-inspection testing, decommissioning of legacy system (Gas Design cost was previously incorporated here) | 0 | 0 | 175,915 | 200,256 |
| Material / Structures | Pipes, fittings and other necessary materials required for gas construction | 0 | 0 | 36,649 | 115,194 |
| Electric System | | | | | |
| Labor | Cost for installation of distribution Electric assets, pre-inspection testing, decommissioning of legacy system (Electric Design cost was previously incorporated here) | | | | |
| Material / Structures | Cables, conduits, poles, transformers and other necessary materials for electrical construction | | | | |
| Design/Construction Management | Cost for engineering, design and construction inspection cost | 0 | 0 | 37,706 | 131,265 |
| Other | | | | | |
| Labor (Internal) | Meter installation, gas reights, easements, environmental desktop reviews and other support organizations | 0 | 0 | 0 | 0 |
| Other Labor (Internal)*** | | 0 | 0 | 0 | 0 |
| Other Labor (External) | Sewer Lateral Pre- and Post-construction inspection | 0 | 0 | 60,720 | 91,121 |
| Non-Labor | Permits | 0 | 0 | 1,934 | 4,404 |
| Materials | meters, modules and regulators | 0 | 0 | 0 | 0 |

ATTACHMENT A
 SOUTHWEST GAS CORPORATION (U 905 G)
 MOBILEHOME PARK UTILITY UPGRADE PROGRAM
 ANNUAL STATUS REPORT 4

| Program - Capital Costs | Costs that are inconsistent among the other IOUs, driven by utility specific business models or cost accounting practices. These costs should be separated out so that others do not compare costs that are not comparable with others. | | | | | |
|--|--|----------|----------|------------------|------------------|---|
| Project Management Costs | | | | | | |
| Project Management Office (PMO) | Program management office costs (Project Management, Program Management, schedulers, cost analysts and field engineers) | 0 | 0 | 0 | 0 | 0 |
| Outreach | | | | | | |
| Property Tax | Property tax on capital spending not yet put into service | 0 | 0 | 0 | 0 | 0 |
| AFUDC | AFUDC is a mechanism in which the utility is allowed to recover the financing cost of its construction activities. AFUDC starts when the first dollar is recorded on the project and ends when HCD complete the first inspection so that the new assets are in use by the residents. | 0 | 0 | 103 | 90 | |
| Other | | | | | | |
| Labor (Internal)*** | | 0 | 0 | 0 | 0 | 0 |
| Non-Labor | Utility specific overhead driven by corporate cost model | 0 | 0 | 5,926 | 5,762 | |
| Sub-Total Capital Cost To The Meter - Expense Costs | | 0 | 0 | 1,186,020 | 2,966,520 | |
| Project Management Costs | | | | | | |
| Project Management Office (PMO) | Program startup cost | 0 | 0 | 0 | 0 | 0 |
| Outreach | Outreach efforts to educate MHP Owners, residents, government and local agencies about the program | 0 | 0 | 500 | 2,915 | |
| Other | | | | | | |
| Labor (Internal) | Program startup cost for supporting organizations | 0 | 0 | 0 | 0 | 0 |
| Other Labor (Internal)*** | | 0 | 0 | 0 | 0 | 0 |
| Non-Labor | Cancelled Project Costs from MHPs that have failed to complete the MHP agreement or have cancelled the project | 0 | 0 | 0 | 0 | 0 |
| Sub-Total To The Meter | | 0 | 0 | 500 | 2,915 | |

ATTACHMENT A
SOUTHWEST GAS CORPORATION (U 905 G)
MOBILEHOME PARK UTILITY UPGRADE PROGRAM
ANNUAL STATUS REPORT 4

* An appendix can be provided to define each category if needed

** The Census Bureau identifies two types of urban areas:

- Urbanized Areas (UAs) of 50,000 or more people;
 - Urban Clusters (UCs) of at least 2,500 and less than 50,000 people.
- "Rural" encompasses all population, housing, and territory not included within an urban area. The Census Bureau website is: <https://www.census.gov/geo/reference/urban-rural.html>.

*** Provide as many labor cost lines with descriptions as needed to clarify types of labor included in project.

Notes:

- [a] Estimated on pre-conversion and post-conversion records.
- [b] Average Rate w/o MMBA recovery - Core represents the simple average of Southwest Gas' GS-40/GN-40/ and SLT-40 First 100 term rates effective November 1, 2018. Southwest Gas does not forecast its rates for future periods, therefore the November 1, 2018 effective rate is held constant through the end of the projection period.
- [c] Southwest Gas has not had a recovery rate in place for MMHP replacement activity. It is expected that a recovery rate will be implemented in April 2019.
- [d] Rate Change - Core represents the calculated rate to recover the calculated revenue requirement beginning in 2019 for each applicable year. It is calculated on an equal-cents-per therm basis using forecasted volumes for the twelve-months ended December 31, 2018. The Company does not forecast volumes for future years, therefore the forecasted December 31, 2018 volumes are held constant.
- [e] % Rate Change - Core = Rate Change - Core / Average Rate w/ MMBA recovery - Core
- [f] Average Rate w/o MMBA recovery - Non-Core represents the simple average of Southwest Gas' GS-70/GN-70/ and SLT-70 rates effective November 1, 2018. Southwest Gas does not forecast its rates for future periods, therefore the November 1, 2018 effective rate is held constant through the end of the projection period.
- [g] Southwest Gas has not had a recovery rate in place for MMHP replacement activity. It is expected that a recovery rate will be implemented in April 2019.
- [h] Rate Change - Non-Core represents the calculated rate to recover the calculated revenue requirement beginning in 2019 for each applicable year. It is calculated on an equal-cents-per therm basis using forecasted volumes for the twelve-months ended December 31, 2018. The Company does not forecast volumes for future years, therefore the forecasted December 31, 2018 volumes are held constant.
- [i] % Rate Change - Non-Core = Rate Change - Non-Core / Average Rate w/ MMBA recovery - Non-Core
- [j] Present Value calculation assumes 10% discount rate for the stream of revenue requirement amounts indicated.
- [k] Replacement activity through September 30, 2018, is contemplated to be included in the Company's 2021 Test Year rate case.