IN THE MATTER OF

SOUTHWEST GAS CORPORATION

APPLICATION 19-02-___

PREPARED DIRECT TESTIMONY

OF

JOHN R. OLENICK

ON BEHALF OF

SOUTHWEST GAS CORPORATION

FEBRUARY 1, 2019

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of

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BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION

Prepared Direct Testimony
of
John R. Olenick

I. INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is John Olenick. My business address is 5241 Spring Mountain Road, Las Vegas, NV 89150.

Q. 2 By whom and in what capacity are you employed?

A. 2 I am employed by Southwest Gas Corporation (Southwest Gas or the Company) in the Gas Supply department. My title is Director/Gas Supply.

Q. 3 Please summarize your educational background and relevant business experience.

A. 3 Appendix A to this testimony summarizes my educational background and relevant business experience.

Q. 4 Have you previously testified before any regulatory commission?

A. 4 Yes. I have previously testified before the Public Utilities Commission of Nevada.

Q. 5 What is the purpose of your prepared direct testimony in this proceeding?

A. 5 My direct testimony supports the Company's Application for Approval of tariff modifications related to the Gas Cost Incentive Mechanism (GCIM), including the addition of a Biomethane Gas Program (BGP), and modifications to the Customer Balancing Requirements and Operational Flow Orders contained in Southwest Gas' Tariff Rule No. 21 – Transportation of Customer-Secured Natural Gas (Rule No. 21).

Q. 6 Please summarize your prepared direct testimony.

A. 6 My prepared direct testimony addresses the following key issues:

- Permanent adoption of the previously approved temporary tariff changes to Preliminary Statement 17 concerning: (1) the benchmarking of Southern California daily gas purchases to daily indices; (2) including justification in the annual GCIM report for the exclusion of incremental costs and volumes associated with force majeure events from the GCIM purchased gas costs and the GCIM Benchmark Costs; and, (3) excluding commodity, transportation, and storage costs from the GCIM calculation of shared savings or costs that the Company makes in response to Southern California Gas Company (SoCalGas) Operational Flow Orders (OFO) or Emergency Flow Orders (EFO), reduced daily balancing windows, non-performance of firm contracted resources such as storage and pipeline capacity, and daily balancing or other curtailment procedures.
- Modification of Preliminary Statement 17 – *Gas Cost Incentive Mechanism* (Preliminary Statement 17) to include a BGP that provides a method to address the cost and revenue associated with the Company's purchase of biomethane gas.
- Modification of Rule No. 21 – *Transportation of Customer-Secured Natural Gas* (Rule No. 21) to make the Company's transportation customer balancing requirements more closely align with the requirements to which SoCalGas holds its transportation customers.

II. PERMANENT ADOPTION OF TEMPORARILY APPROVED PRELIMINARY STATEMENT 17 CHANGES

Q. 7 What tariff changes did Southwest Gas request in Advice Letter No. (AL) 1006?

A. 7 Southwest Gas requested three modifications and a few minor clarifying changes to Preliminary Statement 17 in AL 1006. Preliminary Statement 17 contains the GCIM provision, which "provides objective standards to measure" the Company's "gas procurement performance and a methodology to share annual savings and costs between the Company's shareholders and ratepayers." A copy of AL 1006 is provided as Exhibit No. JRO-1.

This first modification to the GCIM changed the calculation of the Southern California Benchmark Price Index for purchases made for less than an entire month to be based on daily index pricing, as opposed to monthly index pricing. AL 1006 explains the rationale for this modification as follows:

"Southwest Gas' GCIM does not appropriately contemplate all scenarios relating to the Company's natural gas procurement performance. Specifically, the Company's GCIM is structured so that, in Southwest Gas' Southern California service territory, purchases of gas on the daily market would be measured against monthly price indices. This results in an inappropriate comparison because of the price differences between daily and monthly gas markets. The revisions proposed in this filing modifies the Company's GCIM to allow for the appropriate evaluation of the Company's natural gas purchases (i.e. daily purchases v. daily indices, monthly purchases v. monthly indices)."[1]

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[1] AL 1006, at pg. 2.

The second modification to the GCIM added language requiring that Southwest Gas include justification in its annual GCIM filing for any costs associated with an emergency that it excluded from GCIM Purchased Gas Costs and the GCIM Benchmark. This modification clarifies the mechanism through which the Company is to justify these exclusions, as previously, there was no stated method for the Company to provide a justification for regulatory review.

Finally, the third modification to the GCIM requested in AL 1006 provided an exclusion from GCIM Purchased Gas Costs and GCIM Benchmark of certain commodity, transportation, and storage costs incurred by the Company in response to SoCalGas' OFOs and EFOs, reduced daily balancing windows, or non-performance of firm contracted resources.

Q. 8 Why were the changes requested in AL 1006 necessary?

A. 8 Prior to the tariff revisions temporarily being approved in AL 1006, the GCIM was structured so that, in Southwest Gas' Southern California service territory, gas purchases on the daily market were measured against monthly prices indices, resulting in an inappropriate comparison due to the differences between the daily and monthly gas markets. Two recent events outside of the Company's control – SoCalGas' implementation of tariff changes permitting high and low OFOs and EFOs and concerns over the availability of SoCalGas' Aliso Canyon underground storage facility increased the need for Southwest Gas to purchase gas supplies in the daily market. The conditions that precipitated GCIM changes contained in AL 1006 continue to exist today – SoCalGas' tariff continues to include the high and low OFO and EFO provisions and Aliso Canyon remains available at only reduced levels from the pre-leak levels. Southwest Gas continually sees cuts in both storage injections and withdrawals and SoCalGas routinely implements the high and low OFO or EFO provisions of its tariff.

Q. 9 What was the outcome of AL 1006?

A. 9 On October 28, 2016, the Energy Division issued a disposition letter authorizing Southwest Gas' requested tariff modifications on a temporary basis through the GCIM year beginning November 1, 2016 extending through October 31, 2017. In its disposition letter the Energy Division also required that Southwest Gas include two scenarios in its GCIM Report for that GCIM reporting period – one with the AL 1006 modifications and one without the AL 1006 modifications. Further, in addition to extending the tariff modifications through another letter filing, Southwest Gas was also provided the option of including these modifications in another Commission proceeding.

Q. 10 Has Southwest Gas requested any extensions of the temporary tariff modifications approved in AL 1006?

A. 10 Yes. On September 8, 2017, Southwest Gas submitted AL 1048 requesting a one-year extension of the temporary modifications approved in AL 1006. The Energy Division, on October 17, 2017, approved AL 1048. The Company requested a second one-year extension of the temporary modifications in AL 1081, submitted October 5, 2018. The Energy Division approved AL1081 on October 29, 2018. Copies of AL 1048 and AL 1081 are provided as Exhibit Nos. JRO-2 and JRO-3.

Q. 11 Did Southwest Gas submit GCIM Reports consistent with the requirements set forth in the disposition letter for AL 1006?

A. 11 Yes. The GCIM Reports for GCIM reporting periods starting November 1, 2016 through October 31, 2017 (2016-2017 GCIM reporting period), submitted

January 26, 2018, and November 1, 2017 through October 31, 2018 (2017-2018 GCIM reporting period), submitted January 25, 2019, both contained the two scenarios required by the Energy Division in its disposition letter for AL 1006.

Q. 12 What were the conclusions of the GCIM Report for the 2016-2017 GCIM reporting period, as related to the AL 1006 tariff modifications?

A. 12 The AL 1006 tariff modifications only pertained to Southwest Gas' Southern California service territory gas purchases, so there were no changes to the Northern California GCIM calculations. For the Southern California GCIM calculations, the GCIM Benchmark with the AL 1006 modifications was $39,017,276.11, while the GCIM Benchmark without the AL 1006 modifications was $39,142,804.95. Both scenarios have the same GCIM purchased gas cost of $38,147,327.86. The result was shared savings under both scenarios ($368,048.56 with the AL 1006 modifications and $491,066.82 without the modifications).

Q. 13 What were the conclusions of the GCIM Report for the 2017-2018 GCIM reporting period, as related to the AL 1006 tariff modifications?

A. 13 For the Southern California GCIM calculations, the GCIM Benchmark with the AL 1006 modifications was $31,481,165.78, while the GCIM Benchmark without the AL 1006 modifications was $31,241,166.01. Both scenarios have the same GCIM purchased gas cost of $30,607,765.02. The result was shared savings under both scenarios ($415,890.81 with the AL 1006 modifications and $180,691.04 without the modifications).

Q. 14 What is the status of the review of the GCIM Reports for the 2016-2017 and 2017-2018 GCIM reporting periods?

A. 14 The Reports are under review by the Public Advocates' Office (PAO).

Q. 15 Why is Southwest Gas seeking to make the tariff modifications approved in AL 1006 permanent?

A. 15 The conditions that precipitated the AL 1006 submittal continue to exist today. SoCalGas' access to Aliso Canyon has improved; however, it is not back to the pre-leak levels of inventory, injection and withdrawal. As a result, SoCalGas continues to implement the high and low OFO and EFO provisions in its tariff. Southwest Gas continues to see cuts in injections and withdrawals from its SoCalGas storage service and, at times, must make daily purchases to reduce the risk of the imposition of SoCalGas noncompliance charges. Further, Southwest Gas has not seen any information that indicates that Aliso Canyon will ever be available at its pre-leak capabilities or that SoCalGas intends to remove high and low OFO and EFO provisions from its tariff. In addition, even if SoCalGas' high and low OFO and EFO provisions were to be removed or relaxed in the future, it is appropriate to permanently benchmark daily priced gas purchases against daily indexes in the GCIM. Permanent adoption of the changes supports the GCIM purpose to provide objective standards to measure Southwest Gas' procurement performance because monthly purchases will be measured against monthly indexes and daily purchases will be measured against daily indexes. Appropriately benchmarking purchases uses the best available information to objectively determine GCIM shared costs and savings which benefits both the Company's customers and its shareholders.

III. BIOMETHANE GAS PROGRAM (BGP)

Q. 16 Please explain the proposed BGP and its purpose.

A. 16 The purpose of the BGP is to identify and secure gas supply or sales contracts that further the goals of: the California Global Warming Solutions Act of 2006, as amended; the California Low Carbon Fuel Standard (California Code of Regulations §95480 through §95497); SB 1383 "Short-lived Climate Pollutants"; SB 1440 "Biomethane Procurement", or other current or future legislative or regulatory efforts to reduce greenhouse gas emissions. The BGP provides a high-level framework for Southwest Gas biomethane gas purchases and sales activities and a reporting requirement. Exhibit A to the Company's Application includes the proposed changes to the Preliminary Statement that encompass the BMP.

The BGP is an indirect response to the legislative changes contained in SB 1383, which seek to reduce short-lived climate pollutants such as methane emissions from dairies, livestock, and landfills. The legislative intent of SB 1383 is to support the adoption of policies for the "innovative, cost effective, and environmentally beneficial uses of biomethane derived from solid waste facilities."[2] However, SB 1383 is silent on a gas corporation's cost recovery related to the purchase or sale of biomethane gas generated from biomethane gas projects.

SB 1383 also required that the California Energy Commission (CEC) "develop recommendations for the development and use of renewable gas, including biomethane gas and biogas as part of its 2017 Integrated Energy Policy Report."[3] In that report, the CEC recognizes that biomethane gas, also known as renewable natural gas, can be a valuable commodity when used as a vehicle fuel due to the "monetary value of credits generated from the federal Renewable Fuels [sic] Standard and California Low Carbon Fuel Standard for renewable

[2] SB 1383 Section 1.(b).
[3] Id. at Section 5.(b).

transportation fuels."[4] Further, the CEC recognized that many "biomethane [gas] vehicle fuel projects rely largely on these credits as a major source of income," but that more than 90 percent of the biogas in the Low Carbon Fuel Standard program are captured outside of California and imported through interstate pipelines.[5]

The BGP is also proposed in response to SB 1440 which requires the Commission, in consultation with the State Air Resources Board to consider adopting biomethane gas procurement targets for gas corporations. If targets are adopted, then SB 1440 states any biomethane gas procurement program must meet one of the two following conditions:

> (A) The biomethane is delivered to California through a dedicated pipeline.
> (B) The biomethane is delivered to California through a common carrier pipeline and meets both of the following requirements:
> (i) The source of biomethane injects the biomethane into a common carrier pipeline that physically flows within California, or toward the end user in California for which the biomethane was produced.
> (ii) The seller or purchaser of the biomethane demonstrates that the capture or production of biomethane directly results in at least one of the following environmental benefits to California:
> (I) The reduction or avoidance of the emission of any criteria air pollutant, toxic air contaminant, or greenhouse gas in California.
> (II) The reduction or avoidance of pollutants that could have an adverse impact on waters of the state.
> (III) The alleviation of a local nuisance within California that is associated with the emission of odors.

[4] Proposed Final 2017 Integrated Energy policy Report, January 26, 2018, p. 11, found at: http://docketpublic.energy.ca.gov/PublicDocuments/17-IEPR-01/TN222377_20180126T144311_Proposed_Final_2017_Integrated_Energy_Policy_Report_Clean_Versi.pdf.

[5] Id. at 312.

The BGP contains the same requirements as SB 1440 and biomethane gas purchases that do not meet one of the two stated conditions will not be part of the BGP.

Southwest Gas believes that the proposed BGP provides a simple method for the Company to address cost recovery for biomethane gas purchase and sale activity, will assist in making California-based biomethane gas projects financially viable, is compliant with SB 1440's requirements, and furthers the legislative intent of SB 1383 and SB 1440.

Q. 17 Has Southwest Gas been working with any biomethane gas projects or developers located in its California service territories?

A. 17 Yes. Southwest Gas has been working with various developers of potential biomethane gas projects in its California service territories to connect those potential facilities to Southwest Gas' facilities, move the biomethane gas into the vehicle fuel markets, and monetize the credits generated from the federal Renewable Fuel Standard and California Low Carbon Fuel Standard for renewable transportation fuels (collectively Environmental Credits). Monetizing the Environmental Credits is essential to the financial viability of the potential biomethane gas projects. Some developers seek the Company's involvement in the purchase and sale of the biomethane gas, as well as the monetization of the Environmental Credits. Although Southwest Gas' California Tariff addresses cost recovery for the interconnection facilities with biomethane gas production facilities, it is currently silent on the treatment of costs associated with the purchase or sale of biomethane gas. Consequently, Southwest Gas proposes the changes to its GCIM to incorporate a method to include purchase costs and sales revenue associated with biomethane gas generated from biomethane gas projects.

Q. 18 Are any biomethane purchases on the horizon for Southwest Gas?

A. 18 Yes. Southwest Gas has entered into a contract to purchase biomethane gas from the Rialto Bioenergy Facility located in Rialto California. That facility will convert food waste and biosolids into biomethane gas. The facility will interconnect with SoCalGas' facilities and Southwest Gas will move that biomethane gas to its southern California service territory. The Rialto Bioenergy Facility is currently under construction and is expected to be in service and producing biomethane gas in mid-2020. Southwest Gas' purchase of biomethane gas from the Rialto Bioenergy Facility would be part of the BGP, if these proposed tariff changes are approved.

Q. 19 How will the proposed BGP function?

A. 19 The proposed BGP will be incorporated into Southwest Gas' GCIM and will essentially pass through to its customers the cost to purchase biomethane gas and any revenue generated by off-system sale of the biomethane gas, including any portion of the monetized value of the associated Environmental Credits that the Company may receive. This "pass through" is accomplished by benchmarking any BGP purchases at the contract price for each purchase and benchmarking any BGP sales at the contract price for sale, which effectively passes those costs and revenue through to the customers.

Q. 20 Is the BGP similar to the Volatility Mitigation Program (VMP) that is already included in the GCIM?

A. 20 Yes. The VMP uses the same mechanism to "pass through" VMP purchase costs to the customers – i.e. it uses the contract price for a VMP purchase as the benchmark for that same VMP purchase. The additional aspect of the BGP is that an off-system sale of biomethane gas is also benchmarked at the contract price for that off-system sale, which also passes that revenue through to the customers.

Q. 21 Is Southwest Gas proposing to receive an incremental shareholder benefit from the BGP purchase and off-system sales activity?

A. 21 No. Southwest Gas is proposing that all costs and benefits of the BGP flow through the GCIM. As previously explained, the proposed tariff modifications pass all BGP costs and revenues through to Southwest Gas' customers in the same manner as the current VMP costs are passed through to the Company's customers. Thus, Southwest Gas customers will receive all benefits associated with the biomethane gas, including any benefits from the potential off-system sale of biomethane gas and potential monetization of the associated Environmental Credits.

IV. RULE NO. 21 – TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS MODIFICATIONS

Q. 22 What modifications is the Company proposing to Rule No. 21 of its California Tariff?

A. 22 Rule No. 21 outlines the interactions between Southwest Gas and those customers on its system that secure their own gas supplies and deliver those supplies to Southwest Gas at one of the upstream interconnects between the Company's facilities and SoCalGas. Southwest Gas then takes possession of those gas supplies and redelivers them to the customers' facilities that interconnect with the Company's distribution system. For purposes of this testimony, I will refer to such customers as "Transportation Customers."

Currently, Rule No. 21 only requires Transportation Customers to balance with Southwest Gas on a monthly basis. The proposed modifications would require Transportation Customers to balance with Southwest Gas on a monthly basis and on daily basis and permit the Company to institute OFOs. The addition of daily balancing and OFO provisions will more closely align the Company's tariff to the provisions contained in SoCalGas' tariff, which now contains both daily balancing provisions and OFO provisions. The Company's proposed changes to Rule 21 are provided as Exhibit A to the Application.

Q. 23 Why is Southwest Gas proposing to make these changes to Rule No. 21?

A. 23 Southwest Gas is a wholesale customer of SoCalGas and is subject to the daily balancing, monthly balancing, and high and low OFO and EFO provisions set forth in SoCalGas' tariff. In Southwest Gas' Southern California service territory, the Company relies on transportation service from SoCalGas to move 100% of its gas supply from SoCalGas' interconnections with upstream pipelines to Southwest Gas' distribution system. Southwest Gas' Southern California Transportation Customers also rely on SoCalGas for transportation service that moves 100% of their gas supply from SoCalGas' interconnections with upstream pipelines to Southwest Gas' distribution system. Therefore, operating conditions on the SoCalGas' system can impact 100% of the gas supply moving to Southwest Gas' Southern California distribution system. However, Southwest Gas' tariff does not include the daily balancing, OFO, or EFO provisions that SoCalGas' tariff contains. Southwest Gas is proposing the modifications to Rule No. 21 so that when SoCalGas imposes daily balancing, OFOs, or EFOs on

Southwest Gas, the Company can similarly restrict its Transportation Customers to help ensure that Southwest Gas is able to comply with SoCalGas' daily balancing, OFO, and EFO provisions.

Q. 24 How many Transportation Customers does Southwest Gas have in its California service territories?

A. 24 Customer counts can fluctuate, but as of January 2019, there were 13 Transportation Customers in the Company's Southern California service territory and 3 in the Northern California service territory. While the number of Transportation Customers is low, in the Southern California service territory, those 13 Transportation Customers represent about 3% to 6% of the total throughput on Southwest Gas' Southern California distribution system. In Northern California, those three Transportation Customers represent about 2% of the total throughput on Southwest Gas' Northern California distribution system.

Q. 25 How often does Southwest Gas receive charges from SoCalGas related to the daily balancing, OFO, or EFO provisions in the SoCalGas tariff?

A. 25 Southwest Gas infrequently receives such charges because it successfully uses either injections or withdrawals of gas supplies from its SoCalGas storage accounts or purchases daily gas supplies to avoid such charges. During 2018 Southwest Gas received $920.50 in those charges from SoCalGas.

Q. 26 Does Southwest Gas inject or withdraw gas supplies from its SoCalGas storage accounts or purchase daily gas supplies frequently to avoid SoCalGas charges associated with daily balancing, OFOs, and EFOs?

A. 26 Yes. This is especially true since 2016 when SoCalGas implemented changes to its daily balancing[6], and OFO/EFO provisions[7], which were approved by the Commission. Without the frequent use of injections, withdrawals, and purchases, Southwest Gas would receive more balancing, OFO, and EFO charges from SoCalGas, than it has in the past.

Q. 27 How does Southwest Gas recover the costs associated with SoCalGas' balancing, OFO/EFO charges and storage services?

A. 27 Since all of these charges are associated with the transportation of natural gas supplies, Southwest Gas recovers those costs from its sales customers through the Purchased Gas Cost Balancing Account (PGA) just like all other natural gas transportation charges.

Q. 28 How does Southwest Gas recover the costs associated with gas supply purchases, including the daily purchases that are used to minimize the risk of incurring SoCalGas' balancing, OFO, and EFO charges?

A. 28 Southwest Gas recovers all gas purchase costs, including daily gas purchase costs, from its sales customers through the PGA.

Q. 29 Does Southwest Gas recover PGA balances from Transportation Customers?

A. 29 No.

Q. 30 Why are the revisions to Rule No. 21 needed now?

A. 30 As explained above, Southwest Gas uses storage services it receives from SoCalGas and daily gas supply purchases to minimize the risk of receiving

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[6] Decision (D.) – "Decision Approving Daily Balancing Proposal Settlement Agreement"; D.16-12-015 – "Decision Approving Second Daily Balancing Proposal Settlement Agreement", as modified by D.17-11-021 and D.18-11-009.

[7] D.15-06-004 – "Decision Granting Application of Southern California Gas Company and San Diego Gas & Electric Company for Low Operational Flow Order and Emergency Flow Order Requirements.

balancing, OFO, and EFO charges from SoCalGas. The cost for all of these (storage services, gas supply purchases, and balancing, OFO, and EFO charges) are recovered through the PGA from sales customers and not from Transportation Customers. However, Transportation Customer's daily imbalances could cause Southwest Gas to incur balancing, OFO, and EFO charges or compel Southwest Gas to make daily gas purchases, but Southwest Gas' current Rule No. 21 has no method to either limit Transportation Customers' daily imbalances or to pass through the noncompliance charges to Transportation Customers if they create excess daily imbalances. The proposed changes provide a method for Southwest Gas to limit Transportation Customers' daily imbalances and allows Southwest Gas to collect charges from the Transportation Customers, which would be credited to the PGA, if a Transportation Customer does not balance within the provided tolerances on a daily basis. The charges Southwest Gas would collect would help offset any costs that the Transportation Customers cause and minimize the PGA balance that would be collected from sales customers. More simply put, since SoCalGas requires that Southwest Gas balance on a daily basis or be subject to charges, it's reasonable that Southwest Gas have the ability to require its Transportation Customers balance on a daily basis or be subject to charges.

Q. 31 The information you just provided relates solely to Southwest Gas' Southern California service territory. Do similar conditions exist on Southwest Gas' Northern California service territories?

A. 31 Yes. Currently, Southwest Gas' Northern California Transportation Customers are not subject to any daily balancing provisions or charges. However, Southwest Gas routinely makes daily gas purchases or withdraws gas supplies from the LNG storage service it receives from Paiute Pipeline Company to meet changes in customer demand. Additionally, Paiute Pipeline has the ability to penalize Southwest Gas during OFO events. The cost of daily gas purchases, the LNG storage service, and any penalties assessed by Paiute are recovered from sales customers through the PGA, and Southwest Gas has no ability to limit Transportation Customer daily imbalances or collect charges if Transportation Customers create excess daily imbalances. The proposed changes to Rule No. 21 would also solve this issue for Southwest Gas Northern California service territories.

Q. 32 What is Southwest Gas' proposal related to daily balancing provisions?

A. 32 Southwest Gas proposes to allow each Transportation Customer a Daily Tolerance Band under which each customer's Daily Imbalance (defined as difference between the customer's daily transportation quantity scheduled for burn and the customer's daily metered quantity) may not be greater or less than the Daily Tolerance Band Percentage multiplied by the customer's daily transportation quantity scheduled for burn. Should a Transportation Customer's usage fall outside of the Daily Tolerance Band, it will be assessed a noncompliance charge on those quantities outside the Daily Tolerance Band.

On a normal day, the Daily Tolerance Band Percentage would be set at +/-25% and the noncompliance charge would be $0.00/Therm. However, under certain conditions, Southwest Gas could lower the Daily Tolerance Band Percentage, in a step wise manner, down to 0%. Likewise, as Southwest Gas lowers the Daily Tolerance Band Percentage, the noncompliance charge would increase as the Daily Tolerance Band Percentage is decreased.

Q. 33 Why did Southwest Gas select +/-25% for the non-OFO Daily Imbalance Tolerance?

A. 33 The non-OFO Daily Imbalance Tolerance of +/-25%, as well as the levels for Stage 1, 2, and 3 OFOs are consistent with the Daily Imbalance Tolerances in SoCalGas' Rule No. 30 Section G.1.a., but do not mirror those levels. Southwest Gas believes that the Daily Imbalance Tolerance of +/-25% provides a sufficient amount of flexibility for the Company's California Transportation Customers while also providing an incentive for those Transportation Customers to closely align their daily scheduled quantities with their actual daily usage. The three levels of OFOs also provide Southwest Gas with the ability to limit the daily flexibility of Transportation Customers to help reduce the risk of incurring balancing, OFO, and EFO charges from its upstream pipelines.

Q. 34 What is Southwest Gas' proposal related to OFO provisions?

A. 34 The proposed OFO provisions are meant to provide Southwest Gas with a tool to require Transportation Customers to balance on a daily basis when the Company needs to protect system integrity, manage upstream resources, or insure that operational conditions on the Company's system comply with the upstream pipelines' operational conditions. The proposed daily balancing and OFO tariff provisions work hand in hand to help ensure that each of Southwest Gas' customers receives a safe reliable supply of natural gas and that there are no cross-subsidies between Transportation Customers and the Company's sales customers.

Q. 35 Which of the Company's customers are affected by the proposed daily balancing and OFO provisions?

A. 35 This proposal only directly affects the Company's California Transportation Customers, as those customers would now need to balance on both a daily and monthly basis with Southwest Gas or be subject to noncompliance charges. However, these changes will indirectly benefit the rest of Southwest Gas' customers. Currently, Southwest Gas is subject to the daily balancing and OFO and EFO provisions contained in SoCalGas' tariff. The responsibility for any potential noncompliance charges from SoCalGas to Southwest Gas currently lies only with the customers that Southwest Gas procures supplies for. Southwest Gas has no method for recovering any potential SoCalGas noncompliance charges from Transportation Customers, even if it could be shown that a Transportation Customer was the cause of the SoCalGas noncompliance charge. Thus, Southwest Gas' current Rule No. 21 permits a potential cross-subsidization where the majority of the Company's customers could be paying for a SoCalGas noncompliance charge that was caused by one or more Transportation Customers.

These proposed revisions first provide Southwest Gas the ability to require Transportation Customers to balance on a daily basis (which would reduce the likelihood of the Company receiving a SoCalGas noncompliance charge) and provides a method to recover revenue from Transportation Customers that do not comply and do not balance on a daily basis. Southwest Gas would credit any revenue generated from noncompliance charges to Account No. 191, Unrecovered Purchased Gas Costs, offsetting potential SoCalGas noncompliance charges. Transportation Customers are directly affected while all other customers are provided an indirect benefit.

Q. 36 Are Southwest Gas' Transportation Customers currently subject to the daily balancing, OFOs, or EFOs contained in SoCalGas' tariff that Southwest Gas is subject to?

A. 36 No. Southwest Gas is the balancing agent between all its customers, including Transportation Customers, and SoCalGas.[8] Consequently, any daily imbalances are reported only as an imbalance between Southwest Gas and SoCalGas and Southwest Gas is responsible for any charges assessed by SoCalGas.

Q. 37 Would it be possible for a Southwest Gas Transportation Customer that also has facilities on the SoCalGas system to skirt SoCalGas OFO or EFO noncompliance charges through the discrepancy between the daily balancing provisions in SoCalGas' tariff and the lack of daily balancing provisions in Southwest Gas' tariff?

A. 37 Yes. A Transportation Customer could potentially pack gas on Southwest Gas' system when SoCalGas issues a high OFO or high EFO to avoid SoCalGas noncompliance charges. Similarly, such a customer could short its Southwest Gas system facility and move that gas to its SoCalGas facility to avoid SoCalGas noncompliance charges during a SoCalGas low OFO or low EFO. If that were to occur, the risk of Southwest Gas receiving a SoCalGas noncompliance charge is increased. The proposed tariff modifications to Rule No. 21 would

[8] See Southern California Gas Company Tariff, Rule No. 30, Section G.1.b.

close this potential loophole between the SoCalGas tariff and the Southwest Gas tariff.

Q. 38 Do you support the proposed modifications to Rule No. 21 of Southwest Gas' California Tariff?

A. 38 Yes. Southwest Gas' Transportation Customers should not be permitted more flexibility than the Company receives from its upstream provider. The proposed tariff modifications to Rule No. 21 more closely align Southwest Gas' tariff provisions with those of SoCalGas, the sole provider of intrastate transportation service for Southwest Gas and its Southern California customers. These changes will also minimize the possibility of any cross-subsidization between Southwest Gas' Transportation Customers and the rest of the Company's other customers. Finally, these changes will close a loophole that exists due to the current differences between Southwest Gas tariff and SoCalGas' tariff.

Q. 39 Is there any connection between the proposed changes to Rule No. 21 and the proposed revisions to Preliminary Statement 17?

A. 39 No. The revisions to Preliminary Statement 17 solely relate to the method by which the GCIM should benchmark those biomethane purchases or off-system sales, including how the GCIM should benchmark daily purchases made for the Southern California service territory, and how Southwest Gas accounts for biomethane gas purchases or off-system sales. Whereas, the proposed revisions to Rule No. 21 pertain only to Transportation Customers and seek to more closely align the Southwest Gas California Gas Tariff with that of its transportation service provider.

Q. 40 Does this conclude your prepared direct testimony?

A. 40 Yes.

SUMMARY OF QUALIFICATIONS
JOHN R. OLENICK

I hold a Bachelor of Science degree in Chemistry from the University of Nevada Las Vegas and a Juris Doctorate degree from the Williams S. Boyd School of Law, University of Nevada Las Vegas. I am licensed to practice law in the State of Nevada, the United State District Court for the District of Nevada, and the United States Court of Appeals for the Ninth Circuit.

I first worked for Southwest Gas Corporation between February 1988 and June 1993. During that period I held the positions of Gas Dispatch Technician, Regulatory Analyst, and Gas Control Technician. My primary responsibilities during this period included the control and monitoring of the Southern Nevada natural gas distribution and transmission systems; analyzing gas supply and transportation contracts using linear optimization models, summarizing results, and recommending least cost alternatives; and, the daily and monthly administration of tariffs related to the transportation of customer secured gas supplies.

In June 1993 I began work at Nevada Power Company where I held the positions of Fuels Analyst and Manger Gas & Oil Procurement. My primary responsibilities included the daily purchasing and scheduling of Nevada Power Company's natural gas fuel requirements, soliciting, negotiating, and contracting for gas supply and transportation resources for Nevada Power Company's natural gas and oil related fuel requirements; and, the administration of gas and oil supply and transportation contracts.

After leaving Nevada Power in November 1999, I entered law school. Starting in January 2002, I was employed by Ryan Marks Johnson & Todd, first as a law clerk where my responsibilities included drafting motions, oppositions, discovery requests and answers, researching legal issues, and drafting memorandum summarizing research and recommendations. After graduation and passing the Nevada Bar exam, I was promoted to

SUMMARY OF QUALIFICATIONS
JOHN R. OLENICK

Associate Attorney and my responsibilities included defending residential construction subcontractors in lawsuits involving construction defect claims.

In January 2005, I started at Morris Pickering & Peterson where I defended business entities in litigation concerning real estate escrow transactions, multifamily residential financing agreements, personal injury claims, products liability, and contract disputes.

In May 2007 I returned to work at Southwest Gas Corporation where I previously held the positions of Manager/Gas Purchases & Transportation and Senior Manager/Gas Purchases & Transportation. In February 2014, I was promoted to Director/Gas Supply. My responsibilities include soliciting, negotiating, and contracting for the gas supply and transportation resources required to meet the needs of the Southwest Gas Corporation's core customers. I am also responsible for nominations and confirmations of gas supplies on upstream interstate pipelines and the confirmation of all gas supplies at the delivery points into Southwest Gas Corporation's distribution system and the scheduling of those supplies to the Company's customers. Finally, I have responsibility for the support of the Gas Transaction System that Southwest Gas Company uses to track gas purchases, transportation capacity, nominations, confirmations, scheduled quantities, and the settlement of gas procurement transactions.

EXHIBIT NO.__(JRO-1)

Advice Letter No. 1006

STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

October 28, 2016

Justin Lee Brown
Vice President/Regulation & Public Affairs
Southwest Gas Corporation
P. O. Box 98510
Las Vegas, NV 89193-8510

Advice Letter 1006

Subject: Southwest Gas Corporation Advice Letter 1006 Request for Modification of its Gas Cost Incentive Mechanism

Dear Mr. Brown:

Southwest Gas Corporation (SWG) Advice Letter (AL) 1006 is approved with the following conditions effective as of this date for the Gas Cost Incentive Mechanism (GCIM) Year beginning November 1, 2016 through October 31, 2017.

Background

On March 23, 2016, SWG filed Advice Letter 1006 seeking authorization to revise its GCIM to include additional benchmarks. SWG's current GCIM for its southern California service territory benchmarks all natural gas purchases to monthly price indices. SWG's proposed changes would include daily price indices to allow appropriate evaluation of SWG's natural gas purchases.

SWG states that the current GCIM does not appropriately provide SWG with the flexibility to address the recent events outside of the company's control affecting SWG's natural gas procurement. Three events influencing SWG's procurement include 1) the concerns about the availability of Southern California Gas Company (SoCalGas)'s Aliso Canyon underground storage facility; 2) SoCalGas' recent implementation of tariff changes permitting high and low Operational Flow Orders (OFOs) and Emergency Flow Orders (EFOs); and 3) SoCalGas' proposal to implement daily balancing which would increase the risk of balancing penalties for SWG. SWG is a wholesale customer of SoCalGas and serves a combination of residential and small commercial customers.

Protests and Reply

On April 12, 2016, the Office of Ratepayer Advocates (ORA) filed a protest to AL 1006 arguing that SWG had not provided adequate justification or support to indicate that the current structure of its GCIM is inadequate for SWG to manage unforeseen costs. ORA argues that the Volatility Mitigation Program (VMP), a component in the GCIM, allows SWG to secure supplies during any unforeseen events. The VMP program covers up to 25 percent of the total forecasted annual supply. ORA recommends rejecting the Advice Letter, but alternatively, stated that if the Commission decides to approve AL 1006, that the proposed changes be accepted on a temporary basis due to the current withdrawal limitations on the Aliso Canyon storage.

In its reply to the protest, SWG states that the current measurement of monthly price indices is an inappropriate measurement of its natural gas purchases. The proposed revisions would allow for daily natural gas purchases to be measured against daily price indices. SWG also argues that the modifications do not alter the evaluation of its natural gas purchases nor does it relieve SWG from its obligations for prudent natural gas purchases. SWG's GCIM would still be subject to the GCIM's provisions regarding shared costs or savings between SWG and its customers. SWG also states that SWG already uses the maximum purchase of 25 percent allowed by the VMP. Additionally, in the absence of reliable storage injection rights to store excess quantities, the 25 percent limit would likely increase shared costs between SWG and its customers when demand does not require using all of the 25 percent.

SWG included in its reply three scenarios with the results of the GCIM calculation using SWG's last five GCIM periods, assuming no storage access from SoCalGas. Scenario 1 assumes no modifications to the current GCIM structure. Scenario 2 includes the modification to include the daily price indices, but excludes the proposed modification to the remove daily noncompliance charges incurred by recent changes to SoCalGas' Operational or Emergency Flow Orders from the GCIM calculation. Scenario 3 adopts all the modifications proposed in SWG AL 1006. According to SWG's calculations, Scenario 1 and 2 would have resulted in additional costs to the GCIM calculation while Scenario 3 would have resulted in costs within the upper benchmark tolerance band with no shared savings or shared costs between SWG and its customers.

<u>Discussion</u>
In light of SoCalGas' current storage and balancing situation due to the uncertainty of Aliso Canyon storage facility, Energy Division staff agrees to the proposed modification in SWG AL 1006 conditionally for the upcoming winter. SWG has provided Energy Division staff with sufficient justification to approve the proposed modifications for the upcoming winter given the uncertainty surrounding SoCalGas' Aliso Canyon underground storage facility.

Energy Division staff agrees that recent events on the SoCalGas system limit SWG's ability to use storage injections, withdrawals and transfers on a daily and monthly basis to ensure that SWG is within its monthly balancing tolerances. Including a daily index in SWG's current southern California GCIM benchmark would provide SWG with an additional option to avoid SoCalGas' OFO imbalance charges and penalties with the intent to ensure reliability and reduce costs to shareholders and SWG customers. The current GCIM and VMP for SWG's southern California service territory do not provide sufficient flexibility for SWG to mitigate SoCalGas' restrictive changes to balancing and storage. SWG currently already includes daily price indices in its northern California GCIM benchmark, where SWG also has limited storage.

SWG acknowledges that its GCIM will still be subject to justification in its annual GCIM report. For comparison purposes and evaluation going forward, SWG is required to provide two scenarios in its next GCIM report. Similar to the scenarios provided in SWG's reply to ORA's protest, SWG will provide one scenario with GCIM calculations without the approved modifications from AL 1006 and a second scenario with GCIM calculations with the approved modifications from AL 1006 for the GCIM Year beginning November 1, 2016 extending through October 31, 2017.

Energy Division staff agrees with ORA that the proposed changes by SWG should be accepted on a temporary basis due to the uncertainty of SoCalGas' Aliso Canyon storage withdrawal limitations. Approval of the modification of this performance based tariff is appropriate for disposition by Energy Division under General Order 96-B, Energy Division Rule 5.2, subdivision 5.[1] Therefore, SWG AL 1006 is approved only for the upcoming SWG GCIM year beginning November 1, 2016 extending through October 31, 2017. If SWG chooses to extend the modifications beyond October 31, 2017, SWG must request an extension for these modifications either through another advice letter filing or include it in another CPUC proceeding, such as its upcoming GRC filing scheduled for September 2017.

Sincerely,

Edward Randolph

Edward Randolph
Director, Energy Division

cc: Valerie J. Ontiveroz, Regulatory Manager/California
Mark Pocta, ORA Program Manager
Nika Rogers, ORA

[1] General Order 96-B is available at http://docs.cpuc.ca.gov/PUBLISHED/GENERAL_ORDER/164747.htm.

SOUTHWEST GAS CORPORATION

March 23, 2016

ATTN: Tariff Unit, Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4005
San Francisco, CA 94102

Subject: Southwest Gas Corporation (U 905 G)
Advice Letter No. 1006

Enclosed herewith is an original and one (1) copy of Southwest Gas Corporation's Advice Letter No. 1006, together with California Gas Tariff Sheet Nos. 33, 34, 36, 37 and 38.

Sincerely,

Valerie J. Ontiveroz

Valerie J. Ontiveroz
Regulatory Manager/California

VJO:dm
Enclosures

5241 Spring Mountain Road / Las Vegas, Nevada 89150-0002
P.O. Box 98510 / Las Vegas, Nevada 89193-8510 / (702) 876-7011
www.swgas.com

SOUTHWEST GAS CORPORATION

Advice Letter No. 1006 March 23, 2016

PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Southwest Gas Corporation (Southwest Gas or Company) (U 905 G) tenders herewith for filing the following tariff sheets:

Cal. P.U.C. Sheet No.	California Gas Tariff Title of Sheet	Canceling Cal. P.U.C. Sheet No.
3rd Revised Sheet No. 33	Preliminary Statement (Continued)	2nd Revised Sheet No. 33
3rd Revised Sheet No. 34	Preliminary Statement (Continued)	2nd Revised Sheet No. 34
3rd Revised Sheet No. 36	Preliminary Statement (Continued)	2nd Revised Sheet No. 36
3rd Revised Sheet No. 37	Preliminary Statement (Continued)	2nd Revised Sheet No. 37
3rd Revised Sheet No. 38	Preliminary Statement (Continued)	2nd Revised Sheet No. 38

Purpose

The purpose of this filing is to revise Preliminary Statement 17 – Gas Cost Incentive Mechanism (GCIM) in Southwest Gas' California Gas Tariff.

Background

In May 2005, the Commission approved Southwest Gas' GCIM[1] as an objective standard by which to measure the Company's natural gas procurement performance, provide an incentive to lower overall gas costs, and provide a mechanism for sharing the achieved benefits between Southwest Gas and its customers.

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[1] Application of Southwest Gas Corporation for Approval of a Gas Cost Incentive Mechanism (Application (A.) 04-11-009), was filed on November 12, 2004, and was approved by the Commission in Decision (D.) 05-05-033.

5241 Spring Mountain Road / Las Vegas, Nevada 89150-0002
P.O. Box 98510 / Las Vegas, Nevada 89193-8510 / (702) 876-7011
www.swgas.com

The existing GCIM works by establishing a volume-weighted natural gas market performance benchmark (GCIM Benchmark) during each annual GCIM period (November 1 through October 31). At the end of each annual GCIM period, the Company's total natural gas purchased costs are compared against the GCIM Benchmark and if the cost differences exceed certain tolerance bands, the differences, experienced in either savings (benefits) or costs are shared between Southwest Gas and its customers.

Southwest Gas' GCIM does not appropriately contemplate all scenarios relating to the Company's natural gas procurement performance. Specifically, the Company's GCIM is structured so that, in Southwest Gas' Southern California service territory, purchases of gas on the daily market would be measured against monthly price indices. This results in an inappropriate comparison because of the price differences between the daily and monthly gas markets. The revisions proposed in this filing modifies the Company's GCIM to allow for the appropriate evaluation of the Company's natural gas purchases (i.e., daily purchases v. daily indices, monthly purchases v. monthly indices).

Recent events in the California and western US gas markets highlight the need for timely modification of Southwest Gas' GCIM to provide for the flexibility to address and account for events that influence the Company's natural gas procurement. Two recent events that underscore the need to modify the Company's GCIM include: 1) Southern California Gas Company's (SoCalGas) recent implementation of tariff changes permitting high and low Operational Flow Orders (OFOs) and Emergency Flow Orders (EFOs);[2] and 2) the concerns about the availability of SoCalGas' Aliso Canyon underground storage facility. These events, which are out of Southwest Gas' control, affect the California and western US gas markets in a manner that was not contemplated when the Commission approved the Company's GCIM in 2005 and will likely result in the need for Southwest Gas to make daily natural gas purchases. The GCIM, as approved in 2005, does not contemplate or address Southwest Gas making daily natural gas purchases in the Company's Southern California service territory.

Prior to the recent issues at Aliso Canyon and SoCalGas' implementation of high and low OFOs/EFOs, Southwest Gas and its customers were only subject to monthly balancing provisions and the occasional high OFO. This meant that Southwest Gas could use storage injections, withdrawals, and transfers on a daily and monthly basis to ensure that it was within its monthly balancing tolerance and was able to avoid most OFO imbalance charges, cash-outs, and penalties. However, with the changes on SoCalGas'

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[2] Advice Letter No. 4822-G and 4822-G-A - Modification of Tariffs Necessary to Implement Low Operational Flow Order (OFO) and Emergency Flow Order (EFO) Requirements and Description of Forecasting Model in Compliance with D.15-06-004, effective December 3, 2015.

system, Southwest Gas will likely be required to make daily natural gas purchases to manage high and low OFO/EFO penalties. In addition, SoCalGas' recent requested tariff change to implement daily balancing on its system effective May 1, 2016 in A.15-06-020[3] further exacerbates the risk of balancing penalties and will add to the need for Southwest Gas to make daily natural gas purchases.

The Company's current GCIM for its Southern California service territory benchmarks all natural gas purchases to monthly indices. Consequently, there is disconnect between the GCIM and the likelihood that Southwest Gas will need to increase its daily natural gas purchases. This disconnect will inappropriately result in daily purchases being measured against monthly indices. The modifications proposed to Southwest Gas' GCIM corrects this disconnect and allows for daily natural gas purchases to be measured against daily price indices. The modifications do not alter the evaluation of the Company's natural gas purchases as Southwest Gas is still subject to the GCIM's provisions regarding increased shared costs or savings between Southwest Gas and its customers. However, the proposed changes allow for use of the appropriate measurement (i.e., daily purchases v. daily indices, monthly purchases v. monthly indices).

Even though Southwest Gas has access to SoCalGas' storage capacity through the core parity provisions previously approved by the Commission,[4] the limitations on the availability of Aliso Canyon provides uncertainty in the quantities that Southwest Gas will be able to inject and withdraw as nominations are subject to pro rata cuts based on other entities' nominated injections or withdrawals from SoCalGas' storage. Therefore, while access to SoCalGas' storage may reduce the quantity of daily gas purchases Southwest Gas is required to make to meet its customers' demands, that access will not abdicate the need for daily purchases.

Moreover, given that Southwest Gas mainly serves a combination of residential and small commercial customers that have heat sensitive loads, the risk of incurring high and low OFO/EFO penalties or daily balancing penalties is substantially increased. This is because any forecasted usage for those customers, upon which Southwest Gas may base its purchases, is only as good as the underlying weather forecast. If the actual weather deviates by one or two degrees, the cumulative effect of that change on all of Southwest Gas' customers would push total usage outside of either the 10% tolerance provided under the OFO/EFO or the 5% tolerance under SoCalGas' more restrictive daily balancing proposal.

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[3] A.15-06-020 – Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) for Authority to Revise Their Curtailment Procedures.
[4] D.08-12-020 Regarding the Phase One Issues and the Motion to Adopt the Settlement Agreement, at pgs. 13 & 16.

Accordingly, Southwest Gas requests authorization to modify its GCIM to allow for the appropriate evaluation of the Company's natural gas purchases (i.e., daily purchases v. daily indices, monthly purchases v. monthly indices) and to account for concerns about the availability of SoCalGas' Aliso Canyon underground storage facility. Consistent with Southwest Gas' current GCIM, the proposed revisions will fairly distribute these increased risks between Southwest Gas and its customers.

Effective Date

Southwest Gas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2, effective after Energy Division Approval, pursuant to General Order (GO) 96-B. Southwest Gas respectfully requests this Advice Letter be approved April 20, 2016, which is thirty (30) calendar days after the date filed.

Protest

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based with specificity. The protest must be sent no later than 20 days after the date of this Advice Letter filing and shall be sent by letter via U.S. Mail, facsimile, or electronically mailed. The address for mailing or delivering a protest to the Commission is:

Energy Division
California Public Utilities Commission
Attention: Investigation, Monitoring & Compliance Program Manager
505 Van Ness Avenue, Room 4002
San Francisco, CA 94102
E-mail: edtariffunit@cpuc.ca.gov
Facsimile: 415-703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004, at the same address as above and mailed or faxed to:

Mr. Justin Lee Brown
Vice President/Regulation & Public Affairs
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, NV 89193-8510
Facsimile: 702-364-3452

Notice

Pursuant to Energy Industry Rule 3.1(2), Southwest Gas is exempt from the notice requirements set forth in General Rule 4.2 in GO 96-B since this Advice Letter will not increase any rate or charge, cause the withdrawal of service, or provide more restrictive terms or conditions.

Service

In accordance with GO 96-B, General Rule 4.3 and Energy Industry Rule 3.2, Southwest Gas is mailing copies of this Advice Letter and related tariff sheets to the utilities and interested parties shown on the attached list.

Communications regarding this filing should be directed to:

Valerie J. Ontiveroz
Regulatory Manager/California
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, NV 89193-8510
Telephone: 702-876-7323
E-mail: valerie.ontiveroz@swgas.com

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By: ______________________
Justin Lee Brown

Attachments

Distribution List

Advice Letter No. 1006

In conformance with GO 96-B, General Rule 4.3 and Energy Industry Rule 3.2:

The following individual has been served by regular, first-class mail:

Elizabeth Echols, Director
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94105

The following individuals or entities have been served by electronic mail (e-mail):

Pacific Gas & Electric Company
PG&ETariffs@pge.com

Southern California Gas Company
SNewsom@semprautilities.com

San Diego Gas & Electric Company
SDG&ETariffs@SempraUtilities.com

Robert M. Pocta
Office of Ratepayer Advocates
California Public Utilities Commission
rmp@cpuc.ca.gov

Nathaniel Skinner
Office of Ratepayer Advocates
California Public Utilities Commission
nws@cpuc.ca.gov

Pearlie Sabino
Office of Ratepayer Advocates
California Public Utilities Commission
pzs@cpuc.ca.gov

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Southwest Gas Corporation (U 905G)**

Utility type: ☐ ELC ■ GAS ☐ PLC ☐ HEAT ☐ WATER	Contact Person: **Valerie J. Ontiveroz** Phone #: **(702) 876-7323** E-mail: **valerie.ontiveroz@swgas.com**
EXPLANATION OF UTILITY TYPE ELC = Electric GAS = Gas PLC = Pipeline HEAT = Heat WATER = Water	(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **1006**

Subject of AL: **To revise Preliminary Statement 17 – Gas Cost Incentive Mechanism**

Keywords (choose from CPUC listing): **Preliminary Statement**

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ■ One-Time ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: Not Applicable

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL **Not applicable**

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: **Not applicable**

Resolution Required? ☐ Yes ■ No

Requested effective date: **April 22, 2016** No. of tariff sheets: **5**

Estimated system annual revenue effect: (%): **Not applicable**

Estimated system average rate effect (%): **Not applicable**

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: **Not applicable**

Service affected and changes proposed[5]:**See 'Subject of AL' above**

Pending advice letters that revise the same tariff sheets: **Not applicable**

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.
San Francisco, CA 94102
E-mail: edtariffunit@cpuc.ca.gov

Utility Info (including e-mail)
Mr. Justin Lee Brown,
Vice-President/Regulation & Public Affairs
Southwest Gas Corporation
P. O. Box 98510
Las Vegas, NV 89193-8510
E-mail: justin.brown@swgas.com
Facsimile: 702-364-3452

[5] Discuss in AL if more space is needed.

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510 3rd Revised Cal. P.U.C. Sheet No. 33
California Gas Tariff Canceling 2nd Revised Cal. P.U.C. Sheet No. 33

PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) *(Continued)*

17C. GCIM BENCHMARK *(Continued)*

The Gas Commodity Benchmark is determined by multiplying daily purchased volumes by the corresponding contract price or Benchmark Price Index. Which price is utilized is determined by whether the purchased volumes are: 1) made under the Volatility Mitigation Program (VMP); or 2) index priced or spot market purchases. If the purchased volumes were made under the VMP, then the corresponding contract price is used. If the purchased volumes were index priced or spot market purchases, then the corresponding Benchmark Price Index is used.

Each day during the annual GCIM period, each volume purchased under the VMP is multiplied by the respective contracted price corresponding to the specific VMP volume purchased. The result of this calculation is the Daily VMP Benchmark Cost.

Each day during the annual GCIM period, each index priced and spot market purchased volume is multiplied by the corresponding Benchmark Price Index. The result of this calculation is the Daily Index or Spot Market Purchase Benchmark Cost.

The Gas Commodity Benchmark is the sum of the Daily VMP Benchmark Costs and the Daily Index or Spot Market Purchase Benchmark costs for the entire annual GCIM period.

For baseload purchases made for an entire month for the Southern California service area, the Southern California Benchmark Price Index is based on the simple average of first of the month prices reported in Platts Inside FERC's Gas Market Report for each of the indicated basin and border market trading points and the corresponding index prices from Natural Gas Intelligence. For purchases made for less than an entire month for the Southern California service area, the Southern California Benchmark Price Index is calculated daily and is based on the simple average of daily prices reported in Platt's Gas Daily for each of the indicated production and market center trading points and the corresponding index prices from SNL Energy Daily Gas Report. If one of the two publications used to calculate the simple average does not report an index price for a specific basin or market trading point, the other publication will be used. If neither publication used to calculate the simple average reports a price for an indicated basin or market trading point, the Benchmark Price Index will be based on another available trade publication. If the selected trade publication(s) subsequently revises its reported price within the annual GCIM period, the Benchmark Price Index will be recalculated to reflect the corrected price.

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Advice Letter No. 1006 — Issued by Justin Lee Brown, Vice President — Date Filed March 23, 2016
Decision No. ______ Effective ______
Resolution No. ______

PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) *(Continued)*

17C. GCIM BENCHMARK *(Continued)*

The Northern California and South Lake Tahoe Benchmark Price Index is calculated daily and is based on the simple average of daily prices reported in *Platt's Gas Daily* for each of the indicated production and market center trading points and the corresponding index prices from *SNL Energy Daily Gas Report*. If one of the two publications used to calculate the simple average does not report an index price for a specific production or market center trading point, the other publication will be used. If neither publication used to calculate the simple average reports a price for an indicated production or market center trading point, the Benchmark Price Index will be based on another available trade publication. If the selected trade publication subsequently revises its reported price within the annual GCIM period, the Benchmark Price Index will be recalculated to reflect the corrected price. N N N N

2. The Gas Transportation Benchmark is the sum of all pipeline transportation costs for delivery of gas supply volumes to the Company's distribution system and all fixed and variable storage costs.

   a. Pipeline transportation costs include fixed reservation charges, variable transportation costs, refunds, adjustments, credits, all applicable and effective surcharges and other related costs. The transportation costs are determined from the Company's transportation invoices, separately for each pipeline, for gas deliveries from the indicated basins/receipt points.

   b. Storage costs include injection, withdrawal, inventory charges, refunds, adjustments and credits as invoiced.

17D. GCIM PURCHASED GAS COST

The GCIM Purchased Gas Cost includes the following:

1. All gas commodity costs, including any adjustments, refunds, surcharges, penalties, inventory charges or credits;

2. Pipeline Transportation costs, including fixed reservation charges, variable transportation costs, refunds, adjustments, credits, all applicable and effective surcharges and other related costs included with the transportation invoices for deliveries to the Company's California service areas.

3. Storage costs including injection, withdrawal, and inventory charges and appropriate refunds, adjustments, and credits as invoiced;

4. Any revenues from release and brokering of pipeline or storage capacity;

PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) *(Continued)*

17E. ANNUAL SHARED SAVINGS/COST *(Continued)*

2. Calculation of Shared Savings and Costs *(Continued)*

c. If GCIM Purchased Gas Costs are less than the lower tolerance band, savings below the lower tolerance band are shared 75 percent to the ratepayers and 25 percent to the shareholders.

d. In no event shall the Company's portion of the annual shared savings or costs exceed 1.5 percent of the respective actual annual GCIM commodity costs for either of the Northern or Southern California Divisions.

e. In the event of an emergency (e.g. earthquake, pipeline failure, or other *force majeure* event), incremental costs and volumes associated with that event will be excluded from GCIM Purchased Gas Costs and the GCIM Benchmark for the purpose of calculating any shared savings or costs. These exclusions will be justified by the Company in its annual GCIM report submitted pursuant to N
Section 17I of this Preliminary Statement. N

f. Commodity, transportation, and storage costs incurred by the N
Company in response to SoCalGas Operational or Emergency Flow Orders, reduced daily balancing windows, non-performance of firm contracted resources such as storage and pipeline capacity, and daily balancing or other curtailment procedures, shall be excluded from GCIM Purchased Gas Costs and the GCIM Benchmark for the purpose of calculating any shared savings or costs. These exclusions will be justified by the Company in its annual GCIM report
submitted pursuant to Section 17I of this Preliminary Statement. N

17F. VOLATILITY MITIGATION PROGRAM (VMP)

The purpose of the VMP is to identify and secure contracts for natural gas supplies that contribute to the mitigation of short-term market price volatility. Pursuant to D.05-05-033, VMP purchase costs are flowed through the GCIM calculations and have no impact on any GCIM Shared Savings or Costs. This flow through is accomplished by calculating the Daily VMP Benchmark Cost for each VMP purchase by multiplying the daily VMP purchase volumes by the contract price corresponding to that specific VMP purchase volume.

PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) *(Continued)*

17F. VOLATILITY MITIGATION PROGRAM (VMP) *(Continued)* T

VMP purchase prices are fixed when the contract is awarded, based on then current market conditions. Contracted supply terms can range from one to twelve months, but shall not exceed two years. The Company solicits VMP bids for both the Company's Southern California service area and the Company's Northern California and South Lake Tahoe service areas. Solicitations are scheduled periodically throughout the year. In any solicitation, one or both of the California divisions may be involved, depending on the amount of VMP supplies already acquired. Up to 25 percent of the total forecasted annual supply is purchased as part of the VMP. L

VMP contracts are awarded to the lowest acceptable bidder as part of a solicitation process. Because the contracts are selected through a bidding process, prices for VMP purchases are assumed to be representative of the market at the time of the solicitation. Evaluating these purchases will include comparing the awarded contract to the corresponding bids received during the solicitation process. All contracts and information related to the solicitation process will be submitted with the annual GCIM filing.

17G. SOUTHERN CALIFORNIA STORAGE

Consistent with D.08-12-020, the Company receives a set-aside of SoCalGas storage inventory, injection, and withdrawal capacity equal to 1.98 percent of the inventory, injection, and withdrawal capacities that are allocated to the combined core customers of SoCalGas and San Diego Gas & Electric Company. Such storage set-aside is adjusted annually, no later than April 1. N
When this set-aside of SoCalGas storage is available, the Company uses its southern California storage resources primarily to reduce the impact of short-term or seasonal volatility in natural gas prices and as a peak demand supply source. To a lesser extent, storage is also employed as an imbalance management tool for intrastate capacity. The Company will endeavor to dispatch supplies into and out of storage in a manner that provides the greatest economic benefit to the ratepayers, based on market information available at that time and minimizes the purchase of supplies for periods less N
than an entire month for the Southern California service area. Prior to each N
November 1, the Company will have storage reserves filled to a target level of no less than 80 percent of capacity. If the storage target is not met, the Company will explain the variance and impact to core customers in the annual GCIM filing.

PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) *(Continued)*

17H. BALANCING ACCOUNT TREATMENT L

The Company portion of annual saving or cost calculated pursuant to the GCIM shall be recorded separately in the Company's Purchased Gas Cost Balancing Account. In the event of a shared saving, a debit entry shall be recorded in the Purchased Gas Cost Balancing Account. In the event of a shared cost, a credit entry shall be recorded in the Purchased Gas Cost Balancing Account.

Upon approval by the Commission, the total Company portion of annual GCIM saving or cost shall be amortized in rates as described in Preliminary Statement 7, Purchased Gas Cost Balancing Account. L

17I. REPORTING AND FILING REQUIREMENTS T

Within ninety (90) days of the conclusion of each annual GCIM period, the Company shall submit to the Commission's Energy Division and Office of Ratepayer Advocates (ORA) a compliance filing containing the annual GCIM report. The report will describe the results of the annual GCIM period and provide all necessary data in support of the calculation of the GCIM period shared savings or costs. The confidential contents of the report are subject to the provisions of the General Order 66-C and Section 583 of the Public Utilities Code. If the compliance report indicates that shared savings or costs are warranted, the Company shall file an advice letter requesting authorization to make the appropriate accounting entries.

EXHIBIT NO.__(JRO-2)

Advice Letter No. 1048

STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

October 17, 2017

Advice Letter 1048

Justin Lee Brown
Vice President/Regulatory Affairs
Southwest Gas Corporation
P O Box 98510
Las Vegas, NV 89193-8510

Subject: Request a 1 Year Extension of the Conditional Approval Granted to SWG for its GCIM Tariff Revisions

Dear Mr. Brown:

Advice Letter 1048 is effective as of October 8, 2017.

Sincerely,

Edward Randolph

Edward Randolph
Director, Energy Division

SOUTHWEST GAS CORPORATION

September 8, 2017

ATTN: Tariff Unit, Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

Subject: Southwest Gas Corporation (U 905 G)
Advice Letter No. 1048

Enclosed herewith is an original and one (1) copy of Southwest Gas Corporation's Advice Letter No. 1048. There are no tariff sheets associated with this filing.

Sincerely,

Valerie J. Ontiveroz
Regulatory Manager/California

VJO:jjp
Enclosures

SOUTHWEST GAS CORPORATION

Advice Letter No. 1048 September 8, 2017

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Southwest Gas Corporation (Southwest Gas or Company) herewith submits Advice Letter No. 1049. There are no tariff sheets associated with this filing.

Purpose

The purpose of this Advice Letter is to request a one year extension of the conditional approval granted to Southwest Gas for its revisions to Preliminary Statement 17 – Gas Cost Incentive Mechanism (GCIM).

Background

On March 23, 2016, Southwest Gas filed Advice Letter No. 1006, requesting approval to modify its Preliminary Statement 17 concerning its GCIM. Specifically, the GCIM modifications allow for the appropriate evaluation of Southwest Gas' natural gas purchases (i.e., daily purchases v. daily indices, monthly purchases v. monthly indices) and provide for the flexibility to address and account for events that influence the Company's natural gas procurement that are outside Company' control. On October 28, 2016, the Energy Division approved Southwest Gas' GCIM modifications for the GCIM reporting period November 1, 2016 through October 31, 2017. Pursuant to the Energy Division, "If [Southwest Gas] chooses to extend the modifications beyond October 31, 2017, [Southwest Gas] must request an extension for these modifications either through another [A]dvice [L]etter filing or include it in another [Commission] proceeding, such as its upcoming GRC filing scheduled for September 2017."

The Company's need to modify its GCIM was driven by: 1) Southern California Gas Company's (SoCalGas) implementation of tariff changes permitting high and low Operational Flow Orders (OFOs) and Emergency Flow Orders (EFOs); 2) the concerns about the availability of SoCalGas' Aliso Canyon underground storage facility; and 3) SoCalGas' implementation of daily balancing on its system. These events impact Southwest Gas' natural gas procurement practices, resulting in the potential need for Southwest Gas to make daily natural gas purchases in the Company's Southern California service territory. The conditions surrounding the Company's request to modify its GCIM remain.

Therefore, Southwest Gas requests a one year extension of its approved GCIM tariff modifications for the upcoming GCIM reporting period November 1, 2017 through October 31, 2018. This will also allow for Southwest Gas to submit its Annual GCIM for the current reporting period ending October 31, 2017 due on January 29, 2018. Pursuant to the Energy Division's directive, Southwest Gas will include in its upcoming annual GCIM report two scenarios which provide calculations based on its GCIM with and without the approved modifications approved in Advice Letter No. 1006.

5241 Spring Mountain Road / Las Vegas, Nevada 89150-0002
P.O. Box 98510 / Las Vegas, Nevada 89193-8510 / (702) 876-7011
www.swgas.com

Background *(continued)*

Southwest Gas does not propose any additional modifications to its tariff beyond those already approved by the Energy Division in Advice Letter No. 1006.

This Advice Letter will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

Effective Date

Southwest Gas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2, effective after Energy Division, approval pursuant to General Order (GO) 96-B. Southwest Gas respectfully requests that this Advice Letter become effective October 8, 2017, which is thirty (30) days from the date filed.

Protest

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based with specificity. The protest must be sent no later than 20 days after the date of this advice filing, and shall be sent by letter via U.S. Mail, facsimile, or electronically. The address for mailing or delivering a protest to the Commission is:

Attention: Tariff Unit
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102
Email: edtariffunit@cpuc.ca.gov
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address as above).

Mr. Justin Lee Brown
Vice President, Regulation & Public Affairs
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Facsimile: 702-364-3452
E-mail: justin.brown@swgas.com

Notice

Southwest Gas believes it is exempt from the notice requirements set forth in General Rule 4.2 of GO 96-B, since this Advice Letter will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule that are currently in effect.

Service

In accordance with GO 96-B, General Rule 7.2, Southwest Gas is serving this Advice Letter to the utilities and interested parties shown on the attached list.

Communications regarding this filing should be directed to:

Valerie J. Ontiveroz
Regulatory Manager/California
Southwest Gas Corporation
P.O Box 98510
Las Vegas, NV 89193-8510
Telephone: 702-876-7323
E-mail: valerie.ontiveroz@swgas.com

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By ______________________________
Justin Lee Brown

Attachments

DISTRIBUTION LIST

Advice Letter No. 1048

In Conformance with GO 96-B, General Rule 4.3

The following individual has been served by regular, first-class mail:

Elizabeth Echols, Director
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94105

The following individuals or entities have been served by electronic mail:

Pacific Gas & Electric Company
PGETariffs@pge.com

Southern California Gas Company
ROrtiz@SempraUtilities.com

San Diego Gas & Electric Company
SDG&ETariffs@SempraUtilities.com

Belinda Gatti
Energy Division
California Public Utilities Commission
belinda.gatti@cpuc.ca.gov

Robert M. Pocta
Office of Ratepayer Advocates
California Public Utilities Commission
rmp@cpuc.ca.gov

Nathaniel Skinner
Office of Ratepayer Advocates
California Public Utilities Commission
nws@cpuc.ca.gov

Pearlie Sabino
Office of Ratepayer Advocates
California Public Utilities Commission
pzs@cpuc.ca.gov

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)	
Company name/CPUC Utility No. **Southwest Gas Corporation (U 905 G)**	
Utility type: ☐ ELC ■ GAS ☐ PLC ☐ HEAT ☐ WATER	Contact Person: **Valerie J. Ontiveroz** Phone #: **(702) 876-7323** E-mail: **valerie.ontiveroz@swgas.com**
EXPLANATION OF UTILITY TYPE ELC = Electric GAS = Gas PLC = Pipeline HEAT = Heat WATER = Water	(Date Filed/ Received Stamp by CPUC)
Advice Letter (AL) #: **1048** Subject of AL: **Request a one-year extension of the conditional approval granted to SWG for its Gas Cost Incentive Mechanism (GCIM) tariff revisions.**	
Keywords (choose from CPUC listing): **Gas Cost Incentive Mechanism** AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☐ One-Time ■ Other If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:	
Does AL replace a withdrawn or rejected AL? If so, identify the prior AL **Not applicable** Summarize differences between the AL and the prior withdrawn or rejected AL[1]: **Not applicable**	
Resolution Required? ☐ Yes ■ No Requested effective date: **October 8, 2017** No. of tariff sheets: **0** Estimated system annual revenue effect: (%): **Not applicable** Estimated system average rate effect (%): **Not applicable** When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).	
Tariff schedules affected: **Not applicable** Service affected and changes proposed[1]: **Not applicable** Pending advice letters that revise the same tariff sheets: **Not applicable**	
Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:	
CPUC, Energy Division **Attention: Tariff Unit** **505 Van Ness Ave.** **San Francisco, CA 94102** **E-mail: edtariffunit@cpuc.ca.gov**	**Mr. Justin Lee Brown,** **Vice-President/Regulation & Public Affairs** **Southwest Gas Corporation** **P. O. Box 98510** **Las Vegas, NV 89193-8510** **E-mail: justin.brown@swgas.com** **Facsimile: 702-364-3452**

[1] Discuss in AL if more space is needed.

EXHIBIT NO.__(JRO-3)

Advice Letter No. 1081

STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

October 29, 2018

Advice Letter 1081-G

Justin Lee Brown
Vice-President/Regulatory Affairs
Southwest Gas Corporation
PO Box 98510
Las Vegas, NV 89193-8510

SUBJECT: To Request a One-Year Extension of the Conditional Approval Granted to SWG for its Revisions to Preliminary Statement 17 - Gas Cost Incentive Mechanism.

Dear Mr. Brown:

Advice Letter 1081-G is effective as of October 31, 2018.

Sincerely,

Edward Randolph

SOUTHWEST GAS CORPORATION

October 5, 2018

ATTN: Tariff Unit, Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

Subject: Southwest Gas Corporation (U 905 G)
Advice Letter No. 1081

Enclosed herewith is an original and one (1) copy of Southwest Gas Corporation's Advice Letter No. 1081. There are no tariff sheets associated with this submission.

Sincerely,

Valerie J. Ontiveroz
Regulatory Manager/California

VJO:jjp
Enclosures

SOUTHWEST GAS CORPORATION

Advice Letter No. 1081

October 5, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Southwest Gas Corporation (Southwest Gas or Company) herewith submits Advice Letter No. 1081. There are no tariff sheets associated with this submission.

Purpose

The purpose of this Advice Letter is to request a one year extension of the conditional approval granted to Southwest Gas for its revisions to Preliminary Statement 17 – Gas Cost Incentive Mechanism (GCIM).

Background

On March 23, 2016, Southwest Gas filed Advice Letter No. 1006, requesting approval to modify its Preliminary Statement 17 concerning its GCIM. Specifically, the GCIM modifications allow for the appropriate evaluation of Southwest Gas' natural gas purchases (i.e., daily purchases v. daily indices, monthly purchases v. monthly indices) and provide for the flexibility to address and account for events that influence the Company's natural gas procurement that are outside Company' control. On October 28, 2016, the Energy Division approved Southwest Gas' GCIM modifications for the GCIM reporting period November 1, 2016 through October 31, 2017. Pursuant to the Energy Division, "If [Southwest Gas] chooses to extend the modifications beyond October 31, 2017, [Southwest Gas] must request an extension for these modifications either through another [A]dvice [L]etter filing or include it in another [Commission] proceeding, such as its upcoming GRC filing scheduled for September 2017."

The Company's need to modify its GCIM was driven by: 1) Southern California Gas Company's (SoCalGas) implementation of tariff changes permitting high and low Operational Flow Orders (OFOs) and Emergency Flow Orders (EFOs); 2) the concerns about the availability of SoCalGas' Aliso Canyon underground storage facility; and 3) SoCalGas' implementation of daily balancing on its system. These events impact Southwest Gas' natural gas procurement practices, resulting in the potential need for Southwest Gas to make daily natural gas purchases in the Company's Southern California service territory. The conditions surrounding the Company's request to modify its GCIM remain.

Therefore, Southwest Gas requests a one-year extension of its approved GCIM tariff modifications for the upcoming GCIM reporting period November 1, 2018 through October 31, 2019.

Southwest Gas does not propose any additional modifications to its tariff beyond those already approved by the Energy Division in Advice Letter No. 1006.

This Advice Letter will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

Effective Date

Southwest Gas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2, effective after Energy Division approval pursuant to General Order (GO) 96-B. Southwest Gas respectfully requests that this Advice Letter be made effective on October 31, 2018, consistent with the start of Company's next GCIM reporting period.

Protest

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based with specificity. The protest must be sent no later than 20 days after the date of this advice submission, and shall be sent by letter via U.S. Mail, facsimile, or electronically. The address for mailing or delivering a protest to the Commission is:

Attention: Tariff Unit
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102
Email: edtariffunit@cpuc.ca.gov
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004, at the same address above and mailed, emailed or faxed to:

Mr. Justin Lee Brown
Vice President, Regulation & Public Affairs
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Email: justin.brown@swgas.com
Facsimile: 702-364-3452

Notice

Southwest Gas believes it is exempt from the notice requirements set forth in General Rule 4.2 of GO 96-B, since this Advice Letter will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule that are currently in effect.

Service

In accordance with GO 96-B, General Rule 7.2, Southwest Gas is serving this Advice Letter to the utilities and interested parties shown on the attached list.

Communications regarding this filing should be directed to:

Valerie J. Ontiveroz
Regulatory Manager/California
Southwest Gas Corporation
P.O Box 98510
Las Vegas, NV 89193-8510
Telephone: 702-876-7323
Email: valerie.ontiveroz@swgas.com

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By ______________________
Justin Lee Brown

Attachments

DISTRIBUTION LIST

Advice Letter No. 1081

In Conformance with GO 96-B, General Rule 4.3

The following individual has been served by regular, first-class mail:

Elizabeth Echols, Director
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94105

The following individuals or entities have been served by electronic mail:

Pacific Gas & Electric Company
PGETariffs@pge.com

Southern California Gas Company
ROrtiz@SempraUtilities.com

San Diego Gas & Electric Company
SDG&ETariffs@SempraUtilities.com

Belinda Gatti
Energy Division
California Public Utilities Commission
belinda.gatti@cpuc.ca.gov

Robert M. Pocta
Office of Ratepayer Advocates
California Public Utilities Commission
rmp@cpuc.ca.gov

Nathaniel Skinner
Office of Ratepayer Advocates
California Public Utilities Commission
nws@cpuc.ca.gov

Pearlie Sabino
Office of Ratepayer Advocates
California Public Utilities Commission
pzs@cpuc.ca.gov

California Public Utilities Commission

ADVICE LETTER SUMMARY

ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Southwest Gas Corporation (U 905 G)

Utility type:
☐ ELC ☑ GAS ☐ WATER
☐ PLC ☐ HEAT

Contact Person: Valerie J. Ontiveroz
Phone #: 702 876-7323
E-mail: valerie.ontiveroz@swgas.com
E-mail Disposition Notice to: valerie.ontiveroz@swgas.com

EXPLANATION OF UTILITY TYPE
ELC = Electric GAS = Gas WATER = Water
PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 1081

Tier Designation: Tier 2

Subject of AL: To request a one-year extension of the conditional approval granted to SWG for its revisions to Preliminary Statement 17 - Gas Cost Incentive Mechanism.

Keywords (choose from CPUC listing): Preliminary Statement

AL Type: ☐ Monthly ☐ Quarterly ☐ Annual ☑ One-Time ☐ Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: Not applicable

Summarize differences between the AL and the prior withdrawn or rejected AL: Not Applicable

Confidential treatment requested? ☐ Yes ☑ No

If yes, specification of confidential information:
Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/access to confidential information:

Resolution required? ☐ Yes ☑ No

Requested effective date: 10/31/18

No. of tariff sheets: 0

Estimated system annual revenue effect (%): Not applicable

Estimated system average rate effect (%): Not applicable

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Not applicable

Service affected and changes proposed[1]: See 'Subject of AL' above

Pending advice letters that revise the same tariff sheets: Not applicable

[1]Discuss in AL if more space is needed.

Clear Form

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division Attention: Tariff Unit 505 Van Ness Avenue San Francisco, CA 94102 Email: EDTariffUnit@cpuc.ca.gov	Name: Mr. Justin Lee Brown Title: Senior Vice-President/General Counsel Utility Name: Southwest Gas Corporation Address: P. O. Box 98510 City: Las Vegas State: Nevada Telephone (xxx) xxx-xxxx: 702-876-7183 Facsimile (xxx) xxx-xxxx: 702-364-3452 Email: justin.brown@swgas.com
	Name: Title: Utility Name: Address: City: State: Nevada Telephone (xxx) xxx-xxxx: Facsimile (xxx) xxx-xxxx: Email:

Clear Form