

Southwest Gas Corporation

(U 905 G)

Mobilehome Park Utility Upgrade Program Annual Status Report 3

In compliance with:
Decision 14-03-021

Reporting Period:
January 1, 2017 through December 31, 2017

February 1, 2018



SOUTHWEST GAS CORPORATION

EXECUTIVE SUMMARY

In accordance with Decision (D.) 14-03-021 of the California Public Utilities Commission (Commission), Southwest Gas Corporation (Southwest Gas or Company) submits its third 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 seven¹ 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.²

PROCEDURAL HISTORY

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.

In D.14-03-021, the Commission deemed periodic reporting vital to the MHP Program in order to "fine-tune" and evaluate the program as necessary.³ Reports are due by February 1 in the year following each of the three, pilot program calendar years. Pursuant to Ordering Paragraph (OP) 10 in D.14-03-021, the third MHP Program status report is to include:

- 1) A comprehensive cost accounting for both "to the meter" and "beyond the meter" construction based on project completion and cut over; and
- 2) If desired, a narrative assessment of the three-year pilot.

Additionally, on September 28, 2017, the Commission approved Resolution E-4878, which authorized, 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

¹ 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.

² 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.

³ D.14-03-021, at pg. 51.

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.

REPORT

Southwest Gas has prepared and submits its Annual Status Report 3 in accordance with the above-listed requirements for the period January 1, 2017 through December 31, 2017.

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 345 spaces). As of December 31, 2017, Southwest Gas converted⁴ four MHPs totaling 181 permitted MHP spaces. Table 1 below depicts the status of those MHP conversions originally prioritized for conversion.

Table 1					
MHP	Location	Overlapping Electric Utility	# of Spaces	# Spaces Converted	Status
1	Kings Beach	Liberty	43	31	In progress
2	South Lake Tahoe	Liberty	24	21	In progress
3	Big Bear Lake	BVES	80	0	Withdrew
4	Victorville	SCE	48	31	Completed
5	Victorville	SCE	50	50	Completed
6	Victorville*	SCE	136	69	Completed
7	Hesperia	SCE	31	31	Completed
Total Spaces			412	233	

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

SED identified another Southwest Gas MHP in Big Bear Lake to replace the MHP that withdrew from the MHP Program. Table 2 below depicts this update.

Table 2					
MHP	Location	Overlapping Electric Utility	# of Spaces	# Spaces Converted	Status
1	Kings Beach	Liberty	43	31	In progress
2	South Lake Tahoe	Liberty	24	21	In progress
3	Big Bear Lake	BVES	250	250	In progress
4	Victorville	SCE	48	31	Completed
5	Victorville	SCE	50	50	Completed
6	Victorville*	SCE	136	69	Completed
7	Hesperia	SCE	31	31	Completed
Total Spaces			582	483	

⁴ Converted MHPs are those where system cutover has occurred and the master meter has been removed.

Due to various delays experienced in construction, BTM contractor work and BTM inspections, as well as limited construction windows due to winter weather conditions, MHPs 1 through 3 are expected to be converted in early Spring 2018.

MHP Program Cost Accounting

Southwest Gas' costs for its four converted MHPs (181 spaces), recorded through December 31, 2017, are shown in Table 3 below. The costs reported in this Annual Report are not final MHP Program costs and will be adjusted as trailing costs or other charges are recorded to the respective MHPs conversions, and when the final costs are received for the remaining three MHP conversions still in progress.⁵

Table 3	
Southwest Gas	Conversion Costs as of 12/31/2017
To-the-Meter (TTM)	
Civil Trenching	\$ ---
Gas System	\$
Labor	\$ 981,442.93
Materials/Structures	\$ 38,395.57
Other	
Company Labor	\$ 8,740.11
Non-Labor	\$ 97,842.00
Property Taxes ^[1]	\$
AFUDC	\$ 377.25
Subtotal TTM	\$1,126,797.86
Beyond-the-Meter (BTM)	
Civil/Trenching	\$ ---
Gas System	\$
Labor	\$ 461,203.38
Materials/Structures	\$ 146,905.13
Other (Permit/Inspections)	\$ 17,004.00
Subtotal BTM	\$ 625,112.50
Total Spaces Converted	
Gas	# 181
Average Cost / Space	
Gas	
TTM	\$ 6,225.40
BTM	\$ 3,453.66
Total Average Cost/Space	\$ 9,679.06

[1] Property taxes have not been incurred to date.

⁵ Trailing charges may include, but are not limited to, contractor invoices, internal labor charges, or other costs which may not have been received prior to this Annual Report.

Costs within each category of Table 3 are defined as follows:

1. TTM Costs

- a. Gas System Labor and Materials: Southwest Gas utilizes contractors to convert its MHPs. These costs include civil trenching (costs are shared with electric overlapping utility) labor and paving, pipe materials, and permitting (right-of-way, etc.).
- b. Other:
 - i. Labor: Costs for labor include engineering planning and design costs, and as-builts.
 - ii. Non-labor: Costs for non-labor include labor loadings, external contractor costs for engineering planning and design, and outreach costs for owner and resident communications and coordination performed pursuant to the MHP Program Outreach and Education Plan.

2. BTM Costs

BTM costs are reimbursed to the MHP owner/operator or paid to the BTM Contractor to perform the BTM construction work, including labor, materials and HCD permitting and inspection fees.

MHP Program Assessment

The Commission approved the three-year “living pilot” MHP Program to incentivize voluntary MHP conversions to direct utility service, while also testing the feasibility and effectiveness of the conversion on a combined “to the meter” and “beyond the meter” basis.

Overall, Southwest Gas considers the MHP Program a success. Response to the MHP Program has been significant and, in Southwest Gas’ experience, very positive – with nearly three quarters of the Company’s parks applying for conversion. Prior to the MHP Program, Southwest Gas converted only one MHP gas system in its service territory under existing statutory provisions. Under the MHP Program, Southwest Gas will complete seven conversions, and anticipates 16 more MHPs will be converted through 2019 with the extension of the MHP Program approved under Resolution E-4878. With each conversion, the MHP Program eliminates the park-owned electric and natural gas infrastructure, which is aging and (in some cases) lacking maps and other records, and replaces it with facilities owned and operated by the Commission’s regulated utilities pursuant to current codes and regulations - thereby directly addressing many of the safety and reliability concerns described in D.14-03-021. Finally, as new Southwest Gas customers, MHP residents have their own Southwest Gas accounts, and can avail themselves of account management tools including online bill pay. In addition to CARE and Medical Baseline, they also have the opportunity to participate in customer programs, such as Energy Efficiency, Equal Payment and Automatic Bill-Pay.


Conclusion

Southwest Gas appreciates the opportunity to provide its third 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, 2018.



Justin Lee Brown
Vice President/Regulation and Public Affairs