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Reference:

Filed For: Southwest Gas Corporation

In accordance with NRS Chapter 719,

this filing has been electronically signed and filed

by: /s TashiaGarry

By electronically filing the document(s),
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This filing has been electronically filed and deemed to be signed by an authorized
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Southwest Gas Corporation



SOUTHWEST GAS CORPORATION

December 23, 2020

Ms. Trisha Osborne
Assistant Commission Secretary
Public Utilities Commission of Nevada
1150 East William Street
Carson City, NV 89701-3109

Re: Southwest Gas Corporation
2020 Mesquite Expansion Project Status Report

Dear Ms. Osborne:

Pursuant to Nevada Administrative Code (NAC) 704.9758, Southwest Gas hereby submits to the Public Utilities Commission of Nevada its 2020 annual status report on the Mesquite Expansion Project.

Respectfully submitted,

Amy L. Timperley
Director/Regulation & Energy Efficiency

Enclosures

PUBLIC UTILITIES COMMISSION OF NEVADA
DRAFT NOTICE
(Applications, Tariff Filings, Complaints, and Petitions)

Pursuant to Nevada Administrative Code (“NAC”) 703.162, the Commission requires that a draft notice be included with all applications, tariff filings, complaints and petitions. Please complete and include **ONE COPY** of this form with your filing. (Completion of this form may require the use of more than one page)

A title that describes the relief requested (see NAC 703.160(5)(a)):

Mesquite Expansion Project – 2020 Status Report.

The name of the applicant, complainant, petitioner or the name of the agent for applicant, complainant or petitioner (see NAC 703.160(5)(b)):

Southwest Gas Corporation.

A brief description of the purpose of the filing or proceeding, including, without limitation, a clear and concise introductory statement that summarizes the relief requested or the type of proceeding scheduled **AND** the effect of the relief or proceeding upon consumers (see NAC 703.160(5)(c)):

Pursuant to Nevada Administrative Code (NAC) 704.9758, Southwest Gas submits its 2020 status report on the Mesquite Expansion Project. The Status Report is an informational filing that provides an update on the progress of the build-out of the Mesquite Expansion Project, including the number of customers currently being served, new customer commitments received to date, and the status of the design and construction of the approach main that will provide permanent gas supply. The Status Report also includes information about revenues, billing determinants and costs related to the Mesquite Expansion Project.

A statement indicating whether a consumer session is required to be held pursuant to Nevada Revised Statute (“NRS”) 704.069(1)¹:

Southwest Gas does not believe that a consumer session is required.

If the draft notice pertains to a tariff filing, please include the tariff number **AND** the section number(s) or schedule number(s) being revised.

Not applicable.

¹ NRS 704.069 states in pertinent part:

1. Except as otherwise provided in subsections 9 and 11 of NRS 704.110, the Commission shall conduct a consumer session to solicit comments from the public in any matter pending before the Commission pursuant to NRS 704.061 to 704.110, inclusive, in which:
 - (a) A public utility has filed a general rate application, an application to recover the increased cost of purchased fuel, purchased power, or natural gas purchased for resale, an annual deferred energy accounting adjustment application pursuant to NRS 704.187 or an annual rate adjustment application; and
 - (b) The changes proposed in the application will result in an increase in annual gross operating revenue, as certified by the applicant, in an amount that will exceed \$50,000 or 10 percent of the applicant’s annual gross operating revenue, whichever is less.

Southwest Gas Corporation

Mesquite Expansion Project 2020 Status Report

December 23, 2020



Overview

On May 20, 2018, the Public Utilities Commission of Nevada issued an order authorizing Southwest Gas Corporation (Southwest Gas or Company) to expand natural gas infrastructure to serve Mesquite, Nevada and the surrounding area (Mesquite Expansion Area) and to recover costs of the Mesquite Expansion Area Project (Project) through the alternative cost recovery approved in Docket No. 17-11008. Pursuant to Nevada Administrative Code (NAC) 704.9758 (Regulation), Southwest Gas hereby submits its annual status report to the Commission. The informational filing, referred to as the 2020 Status Report, provides an update on the Project build-out progress, including the design and construction of Company facilities, as well as the number of customers currently being provided service and new customer commitments received to date.

Pursuant to the Regulation, the 2020 Status Report also includes: (a) the actual billing determinants and a comparison of those billing determinants to the projected billing determinants used to establish the gas infrastructure expansion rates; (b) the actual revenues received from customers and a comparison of those revenues to the projected revenues; (c) the actual gas infrastructure expansion costs and a comparison of those costs to the projected gas infrastructure costs; (d) an updated projection of all billing determinants, revenues and costs; and (e) a calculation of the Company's earned rate of return for the most recently completed calendar quarter. Finally, the Company will provide an update on outstanding compliance items related to the Project.

Project Status

Virtual Pipeline

The Company commenced natural gas service to Mesquite Expansion Area customers (Mesquite Customers) in February 2019 via its virtual pipeline supplied with compressed natural gas (CNG) at its injection site located on Pioneer Blvd, west of Falcon Ridge Parkway (CNG Site or Site). The CNG Site is in the general vicinity anticipated when the Company filed its Application.¹ The decommissioning of the CNG Site commenced following the completion of the interconnection with Kern River as discussed below and is expected to be complete by December 31, 2020.

Mesquite Tap Site, Approach Main, & Infrastructure

The Company completed the design and installation of its interconnection with Kern River Gas Transmission Company (Mesquite Tap Site) and approximately fourteen miles of eight-inch steel approach main to the Mesquite area (Approach Main). See Exhibit 1 for a general location of those facilities. The Mesquite Tap Site and Approach Main were placed into service and interconnected with the Company's existing natural gas infrastructure in December 2020. The development of the access road from Mesquite Heights Drive to the Mesquite Tap Site is nearing completion.

To date, Southwest Gas has installed approximately twenty-eight miles of natural gas infrastructure throughout the Mesquite Expansion Area. This includes a six-inch PE commercial loop in sections of Pioneer Boulevard and Mesquite Heights Drive as well as regulator station at Canyon Crest Boulevard and Mesquite Heights Drive. See Exhibit 2 for a general location of the subject infrastructure. Moreover, the Company procured permits from the Nevada Department of Transportation for a 6" PE distribution main crossing Interstate 15 (I-15) west of the Falcon Ridge exit. Southwest Gas expects to have the ability to serve customers on the south side of the I-15 in the first quarter of 2021.

Mesquite Area District Office

Southwest Gas is actively pursuing a District Office location in the Mesquite Area. The Company anticipates leasing a space that can serve as a warehouse and office area.

Service Updates and Projections

The following customer class service updates and projections focus specifically on the January 2020 through December 2021 time period. See Exhibit 3 for actual usage by customer class and month through November 2020 and projected usage for December 2020 through December 2021.

Single Family Residential

Southwest Gas has secured contracts with home builders to serve approximately 540 residential units in the Mesquite area. As shown in Exhibit 3, from July 2020 to November 2020, the number of Mesquite single-family residential customers increased from 15 to

¹ Exhibit No. __ (JLS-5) to the Prepared Direct Testimony of James L. Stein in Docket No. 17-11008.

54 (a 260 percent increase). Moreover, as of early December 2020, the Company has installed service lines to 111 residential units, of which 73 have meter set assemblies (MSAs) installed. In addition to installing MSAs at the remaining 38 residential units, the Company expects approximately 120 additional residential units to commence service in 2021.

Multi-Family Residential

Southwest Gas is currently working with developers to establish service to two multi-family residential projects. The Company anticipates that one project will involve approximately 40 units commencing service in summer 2021. The second multi-family project involves approximately 270 units and the Company expects approximately 135 of those units to establish service by the end of 2021. These projections are incremental to the projections included in Docket No. 17-11008 as no multi-family projects were contemplated in that filing.²

General Service

The Company currently provides service to nine commercial customers and it anticipates adding one additional general service customer by the end of 2020. The Company is working with some additional small commercial businesses and at least one large commercial customer to establish service in 2021.

Information Required Pursuant to NAC 704.9758

The following comparisons focus specifically on the January 2020 through December 2021 time period. As described herein, the Company's Mesquite Tap Site and Approach Main were placed into service in December 2020. Prior to that time, service was provided via CNG and the virtual pipeline.

Section (a) - Billing Determinants

Exhibit 3 compares the projected Mesquite Customer billing determinants³ by month to the actual billing determinants of Mesquite Customers served from January 2020 through November 2020, and the projected number of Mesquite Customers to be served from December 2020 through December 2021.

Section (b) – Revenues

Exhibit 4 compares actual revenues from Mesquite Customers to the projected revenues from Mesquite Customers served from January 2020 through November 2020, and the projected revenues from Mesquite Customers to be served from December 2020 through December 2021.

Section (c) – Costs

As of the November 2020 deferral calculations, approximately \$9.8M of gross plant has been placed in-service in Mesquite. The Company estimated approximately \$30M of

² Exhibit No. ___(RLC-15) to the Prepared Direct Testimony of Randi L. Cunningham in Docket No. 17-11008.

³ Id.

gross plant⁴ for full Project build-out.

Section (d) – Updated Projections

Exhibit 5 compares the actual number of Mesquite Customers served to the projected number of Mesquite Customers served from January 2020 through November 2020, and the projected number of Mesquite Customers to be served December 2020 through December 2021.

Section (e) – Earned Rate of Return

Exhibit 6 provides the calculation of the Company's earned rate of return of 4.94% for the twelve months ended September 30, 2020.

Compliance Items

Infrastructure Expansion Rates

The Company's currently effective Infrastructure Expansion Rate (IER) applicable to southern Nevada customers and Mesquite Customers is \$0.00004 per therm. Moreover, Mesquite Customers are subject to an additional \$0.05395 per therm (Mesquite IER). Both rates were effective October 1, 2019.⁵ Effective January 1, 2021, the IER will change to \$0.00034 per therm and the Mesquite IER will change to \$0.11560 per therm.⁶ The Company will propose adjustments to these rates to update the revenue requirement to reflect additional deferred costs through September 30, 2021 (plant placed in-service through August 31, 2021) in its 2021 Annual Rate Adjustment filing.

Certificated Service Area and Maps

On November 9, 2020, the Company filed amended tariff sheets which updated the Company's Mesquite service area map and the associated description of service area to include the Mesquite Approach Pipeline in compliance with the Commission's Order issued in Docket No. 17-11008.

End-Use Gas Service in Lincoln County

In the Commission's Order issued in Docket No. 17-11008,⁷ the Company was directed to keep the Commission and the Attorney General's Bureau of Consumer Protection informed on a potential reorganization of the Bullhead City and Laughlin operations such that the tax-exempt status and callable status of the Company's Clark County Industrial Development Revenue Bonds will not be at risk upon a request for end-use gas service in Lincoln County. As of the date of this report, the Company has not received any requests to provide end-use gas service in Lincoln County.

⁴ Exhibit No.__(RLC-1) to the Prepared Direct Testimony of Randi L. Cunningham in Docket No. 17-11008.

⁵ Docket No. 19-08035. The Infrastructure Expansion Rate is displayed as a separate line item on customer bills. Pursuant to Section 18(5) of the Regulation, October 1, 2019 was the first practicable quarterly rate adjustment following the in-service date of the facilities installed.

⁶ Rates approved pursuant to Docket No. 20-05028.

⁷ Ordering paragraph 3 at page 48.

Exhibit 1

