

PUBLIC UTILITIES COMMISSION

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Valerie J. Ontiveroz
Regulatory Manager/California
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, NV 89193-8510

May 13, 2021

Advice 1160-G-A

(Southwest Gas Corporation U 905 G)

Dear Ms. Ontiveroz:

Energy Division approves Southwest Gas Corporation (SWG) AL supplement 1160-G-A in full, effective March 7, 2021. The AL 1160-G-A updates SWG's Energy Savings Assistance (ESA) Program Bridge Funding Plan for January 1, 2021 – June 30, 2021 (ESA Bridge Funding Plan) pursuant to Ordering Paragraph (OP) 5 in Decision (D.) 19-11-005.

1. Background

The CPUC issued D.19-11-005 to provide guidance to the six Small and Multi-Jurisdictional Utilities (SMJUs) for their Applications for 2021-2026 California Alternate Rates for Energy (CARE) and ESA Programs and budgets. D.19-11-005 also adopts a plan to provide bridge funding between the 2018-2020 program years and post-2020.

In D.19-11-005, Ordering Paragraph (OP) 5 directs the SMJUs to file a Tier 1 Advice Letter forty-five (45) days after issuance of the decision, with calculations of their ESA Program bridge funding amount, source for bridge funds, and treatment goals for the January 1, 2021 – June 30, 2021 bridge period.

On December 18, 2019, SWG submitted its Tier 1 Advice Letter in compliance with OP 5. At the Energy Division's request, SWG submitted supplemental Advice Letter No. 1121-G-A on February 28, 2020 replacing the originally submitted Advice Letter in its entirety. On March 13, 2020, SWG submitted supplemental Advice Letter No. 1121-G-B replacing previously submitted Advice Letters on this matter.

On February 5, 2021, Southwest Gas submitted Advice Letter 1160-G to update SWG ESA Bridge Funding Plan, with a proposed budget of \$3,625,000 and homes treatment goal of 1,150 between January 1, 2021 and June 30, 2021. This advice letter sought approval of increased bridge funding request from prior approved 1121-G-B in the amount of \$2.7M for 900 treatments. SWG received protests to Advice Letter 1160-G from Energy Efficiency Council (EEC) on February 12, 2021 and California Public Advocates (CalPA) on February 25, 2021. On March 10, 2021, SWG replied to CalPA and EEC's protests and stated it would modify Advice Letter 1160-G through a new or supplemental Advice Letter to address these protests.

On March 26, 2021, SWG filed supplemental AL 1160-G-A to replace AL 1160-G in its entirety. SWG proposed an updated bridge funding budget of \$3,335,990 and a homes treatment goal of 1,058 for the bridge funding period of January 1, 2021-June 30, 2021. SWG received protests to Advice Letter 1160-G-A from EEC on April 12, 2021 and replied to those protests on April 21, 2021. EEC withdrew their April 12, 2021 protests on April 26, 2021.

2. Energy Efficiency Council's Protests and SWG Reply to Protests

EEC's protest included several items directed at SWG's AL 1160-G that ask the CPUC to:

- (1) Setting aside unspent, carry-over ESA funds from previous program cycle
- (2) SWG approved bridge funding must be half of the 2020 authorized ESA budget
- (3) CPUC should waive or revise the Interim Milestone Treatment goal
- (4) CPUC should require that treatment goals in ESA program and contracts be set as minimums, not maximums
- (5) CPUC should allow flexibility to recommend higher values to be considered in the May 16th advice letter requesting funding for the 2nd half of 2021.
- (6) Adjust bridge funding budgets and goals to accommodate the Decision's requirements, recognizing that revenue requirements will actually decrease from prior years.

2.1 Setting aside unspent, carry-over ESA funds from previous program cycle

In AL 1160-G filed on February 5, 2021, SWG stated that they had an estimated unspent, carry-over (2018-2020) ESA budget of \$2.64M, and these funds would be used to reduce new revenue requirement from increasing the ESA Bridge Funding from the amount approved in AL 1121-G-B.

In its protest filed on February 12, 2021, EEC protested AL 1160-G on the grounds that it need to come into compliance with the Decision 19-11-005, particularly Ordering Paragraph 6 which states that SMJUs are authorized to carry over and spend remaining funds from prior years for authorized Energy Savings Assistance program activity that has not been completed. EEC argues that AL 1160-G appears to be taking unspent ESA treatment funds and diverting them to subsidize the 2021 ESA bridge funding budget instead of being used to treat households that were not treated as part of previously authorized but untreated households from the 2018-2020 program cycle.

In their Reply to Protests on March 10, 2021, SWG agreed with EEC's protest and stated that they will modify its ESA bridge funding budget through supplemental Advice Letter to consider uncompleted ESA Program treatments utilizing carry-overfunds from prior years as a separate budget.

In supplemental AL 1160-G-A filed on March 26, 2021, SWG agreed with EEC's interpretation of OP 6 in D.19-11-005 that the SMJUs are authorized to carry over and spend remaining funds from prior years for authorized ESA Program activity that has not been completed, if the CPUC has not yet approved post 2020 budgets through a decision on the SMJUs' filed applications. SWG stated in this supplemental that they had an overcollection of \$668,662 in its Energy Savings Assistance

Balancing Account (ESABA). This is the funding SWG says it will use to continue ESA Program activity that was not completed at the end of 2020.

In their April 12, 2021 protests to supplemental AL 1160-G-A, EEC explained that they did not understand how the carry-over funds available for uncompleted ESA work were slashed by 75% from \$2.64M reported in SWG's Advice Letter of February 5th to a SWG reported "overcollection of \$668,662 in its Energy Savings Assistance Balancing Account (ESABA).

In Reply to Protest on April 21, 2021, SWG addressed EEC's protest by stating that SWG made no change in the amount of remaining ESA funds from that reflected in AL1160-G, as approximately \$2.64M remains available from prior years for ESA activity that has not been completed. The confusion appears to have been caused by the reference in the ESA Bridge Funding Plan section of the AL 1160-G-A to an overcollection of \$668,662 in its ESA Balancing Account (ESABA). The \$668,662 over-collected balance constitutes a portion of the estimated \$2.64M in remaining ESA funds. SWG included this reference to the ESABA over-collected balance since SWG is required pursuant to its California tariff to first expend any over-collected balances before spending additional remaining funds for ESA activities.

On April 26, 2021, EEC withdrew their protest submitted on April 12, 2021 to AL 1160-G-A, stating that clarification by Southwest Gas in its Reply to Protest, and further confirmed in separate discussions with SWG's, provides full and satisfactory assurance of SWG's good will intentions concerning the full carryover funds and their full availability to treat the uncompleted homes.

Discussion

The scope of ministerial review for Energy Division on ESA bridge funding ALs is clearly laid out in D.19-11-005, pg.9: "The CPUC's Energy Division will perform a ministerial review of the advice letter and approve it if the following criteria are met: 1) the ESA bridge budget is at or below 2020 budget levels, as approved in D.18-08-020, and 2) the SMJU household treatment goal aligns with current average cost per home treated."

Therefore, Energy Division's scope of reviewing this Advice Letter filing is focused on whether the requested increase in the authorized bridge funding budgets and treatment goals meets these parameters for approval. Any discussion regarding unspent, carried over funds from the previous program cycles and how those funds should be used is outside of the explicit review of this AL. Therefore, Energy Division, per its ministerial authority, finds that AL 1160-G-A and the requested increase of the six month bridge period budget from \$2,700,000 and 900 households treated to the updated budget of \$3,335,990 and 1,054 households treated does meet the requirements for bridge funding as laid out in D. 19-11-005 and therefore is approved.

2.2 SWG approved bridge funding must be half of the 2020 authorized ESA budget

In its protest filed on February 12, 2021, EEC protested AL 1160-G on the grounds that SWG's proposed update to the ESA bridge funding budget for the period of January 1, 2021 to June 30, 2021 to a total of \$3.625M was greater than half of the 2020 authorized ESA budget.

In their Reply to Protests filed on March 10, 2021, SWG agreed with EEC's protest and stated that they would file a supplemental Advice Letter updating the proposed ESA bridge funding to no more than \$3,335,990 for the six-month bridge period.

In the subsequent supplemental AL 1160-G-B filed on March 26, 2021, SWG updated their proposed bridge funding amount to \$3,335,990 for the bridge funding period of January 1, 2021-June 30, 2021. This is exactly half of the 2020 ESA budget authorized in D.18-08-020, which adopted a 2020 budget of \$6,671,981 for SWG's ESA programs.

In their April 12, 2021 protests to supplemental AL 1160-G-A, EEC argued that the total amount of bridge funding should not be capped at the explicit 2020 authorized budget identified in D. 18-08-020, but rather the combination of the 2020 authorized budget plus any additional unspent, carried overfunds during the previous two years of the program cycle. This protest was withdrawn on April 26, 2021.

Discussion

Energy Division agrees with EEC's original protest to AL 1160-G that the amount of budget SWG requested for updating the bridge period budget in AL 1160-G was greater than half of the 2020 authorized ESA budget as required in D.19-11-005. SWG's supplemental AL 1160-G-A filed on March 26, 2021 did adhere to this requirement, and therefore is approved. While EEC's protest to this supplemental filed on April 12, 2021 was withdrawn, Energy Division does not find their interpretation of D.19-11-005 and the adding of unspent, carried funds to the 2020 authorized budget to be accurate, and agree with SWG's supplemental AL calculation for bridge funding amounts to be based only on the authorized 2020 ESA budget. Therefore, supplemental AL 1160-G-B is in compliance with D.19-11-005 and the proposed updated bridge funding is approved.

2.3 CPUC should waive or revise the Interim Milestone Treatment goal

In its protest filed on February 12, 2021, EEC protested AL 1160-G by stating that the AL should request that the CPUC should waive the penalty of not funding the second half efforts if SWG were not to meet their interim milestone goals as described in D.19-11-005: "If the CPUC hasn't voted on the [ESA-CARE program] applications by May 16, 2021, and the SMJUs have met the interim progress milestone, an extension of ESA bridge funding for six months through the end of 2021, at the same budget level and retreatment goal as for the first six-month bridge, is authorized".

In their Reply to Protests filed on March 10, 2021, SWG states that Southwest Gas has already requested in Advice Letter 1160-G that the CPUC consider waiving any penalties associated with failure to meet the ESA Program interim milestone requirement set forth in D.19-11-005. SWG believed that this waiver as requested is both appropriate and adequate to seek some flexibility in the availability of bridge funding for the second half of 2021 should the interim milestone requirement not be met.

In their supplemental AL 1160-G-B, SWG described how their updated bridge funding budget will simultaneously update their household treatment goal for the bridge period from 900 households to 1,058 households. This would require SWG to treat 529 households by March 31, 2021 to have met

their interim milestone treatment goal. Their supplemental also said that as of March 26, 2021, SWG treated 549 household through its ESA Program, exceeding its proposed interim progress milestone.

Discussion

D.19-11-005 does not grant Energy Division authority to waive or revise the interim milestone treatment goal during the first three months of the bridge period. As such, Energy Division finds this particular part of EEC's protest out of scope for the AL filed and the authority granted to Energy Division per D.19-11-005.

2.4 CPUC should require that treatment goals during bridge period be set as minimums, not maximums

In its protest filed on February 12, 2021, EEC protested AL 1160-G by stating that the AL should request that the CPUC set bridge funding goals that are considered a minimum, not a maximum treatment goal, so long as their budgeted funds are not exceeded. EEC states that decision language instructing SMJUs to “continue the previously approved ESA activities and treat the number of homes the bridge budget will accommodate” (D. 19-11-005 at pg.9) must pass through to treatment goals for ESA Contractors, and that they be allowed and encouraged to exceed their unit goals, so long as their budgeted funds are not exceeded.

In their Reply to Protests filed on March 10, 2021, SWG supported EEC's recommendation that the approved 2021 ESA bridge funding households' goal be treated as a minimum rather than maximum goal.

Discussion

Energy Division staff agrees that D.19-11-005 supports continuing ESA household treatments during the bridge period as long as budget is available, even if the bridge period treatment goal is achieved. As long as there are funds still available from the approved 2021 ESA bridge funding budget, additional homes beyond the approved goal can and should be treated.

2.5 Allow flexibility to recommend higher values to be considered in the May 16th advice letter requesting funding for the 2nd half of 2021

In its protest filed on February 12, 202, EEC protested AL 1160-G by stating that they are concerned that D.19-11-005 has made any authorized post-June ESA funding set to be equal to that of the first half of the bridge funding period. Therefore, EEC would like SWG to ask the CPUC for additional funds beyond what was authorized for the first six months for the second six months of bridge funding, and that ED be authorized to consider such increases as part of the review of the May 16th Advice Letter requesting funding for the second half of 2021. EEC's reasoning for this request is that ESA activity levels in the second half of the year are normally much greater than the first six months, and they are concerned that the resulting 12-month total of 2,300 homes treated will be far less than needed or feasible for SWG's ESA network.

In their Reply to Protests on March 10, 2021, SWG said that they understand EEC's protest to be requesting a May 16, 2021 Advice Letter filing since D.19-11-005 does not expressly address the issue and there will not be a CPUC decision on the SMJUs' 2021-2026 ESA and CARE program applications prior to that date. They state that SWG would be supportive of a May 2021 Advice Letter filing to request authorization for continued bridge funding should the ESA Program interim milestone requirement not be met, and to avoid an interruption in program operations.

Discussion

Energy Division does not have the authority to increase budgets beyond what was authorized by the CPUC. In D.19-11-005, the dicta on page nine explicitly states that the second half of bridge funding for the SMJUs will be at the same budget level and treatment goal as for the first six-month bridge, and may not exceed the total 2020 authorized budgets. SWG's AL 1160-G-A meets this criteria and is therefore approved.

Additionally, EEC requests SWG submit an Advice Letter by May 16, 2021 requesting the authorization for the continuation of bridge funding should the ESA Program interim milestone requirement not be met. D.19-11-005 provides clear description for the requirements of how second half of bridge funding will be triggered, and does not instruct the utilities to submit any ALs nor provide Energy Division ministerial authority to review such ALs that would authorize the continuation of bridge funding should the interim treatment milestone not be met by the SMJUs. Therefore, this request by EEC is considered out of scope for Energy Division disposition of AL 1160-G-A.

2.7 Adjust the various budgets and goals to accommodate the Decision's requirements

In its protest filed on February 12, 2021, EEC protested AL 1160-G by proposing adjustments to the ESA program budgets and goals set forth in Advice Letter 1160-G, asserting that the associated revenue requirements may decrease from prior years.

In their Reply to Protests on March 10, 2021, SWG stated that they will modify its proposed 2021 ESA bridge funding budget through supplemental Advice Letter to no more than the amount authorized under D.19-11-005 for the six-month bridge period.

Discussion

Per supplemental AL 1160-G-A filed on March 26, 2021, SWG followed through on this action, and Energy Division feels the budgets and goals proposed in this supplemental are in compliance with D.19-11-005.

3. California Public Advocates protest and SWG's Reply Comments

CalPA's protest included three items directed at SWG's AL 1160-G that ask the CPUC to reject this AL for the following reasons:

- (1) SWG's funding request exceeds the amount authorized by the CPUC's D.19-11-005.

- (2) SWG violates Public Utilities Code Section 451 in failing to provide reasonable justification for an increase in ESA funding despite past underperformance and substantial unspent funds.
- (3) The CPUC should take into considerations SWG progress towards interim homes treated during bridge funding before waiving penalties, and require an Advice Letter for future bridge funding.

3.1 Funding request exceeds the amount authorized by the CPUC's Decision

In its protest filed on February 25, 2021, CalPA protested AL 1160-G by stating that despite D.19-11-005's explicit bridge funding limit, SWG requests \$3,625,000, nearly \$300,000 more than half of the authorized bridge funding. Therefore, the CPUC should reject SWG's request and require SWG to reduce its budget request to not more than \$3,335,990 for this six-month period.

In their Reply to Protests on March 10, 2021, SWG stated that they will modify its proposed 2021 ESA bridge funding budget through supplemental Advice Letter to no more than the amount authorized under D.19-11-005 for the six-month bridge period.

Discussion

Per supplemental AL 1160-G-A filed on March 26, 2021, SWG followed through on this action, and Energy Division finds the budgets proposed in this supplemental are in compliance with D.19-11-005. Thus Energy Division staff approves SWG's bridge funding amount of \$3,335,990 as it does not exceed half of the 2020 authorized budget of \$6,671,980.

3.2 Violation of Public Utilities Code Section 451 in failing to provide reasonable justification for an increase in ESA funding

In its protest filed on February 25, 2021, CalPA protested AL 1160-G by stating SWG's goal of treating 1,150 homes in the January through June 2021 bridge period far exceeds its past performance. Annualized, SWG plans to treat 2,300 homes in 2021 – 20% more than it treated in 2020, even as the COVID-19 pandemic continues to present significant operational challenges and uncertainty for contractors and customers. CalPA states that SWG does not explain how its 2021 homes treated goal is reasonable under the circumstances.

Additionally, CalPA protests SWG's increased funding request as unreasonable given its past underperformance in meeting its homes treated targets. They note how SWG failed to meet its homes treated per year target of 2,611 in both 2019 and 2020. CalPA states that the magnitude of unspent funds from previous program years, coupled with SWG's underperformance relative to CPUC goals, calls into question whether SWG can effectively manage additional bridge funding to meet even more challenging goals. Therefore, CalPA feels it would be unreasonable for ratepayers to provide additional funds to SWG if it is unable to use those funds during 2021 to advance ESA program goals.

In their Reply to Protests filed on March 10, 2021, SWG states that they have experienced trends that have increased the overall cost of its ESA Program. In Advice Letter 1160-G, SWG lists the factors that have contributed to increasing ESA Program costs including strong 2020 program participation during the COVID-19 pandemic, as well as increases in the average cost per home treated. During Program Year 2020, Southwest Gas treated 1,947 homes even while its ESA Program was suspended for approximately two and a half months due to the COVID-19 pandemic. SWG cites recent trends, including the availability of COVID-19 vaccinations and states beginning to lift COVID-19 restrictions, as a reflection of the decreasing need for states to enforce similar face-to-face limitations during 2021. While Southwest Gas recognizes that it did not meet its homes treated per year targets for each year of the 2018-2020 program cycle as CalPA notes, the strong program performance during 2020, even with the temporary suspension, reflects a significant need from customers for the ESA Program's services. SWG therefore believes that a modified bridge funding budget at the authorized 2020 ESA Program budget is reasonable.

Discussion

Energy Division does not see SWG's request to increase bridge funding as a violation of Public Utilities Code Section 451. Per AL 1160-G and supplemental 1160-G-B, SWG provides sufficient detail on why an increased bridge funding budget is necessary. While Energy Division acknowledges CalPA's concerns regarding underspending budgets and missing treatment goals from past Program Years, the purpose of the bridge funding period is to ensure continuation of the ESA program while the CPUC works through the SMJU ESA applications for 2021-2026. As seen in SWG supplemental AL 1160-G-A, SWG has already exceeded their interim milestone treatment goal through March 31, 2021. This is an indication to Energy Division that the significant customer need and interest in the ESA program still exists, and that SWG has provided sufficient information in their AL to warrant an increase in bridge funding budget up to a level authorized by D.19-11-005.

3.3 Considerations for Future ESA Bridge Funding

In its protest filed on February 25, 202, CalPA protested AL 1160-G by stating that should the CPUC decide not to impose penalties in the event that SWG fails to meet the interim goal, it should still consider SWG's progress toward the goal when determining future bridge funding. CalPA feels that ignoring the interim goals entirely would be contrary to Public Utilities Code Section 451, which requires rates charged to customers by public utilities to be just and reasonable. Their protest states that it would be unreasonable to provide additional ratepayer bridge funding without ensuring that these funds would be prudently spent in delivering the ESA program benefits to ratepayers. The CPUC, therefore, should require that any future advice letters for additional bridge funding describe SWG's progress toward the interim goal and, if applicable, explain why SWG is unable to meet the interim goal and its plan to address these factors in the latter half of 2021.

In their Reply to Protests filed on March 10, 2021, SWG said they do not oppose CalPA's recommendation that if the CPUC does not impose penalties in the event SWG fails to meet the interim goal, it should still consider the Company's progress toward the goal when determining future bridge funding. SWG also stated in their Reply to Protest that in their forthcoming supplemental Advice Letter, SWG will include the number of households it has treated to date for Program Year 2021 and any barriers it has experienced in meeting the interim goal.

Discussion

Energy Division finds the language in D.19-11-005 clear on what triggers are required for the second half of bridge funding to be released. Specifically, the Decision states that to trigger the second half of bridge funding, the SMJUs must hit their interim milestone treatment goal by March 31, 2021 *and* the CPUC must not have issued a decision on the SMJU ESA/CARE applications by May 16, 2021. Therefore, if one of the two triggers are not met, then the second half ESA bridge funding is not authorized.

D.19-11-005 does not discuss issuing any penalties, nor grant Energy Division authority to issue penalties, if the SMJUs do not meet their interim milestone treatment goal during the first three months of the bridge period. Additionally, the Decision does not provide any direction to the SMJUs regarding filing additional advice letter for requesting their second half of bridge funding, nor any other reporting mechanism to describe progress toward the interim goal and, if applicable, explain why a SMJU is unable to meet the interim goal.

As such, Energy Division finds this particular part of CalPA's protest out of scope for the AL filed and the authority granted to Energy Division per D.19-11-005.

Please direct any questions regarding Energy Division's findings in this non-standard disposition to Jason Symonds (Jason.Symonds@cpuc.ca.gov).

Sincerely,

Handwritten signature of Edward Randolph in black ink, with the initials "(for)" written in parentheses to the right of the signature.

Edward Randolph,
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division

Cc: Service List A.20-03-014, et al.

Pete Skala, Energy Division
Jennifer Kalafut, Energy Division
Alison LaBonte, Energy Division



SOUTHWEST GAS CORPORATION

March 26, 2021

Advice Letter No. 1160-G-A

(U 905 G)

Public Utilities Commission of the State of California

Subject: Energy Savings Assistance Program Bridge Funding Plan for January 1, 2021 – June 30, 2021

Purpose

Southwest Gas Corporation (Southwest Gas) hereby submits this supplemental Advice Letter to update Southwest Gas' Energy Savings Assistance (ESA) Program Bridge Funding Plan for January 1, 2021 – June 30, 2021 (ESA Bridge Funding Plan) pursuant to Ordering Paragraph (OP) 5 in Decision (D.) 19-11-005. This supplemental Advice Letter replaces in its entirety Advice Letter No. 1160-G submitted on February 5, 2021. There are no tariff sheets associated with this Advice Letter submission.

Background

The Commission issued D.19-11-005 to provide guidance to the six Small and Multi-Jurisdictional Utilities (SMJUs) for their 2021-2026 California Alternate Rates for Energy (CARE) and ESA Programs. D.19-11-005 also adopts a plan to provide bridge funding between the 2018-2020 program years and post-2020. OP 5 in D.19-11-005 states:

...the Commission authorizes bridge funding to cover ESA program activity for January 1, 2021- June 30, 2021 if we have not voted to approve the 2021 and beyond programs and budget applications by November 16, 2020 (45 days prior to end of current approved budget cycle). The Commission hereby authorizes a bridge-funding amount up to the authorized 2020 budget levels. The SMJUs are to continue the previously approved ESA activities and treat the number of homes the bridge budget will accommodate. In the event bridge funding is needed, the SMJUs must set household treatment goals for the bridge period. The SMJUs are accountable to meet an interim progress milestone, where the SMJUs must treat about half of the bridge treatment goal for the period January 1, 2021-March 31, 2021 and retain enough budget to treat the remaining homes for the bridge period goal by June 30, 2021. Other ESA activities beyond treatments that are not completed at the end of 2020, yet still have funds from the current cycle, should continue into PY 2021 but not result in additional budget allocation through bridge funding for the activity. If the Commission hasn't voted on the applications by May 16, 2021, and the

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SMJUs have met the interim progress milestone, an extension of ESA bridge funding for six months through the end of 2021, at the same budget level and retreatment goal as for the first six-month bridge, is authorized.¹

Additionally, OP 5 in D.19-11-005 directs the SMJUs to file a Tier 1 Advice Letter forty-five (45) days after issuance of the decision, with calculations of their ESA Program bridge funding amount, source for bridge funds, and treatment goals for the January 1, 2021 – June 30, 2021 bridge period.²

On December 18, 2019, Southwest Gas submitted its Tier 1 Advice Letter in compliance with OP 5. At the Energy Division's request, Southwest Gas submitted supplemental Advice Letter No. 1121-G-A on February 28, 2020 replacing the originally submitted Advice Letter in its entirety. On March 13, 2020, Southwest Gas submitted supplemental Advice Letter No. 1121-G-B replacing previously submitted Advice Letters on this matter. On February 5, 2021, Southwest Gas submitted Advice Letter 1160-G to update Southwest Gas ESA Bridge Funding Plan. Southwest Gas received protests to Advice Letter 1160-G from Energy Efficiency Council (EEC) on February 12, 2021 and Public Advocates Office (PAO) at the California Public Utilities Commission (Commission) on February 25, 2021. On March 10, 2021, Southwest Gas replied to PAO's and EEC's protests and stated it would modify Advice Letter 1160-G through a new or supplemental Advice Letter. This supplemental Advice Letter addresses these modifications.

In accordance with D.19-11-005, Southwest Gas developed an ESA Bridge Funding Plan setting forth the program bridge funding amount, source for bridge funds, and treatment goals for the January 1, 2021 – June 30, 2021 bridge period. In supplemental Advice Letter No. 1121-G-A, Southwest Gas updated its original estimated budget from \$2,425,000 to \$2,700,000 and its household treatment goal from 1,000 homes to 900 homes for the bridge funding period. Southwest Gas updated its original estimated budget and household treatment goal at the request of the Commission to ensure adequate funding and an obtainable household treatment goal during the bridge funding period. In supplemental Advice Letter No. 1121-G-B, Southwest Gas updated its estimated new revenue required from \$0 to \$1,400,000 for the period covering January 1, 2021 – June 30, 2021. Southwest Gas updated the estimated new revenue required due to expectations of strong 2020 ESA Program production prior to knowledge of the emerging COVID-19 pandemic. In Advice letter No. 1160-G, Southwest Gas updated its household treatment goal from 900 homes to 1,150 homes for the period covering January 1, 2021 – June 30, 2021 and the average cost per home treated from \$3,000 to \$3,152 in response to strong program performance and increasing average costs per home.

¹ D.19-11-005 at pgs. 8-9.

² *Id.* at pg. 11.



Revised January 1, 2021 – June 30, 2021 Energy Savings Assistance Bridge Funding Plan

The following section provides Southwest Gas' ESA bridge funding plan for January 1, 2021 - June 30, 2021. The section details 1) the proposed budget; 2) the funding source for the budget; 3) the ESA treatment goal, and; 4) the average cost per home treated. This information is also reflected in Table 1.

1. Proposed Budget

As discussed above in D.19-11-005, the SMJUs are authorized a bridge funding amount up to 2020 budget levels. Southwest Gas requests an updated budget of \$3,335,990 for the bridge funding period of January 1, 2021 - June 30, 2021.³ Southwest Gas treated over 2,100 customers in 2019 and over 1,900 customers in 2020, even with a temporary program suspension. Southwest Gas will target 1,058 homes with this six-month bridge funding budget. Southwest Gas anticipates strong program performance for the bridge funding period, and the proposed budget will serve to support customers struggling with pandemic-related impacts and allow contractors to treat households at current levels. Additionally, Southwest Gas has experienced strong 2021 program performance to date that is discussed in the Bridge Funding Progress section below.

2. Funding Source

a. ESA Balancing Account Carry Over for Uncompleted 2020 ESA Activity

Per OP 6 in D.19-11-005, the SMJUs are authorized to carry over and spend remaining funds from prior years for authorized ESA Program activity that has not been completed, if the Commission has not yet approved post 2020 budgets through a decision on the SMJUs filed applications. On December 31, 2020, Southwest Gas had an overcollection of \$668,662.51 in its Energy Savings Assistance Balancing Account (ESABA).⁴ This funding will be used to continue ESA Program activity that was not completed at the end of 2020.

b. New Revenue

New revenue is required for Southwest Gas' proposed budget of \$3,335,990 for the bridge funding period covering January 1, 2021 through June 30, 2021.

³ Southwest Gas' proposed \$3,335,990 bridge funding budget reflects an increase of \$635,990 from the Company's previously authorized bridge funding budget of \$2,700,000 approved in Southwest Gas Advice Letter No. 1121-G-B on May 8, 2020.

⁴ Effective January 1, 2020, Southwest Gas modified its methodology for more accurate alignment with the Company's California tariff addressing ESABA revenue carry over. (See Southwest Gas California Tariff, Section 1. Purpose of 16D. Energy Savings Assistance Balance Account (ESABA) (Sheet 27)).



3. ESA Treatment Goal

As discussed above, for the bridge funding period covering January 1, 2021 – June 30, 2021, Southwest Gas proposes a revised household treatment goal from 900 homes to 1,058 homes.⁵

4. Average Cost Per Home Treated

In order to serve low income customers with all ESA Program feasible measures, Southwest Gas proposes an increase in the average cost per home treated from \$3,000 to \$3,152 per home for the bridge funding period covering January 1, 2021 – June 30, 2021.⁶ This proposed increase mirrors the average cost per home treated in 2020. The trend in higher cost per home is due to the increase in the number of older single-family owner-occupied homes being treated. While these homes offer deeper savings opportunities, the higher cost of installing all feasible measures results in a higher average cost per home treated. For example, the number of water heaters and furnaces qualifying for replacement has increased significantly. From Program Year (PY) 2018 to PY 2019, water heater replacements increased by 78% and increased another 33% in PY 2020. From PY 2018 to PY 2019, furnace heater replacements increased by 44% and increased another 67% in PY 2020.

Table 1 - Southwest Gas' Bridge Funding January 1, 2021 – June 30, 2021

Bridge Period	Budget	Homes Treated Goal	Average Cost Per Home Treated	Estimated New Revenue Required For This Period
January 1, 2021 - June 30, 2021	\$3,335,990	1,058	\$3,152	\$3,335,990

If the Commission has not approved Southwest Gas' 2021-2026 ESA and CARE Program Budget Applications by May 16, 2021, Southwest Gas will require additional ESA Program funding for the remainder of 2021 (July – December).

⁵ The 900 households ESA treatment goal was approved in Southwest Gas' Advice Letter No. 1121-G-B on May 8, 2020.

⁶ \$3,000 average cost per home was approved in Southwest Gas' Advice Letter No. 1121-G-B on May 8, 2020.



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March 26, 2021

January 1, 2021 – June 30, 2021 Energy Savings Assistance Bridge Funding Progress

D.19-11-005 established an interim progress milestone, requiring the SMJUs to meet or exceed half of the bridge treatment goal set forth in the ESA Program Bridge Funding Plan Advice Letter for the period January 1, 2021 – March 31, 2021 in order to request and receive funding for the second six month bridge period should one be necessary.⁷ As of March 26, 2021, Southwest Gas treated 549 household through its ESA Program, exceeding its proposed interim progress milestone of 529 homes treated by March 31, 2021.

Effective Date

Pursuant to Southwest Gas' discussion with Energy Division on January 28, 2021, this Advice Letter is classified as Tier 2 (effective after Energy Division approval) pursuant to General Order (GO) 96-B. Southwest Gas respectfully requests this Advice Letter be made effective on March 7, 2021, which is the originally requested effective date for Advice Letter No. 1160-G.

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 submission 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:

ATTN: Tariff Unit
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 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 as above, and mailed, emailed or faxed to:

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///
///

⁷ *Id.* at pgs. 8-9.



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Mr. Justin Lee Brown
Senior Vice President/General Counsel
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, NV 89193-8510
Email: justin.brown@swgas.com
Facsimile: 702-364-3452

Notice

Southwest Gas is exempt from the notice requirements set forth in General Rule 4.2 in GO 96-B since this Advice Letter is submitted in compliance with OP 5 in D.19-11-005.

Service

In accordance with GO 96-B, General Rule 7.2, 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 submission 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: 
Valerie J. Ontiveroz

Distribution List

Advice Letter No. 1160-G-A

In conformance with GO 96-B, General Rule 4.3

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

Elizabeth Echols, Director
Public Advocates Office
elizabeth.echols@cpuc.ca.gov

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
Public Advocates Office
California Public Utilities Commission
robert.pocta@cpuc.ca.gov

Nathaniel Skinner
Public Advocates Office
California Public Utilities Commission
nathaniel.skinner@cpuc.ca.gov

Pearlie Sabino
Public Advocates Office
California Public Utilities Commission
pearlie.sabino@cpuc.ca.gov



ADVICE LETTER SUMMARY

ENERGY UTILITY



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

Company name/CPUC Utility No.:

Utility type:

ELC GAS WATER
 PLC HEAT

Contact Person:

Phone #:
E-mail:
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

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:

Summarize differences between the AL and the prior withdrawn or rejected AL:

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:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

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:

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss in AL if more space is needed.

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:
Title:
Utility Name:
Address:
City: State:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Name:
Title:
Utility Name:
Address:
City: State:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email: