

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of SOUTHWEST GAS CORPORATION  
(U 905 G) for Authority to Revise its California Gas  
Tariff to Establish its Move2Zero Program.

Application 22-03-\_\_\_\_\_  
(Filed March 15, 2022)

**APPLICATION**

Andrew V. Hall  
Associate General Counsel  
8360 South Durango Drive  
Las Vegas, NV 89113  
Telephone: (702) 364-3227  
Facsimile: (702) 364-3446  
Email: [andrew.hall@swgas.com](mailto:andrew.hall@swgas.com)

*Attorney for Southwest Gas Corporation*

March 15, 2022

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4  
5 **APPLICATION**

6 **I. INTRODUCTION**

7 Pursuant to California Public Utilities Code (“P.U. Code”) Sections 451, 454 and 701 and  
8 Rule 2.1 of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities  
9 Commission (“Commission”), Southwest Gas Corporation (“Southwest Gas” or “Company”)  
10 hereby files this application (“Application”) for authority to revise its California Gas Tariff to  
11 establish Schedule No. M2Z – Move2Zero Program (“Program”) and to establish a Move2Zero  
12 Balancing Account (M2ZBA) to record and recover the revenue requirement associated with the  
13 cost of the Program. The Program is designed to provide Southwest Gas’ California customers  
14 the ability to purchase carbon offsets to offset their respective combustion related greenhouse gas  
15 (GHG) emissions.

16 **II. DESCRIPTION OF PROGRAM**

17 In an effort to provide its customers with additional options to reduce their respective GHG  
18 emissions, Southwest Gas proposes to offer its California customers the option to participate in  
19 the Program and the ability to offset any amount of GHG emissions they choose.<sup>1</sup> In anticipation  
20 of development of the Program, Southwest Gas surveyed its California customers to determine  
21 interest in an offer to offset GHG emissions via carbon offset purchases on their behalf. The  
22  
23

24 \_\_\_\_\_  
25 <sup>1</sup> Southwest Gas received approval to offer its Nevada customers the Program in Docket 21-07004, on December 1, 2021, and is also proposing the same program in its Arizona General Rate Case, Docket G-01551A-21-0368.

1 results of the survey indicate significant customer interest in such an offering.<sup>2</sup> Participation in the  
2 Program would be completely voluntary and provide customers with flexibility to purchase as  
3 many carbon offsets as they would like in blocks of ten therms. Nonparticipating customers will  
4 not incur any Program-related costs.

5 As described in detail in the Prepared Direct Testimony of Company witness Valeria S.  
6 Annibali, for customers that choose to participate in the Program, Southwest Gas would purchase  
7 and retire certified carbon offsets to offset combustion GHG emissions associated with  
8 participating customers' natural gas usage.

9 The Program would be offered through a "block" design in which one block represents the  
10 equivalent of ten therms of combustion-related natural gas usage that will be offset through the  
11 purchase and retirement of a certified carbon offset. Each block would cost a fixed amount per  
12 month, and customers would be able to choose how many blocks they would like to purchase.

13 The cost of each block is based on multiple variables, including the cost and quantity of  
14 certified offsets to be purchased, other Program costs, and the level of customer participation.  
15 Upon the approval of this Application, Southwest Gas would solicit offers for carbon offset  
16 program-verified carbon offset credit procurement and Program administration to determine the  
17 final "block" price or the thermal equivalency. However, Southwest Gas is proposing an initial price  
18 per "block" of \$5.00. Should a subsequent change in the block charge or therm equivalent be  
19 needed, the Company proposes to make those changes via Tier 2 Advice Letter.

20 As described in detail in the Prepared Direct Testimony of Company witness Valerie J.  
21 Ontiveroz, approval of the Program would require establishment of Schedule No. M2Z –  
22 Move2Zero Program, a proposed version of which is attached to this Application as **Exhibit A**.

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24  
25 <sup>2</sup> Approximately 21% of Southwest Gas' California customers responded they would be willing to pay to participate in a Company offered program to offset all or part of their carbon footprint.

1 Additionally, the Company proposes to track Program related costs through establishment of the  
2 M2ZBA, an interest bearing, two-way, balancing account used to record and recover the revenue  
3 requirement associated with the costs for the Move2Zero Program, including customer  
4 contributions, expenses associated with the purchase of carbon offsets, administrative costs, and  
5 interest expense. M2ZBA would ensure only customers participating in the Program would incur  
6 Program costs.

### 7 **III. DESCRIPTION OF SUPPORTING TESTIMONY**

8 In support of the instant Application, Southwest Gas provides the prepared direct  
9 testimonies of the following witnesses:

- 10 • **Valeria S. Annibali** provides details on the workings of the Company's proposed  
11 Program.
- 12 • **Valerie J. Ontiveroz** supports Southwest Gas' proposed Schedule No. M2Z related to  
13 the Company's proposed Move2Zero Program along with the Company's proposed  
14 accounting treatment of costs associated with the Program.

15 The above witness testimonies are being served contemporaneously with the filing of this  
16 Application.

### 17 **IV. STATUTORY AND PROCEDURAL REQUIREMENTS**

18 Southwest Gas submits this Application pursuant to Sections 451, 454 and 701 of the P.U.  
19 Code and Rules 2.1 et seq. and 3.2.

20 **A.** In accordance with Rules 2.1(a)-(c), Southwest Gas provides the following  
21 information:

22 **1.** The exact legal name of the Applicant is Southwest Gas Corporation. The  
23 location of Southwest Gas' principal place of business is 8360 South Durango Drive, Las Vegas,  
24 Nevada 89113, and the telephone number is (702) 876-7011. Southwest Gas is a corporation  
25 organized and existing under the laws of the state of California. The Company provides natural

1 gas service as a public utility in certain portions of San Bernardino, El Dorado, Placer, and Nevada  
2 Counties in California, and is subject to the jurisdiction of the Commission. Southwest Gas is also  
3 engaged in the intrastate transmission, sale, and distribution of natural gas as a public utility in  
4 certain portions of the states of Nevada and Arizona.

5 **2.** Communications regarding this Application should be addressed to:

6 Valerie J. Ontiveroz  
7 Regulatory Manager/California  
8 Southwest Gas Corporation  
9 PO Box 98510  
10 Las Vegas, NV 89193-8510  
11 Telephone: (702) 876-7323  
12 Facsimile: (702) 873-3820  
13 Email: [valerie.ontiveroz@swgas.com](mailto:valerie.ontiveroz@swgas.com)

14 -and-

15 Andrew V. Hall, Esq.  
16 Associate General Counsel  
17 Southwest Gas Corporation  
18 PO Box 98510  
19 Las Vegas, NV 89193-8510  
20 Telephone: (702) 364-3227  
21 Facsimile: (702)364-3446  
22 Email: [andrew.hall@swgas.com](mailto:andrew.hall@swgas.com)

23 [With a copy to: RegServe@swgas.com](mailto:RegServe@swgas.com)

24 Consistent with Rule 1.10, Southwest Gas agrees to accept electronic mail service of all  
25 notices, filings, and submittals from the Commission and all parties granted leave to participate  
in this proceeding.

**3.** Pursuant to Rule 7.1(e)(2), Southwest Gas proposes that this matter be  
categorized as a “ratesetting” proceeding. Notwithstanding, customer rates will not change as  
a result of this Application. The Application proposes only to revise Southwest Gas’ tariff as  
proposed in the Application and to establish a regulatory asset to track Program related costs.

1 Southwest Gas does not anticipate that its proposal will have any adverse safety impact on  
2 Southwest Gas' facilities or operations.

3           **4.**     The adjudication of the instant Application may require an evidentiary  
4 hearing. Should an evidentiary hearing be necessary, Southwest Gas proposes the following  
5 schedule:

6	Application Filed	March 15, 2022
7	Protests/Responses	Within 30 days of
8		notice on Daily Calendar
9	Southwest Gas Reply to Protests/Responses	Within 10 days after
10		Protests/Responses
11	Prehearing Conference	April 28, 2022
12	Intervenor Testimony	June 13, 2022
13	Rebuttal Testimony	June 30, 2022
14	Evidentiary Hearing	July 14, 2022
15	Opening Briefs	July 28, 2022
16	Reply Briefs	August 11, 2022
17	Proposed Decision	Within 90 days of
18		Record Submission
19	Final Commission Decision	Within 60 days of
20		Proposed Decision

21           **B.**     In accordance with Rule 2.2, Southwest Gas Corporation's Articles of Incorporation  
22 with Statement of Conversion, dated January 4, 2017, were filed with the Commission in A.18-02-  
23 008, and are incorporated herein by reference.

24           **C.**     In accordance with Rule 3.2, Southwest Gas provides the following information:  
25

1           **5.**     The Move2Zero Program is a voluntary program. The Tariff revisions  
2 proposed by Southwest Gas in this Application will not result in a rate increase. While the  
3 Company's proposed establishment of Schedule No. M2Z – Move2Zero Program will allow  
4 participating customers to purchase carbon offsets at a set charge, approval of the instant  
5 Application will not result in a rate increase to customers. Customers that choose not to participate  
6 in the Program would not be assessed any Program related costs.

7           **6.**     Southwest Gas' Consolidated Balance Sheets, Statements of Income and  
8 Statements of Cash Flows for the twelve-month period ended December 31, 2021, are attached  
9 hereto as **Exhibit B** to this Application.

10 **V.     SERVICE OF APPLICATION**

11           **A.**     In order to distribute this Application to potentially interested parties, Southwest Gas  
12 is serving this Application to the parties in Rulemaking 13-02-008 and Application 19-08-115.

13 **VI.    RELIEF REQUESTED**

14           Southwest Gas respectfully requests that the Commission issue an order:

15           **A.**     Authorizing Southwest Gas to Establish Schedule No. M2Z – Move2Zero Program;

16           **B.**     Authorizing Southwest Gas to Establish the Move2Zero Balancing Account to track  
17 all Program related expenses and recoveries; and

18           **C.**     Granting such further relief as the Commission deems appropriate.

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1 **VII. CONCLUSION**

2 Southwest Gas respectfully requests that the Commission grant its Application for Authority  
3 to establish Schedule No. M2Z – Move2Zero Program and Move2Zero Balancing Account to track  
4 all Program related expenses and recoveries.

5 Dated this 15<sup>th</sup> day of March 2022.

6 Respectfully submitted,

7 SOUTHWEST GAS CORPORATION

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9 \_\_\_\_\_  
10 Andrew V. Hall  
11 Associate General Counsel  
12 8360 South Durango Drive  
13 Las Vegas, NV 89113  
14 Telephone No. 702.364.3227  
15 Facsimile No. 702.364.3446  
16 Email: [andrew.hall@swgas.com](mailto:andrew.hall@swgas.com)

17 *Attorney for Southwest Gas Corporation*



1 **VERIFICATION**

2 Amy L. Timperley, being first duly sworn, deposes and says: that I am the Vice  
3 President/Regulation of Southwest Gas Corporation and I am authorized to make this verification  
4 on its behalf. I have read the foregoing Application and based upon my information and belief, the  
5 statements contained therein are true. I declare under penalty of perjury that the foregoing is true  
6 and correct.

7 Executed at Las Vegas, Nevada, this 15<sup>th</sup> day of March 2022.

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9 \_\_\_\_\_  
10 Amy L. Timperley  
11 Vice President/Regulation  
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# **EXHIBIT A**

Proposed Tariff Sheets

PRELIMINARY STATEMENT  
(Continued)

32. MOVE2ZERO PROGRAM BALANCING ACCOUNT (M2ZBA)

32A. PURPOSE

The M2ZBA is a two-way balancing account for the purpose of recording and recovering the revenue requirement associated with the costs to implement the Move2Zero Program, including customer contributions, expenses associated with the purchase of carbon offsets, administrative costs and interest expense. The M2ZBA shall ensure that all costs and activities associated with the Move2Zero Program are paid for by program participants.

32B. APPLICABILITY

The M2ZBA provision applies to all customers electing to participate in the Move2Zero Program.

32C. ACCOUNTING

Upon approval, the Company will begin recording the authorized amounts into the M2ZBA. Separate accounts will be maintained for each of the Company's three California rate jurisdictions. The Company shall make the following entries to the M2ZBA account at the end of each month:

1. A debit entry for the revenue requirement associated with Move2Zero Program expenditures. The revenue requirement is defined as the cost of purchasing carbon offsets plus any incremental expenses associated with the administration of the program;
2. A credit entry equal to the revenue recovered from participating customers through their purchase of carbon offset blocks;
3. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statement.

32D. M2ZBA BALANCING ACCOUNT ADJUSTMENT

The Company shall include the M2ZBA activity in a Tier 2 Advice Letter to allow the Commission to review the costs and recoveries recorded in the account and to adjust, as necessary, the Move2Zero Program price per "block" rate. The Move2Zero Program price per "block" rate shall be calculated by using the September 30 balance recorded in the M2ZBA divided by the total number of carbon offset blocks estimated to be purchased by and allocated to participating customers.

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N

Schedule No. M2Z

MOVE2ZERO CARBON OFFSET PROGRAM

APPLICABILITY

The Move2Zero Carbon Offset Program (M2Z Program) is available to customers taking sales service under the Company's California Gas Tariff rate schedules.

TERRITORY

Throughout the Company's certificated California service areas, except as may hereafter be provided.

RATES

A Customer electing to participate in the M2Z Program shall be responsible for all charges and rates specified in the Customer's otherwise applicable rate schedule. In addition, the Customer shall be responsible for the monthly premium charge associated with the Customer's selected amount of carbon offsets, or "blocks," that the Company will purchase on behalf of that Customer. For sales customers who participate in the M2Z Program one block will cost \$5.00 per month and will offset 10 therms of combustion-related natural gas usage per month. The "block" price or thermal equivalency may be adjusted as future carbon offset credit purchases are made and Program costs change.

The number of blocks that a Customer may purchase is to be determined by the Customer. Customers who participate in the M2Z Program and who receive service under one of the Company's non-sales rate schedules may, at the Company's discretion, require different block pricing.

The Customer's bill reflecting new or canceled "blocks" will take effect thirty (30) days after election or termination of their participation in the M2Z Program.

Minimum charge:

The minimum charge per month shall be the sum of the minimum charge specified in the Customer's otherwise applicable rate schedule, plus the product of the \$5.00 per block charge multiplied by the number of blocks the Customer elects to purchase.

Late payment charge:

No late payment charge will be assessed to amounts not paid by the Customer under the M2Z Program. However, late Charges for the Customer's otherwise applicable rate schedule are applicable. Failure of a Customer to pay any amounts due pursuant to the M2Z Program shall not result in disconnection of service to the Customer.

Schedule No. M2Z

MOVE2ZERO CARBON OFFSET PROGRAM  
(Continued)

SPECIAL CONDITIONS

1. Customers may elect to participate in the M2Z Program any time throughout the year.
2. Customers who elect to terminate their participation in the M2Z Program shall give at least thirty (30) days prior written notice to the Company of such termination.
3. The Company may terminate a Customer's participation in the M2Z Program by giving at least thirty (30) days prior written notice to the Customer of such termination.
4. Customers are not eligible to participate in the M2Z Program who have, in the most recent 12-month period:
  - a. Received a disconnection notice,
  - b. Entered into a payment arrangement with the Company for a delinquent bill, or
  - c. Had their gas service discontinued for non-payment.

# **EXHIBIT B**

Southwest Gas Consolidated Balance Sheets,  
Statements of Income and Statements of Cash Flows  
for the twelve-month period ended December 31, 2021

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Thousands of dollars)

	December 31,	
	2021	2020
<b>ASSETS</b>		
Regulated operations plant:		
Gas plant	\$ 8,901,575	\$ 8,384,000
Less: accumulated depreciation	(2,538,508)	(2,419,348)
Construction work in progress	183,485	211,429
Net regulated operations plant	6,546,552	6,176,081
Other property and investments	153,093	143,611
Current assets:		
Cash and cash equivalents	38,691	41,070
Accounts receivable, net of allowance	169,666	146,861
Accrued utility revenue	84,900	82,400
Income taxes receivable, net	7,826	11,155
Deferred purchased gas costs	291,145	2,053
Receivable from parent	1,031	—
Prepaid and other current assets	242,243	152,748
Total current assets	835,502	436,287
Noncurrent assets:		
Goodwill	10,095	10,095
Deferred charges and other assets	405,021	490,562
Total noncurrent assets	415,116	500,657
Total assets	\$ 7,950,263	\$ 7,256,636
<b>CAPITALIZATION AND LIABILITIES</b>		
Capitalization:		
Common stock	\$ 49,112	\$ 49,112
Additional paid-in capital	1,618,911	1,410,345
Accumulated other comprehensive loss, net	(46,913)	(61,135)
Retained earnings	906,827	835,146
Total equity	2,527,937	2,233,468
Long-term debt, less current maturities	2,440,603	2,438,206
Total capitalization	4,968,540	4,671,674
Commitments and contingencies (Note 10)		
Current liabilities:		
Current maturities of long-term debt	275,000	—
Short-term debt	250,000	57,000
Accounts payable	234,070	161,646
Customer deposits	56,127	67,920
Accrued general taxes	53,064	48,640
Accrued interest	22,926	20,495
Deferred purchased gas costs	—	54,636
Payable to parent	—	142
Other current liabilities	146,422	146,046
Total current liabilities	1,037,609	556,525
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits, net	638,828	581,100
Accumulated removal costs	424,000	404,000
Other deferred credits and other long-term liabilities	881,286	1,043,337
Total deferred income taxes and other credits	1,944,114	2,028,437
Total capitalization and liabilities	\$ 7,950,263	\$ 7,256,636

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Thousands of dollars)

	Year Ended December 31,		
	2021	2020	2019
Gas operating revenues	\$ 1,521,790	\$ 1,350,585	\$ 1,368,939
Operating expenses:			
Net cost of gas sold	430,907	342,837	385,164
Operations and maintenance	438,550	406,382	422,174
Depreciation and amortization	253,398	235,295	215,620
Taxes other than income taxes	80,343	63,460	62,328
Total operating expenses	1,203,198	1,047,974	1,085,286
Operating income	318,592	302,611	283,653
Other income and (expenses):			
Net interest deductions	(97,560)	(101,148)	(95,026)
Other income (deductions)	(4,559)	(6,590)	9,517
Total other income and (expenses)	(102,119)	(107,738)	(85,509)
Income before income taxes	216,473	194,873	198,144
Income tax expense	29,338	35,755	34,973
Net income	\$ 187,135	\$ 159,118	\$ 163,171

The accompanying notes are an integral part of these statements.



SOUTHWEST GAS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Thousands of dollars)

	Year Ended December 31,		
	2021	2020	2019
Net income	\$ 187,135	\$ 159,118	\$ 163,171
Other comprehensive income (loss), net of tax			
Defined benefit pension plans:			
Net actuarial gain (loss)	44,974	(43,730)	(54,026)
Amortization of prior service cost	729	878	966
Amortization of net actuarial loss	33,894	28,751	17,766
Prior service cost	—	—	(1,426)
Regulatory adjustment	(67,027)	5,650	28,077
Net defined benefit pension plans	12,570	(8,451)	(8,643)
Forward-starting interest rate swaps (“FSIRS”):			
Amounts reclassified into net income	1,652	2,467	2,541
Net forward-starting interest rate swaps	1,652	2,467	2,541
Total other comprehensive income (loss), net of tax	14,222	(5,984)	(6,102)
Comprehensive income	\$ 201,357	\$ 153,134	\$ 157,069

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Thousands of dollars)

	Year Ended December 31,		
	2021	2020	2019
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 187,135	\$ 159,118	\$ 163,171
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	253,398	235,295	215,620
Deferred income taxes	53,237	44,997	33,681
Changes in current assets and liabilities:			
Accounts receivable, net of allowances	(22,806)	3,933	(10,737)
Accrued utility revenue	(2,500)	(3,300)	(1,900)
Deferred purchased gas costs	(343,728)	36,239	(58,491)
Accounts payable	57,764	9,618	(27,473)
Accrued taxes	7,753	(1,527)	8,895
Other current assets and liabilities	(70,271)	48,545	89,171
Changes in undistributed stock compensation	6,392	5,294	5,146
Equity AFUDC	—	(4,724)	(4,161)
Changes in deferred charges and other assets	(28,743)	(44,291)	(31,767)
Changes in other liabilities and deferred credits	(72,386)	(65,136)	(13,361)
Net cash provided by operating activities	<u>25,245</u>	<u>424,061</u>	<u>367,794</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Construction expenditures and property additions	(601,983)	(692,216)	(778,748)
Changes in customer advances	15,973	14,033	19,001
Other	(32)	771	(95)
Net cash used in investing activities	<u>(586,042)</u>	<u>(677,412)</u>	<u>(759,842)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Contributions from parent	202,583	177,922	159,936
Dividends paid	(111,400)	(104,500)	(95,900)
Issuance of long-term debt, net	297,318	446,508	297,222
Retirement of long-term debt	—	(125,000)	—
Change in credit facility and commercial paper	(20,000)	—	—
Change in short-term debt	193,000	(137,000)	42,000
Withholding remittance – share-based compensation	(1,263)	(2,736)	(1,858)
Other	(1,820)	(1,262)	(825)
Net cash provided by financing activities	<u>558,418</u>	<u>253,932</u>	<u>400,575</u>
Change in cash and cash equivalents	(2,379)	581	8,527
Cash and cash equivalents at beginning of period	41,070	40,489	31,962
Cash and cash equivalents at end of period	<u>\$ 38,691</u>	<u>\$ 41,070</u>	<u>\$ 40,489</u>
<b>SUPPLEMENTAL INFORMATION:</b>			
Interest paid, net of amounts capitalized	<u>\$ 90,240</u>	<u>\$ 96,726</u>	<u>\$ 88,658</u>
Income taxes paid (received), net	<u>\$ (13,529)</u>	<u>\$ (19,603)</u>	<u>\$ 678</u>

The accompanying notes are an integral part of these statements.