Docket:	:	A.12-12-024
Exhibit Number	:	DRA-01
Commissioner	:	Kim
ALJ	:	Sandoval
Witness	:	Burns

DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report on the Results of Operations for Southwest Gas Corporation General Rate Case

Test Year 2014

Executive Summary and Other Matters

San Francisco, California
June 3, 2013

TABLE OF CONTENTS

SOUTHWEST GAS CORPORATION
EXECUTIVE SUMMARY AND OTHER MATTERS

I. OVERVIEW: THE DIVISION OF RATEPAYER ADVOCATES REDUCES SOUTHWEST GAS CORPORATION'S PROPOSED RATE INCREASES FOR ITS CALIFORNIA RATEPAYERS

> **DRA recommends:**
> - **a $0.4 million (-1%) decrease in 2014 revenues for the Southern California Division;**
> - **a $0.7 million (5%) increase in 2014 revenues for the Northern California Division; and**
> - **a $0.8 million (13%) increase in revenues for the South Lake Tahoe District.**

The Division of Ratepayer Advocates (DRA) submits its exhibits in response to Southwest Gas Corporation's (SWG or Southwest) Test Year (TY) 2014 General Rate Case (GRC) Application No. (A.) 12-12-024. In its application, SWG seeks revenue changes related to TY 2014 and Post-Test Years 2015 through 2018 for gas operations in its three California ratemaking jurisdictions—the Southern California Division, Northern California Division and South Lake Tahoe District. SWG requests that the changes in rates and charges for gas service be effective on January 1, 2014.

SWG is seeking to establish rates and charges for the provision of natural gas service in California at just and reasonable levels to provide an opportunity to earn a fair and reasonable rate of return on its investment. This general rate case only addresses the revenues derived from base rates, and does not address revenues and expenses related to the natural gas commodity.

For TY 2014, SWG seeks a $5.6 million (9%) operating margin increase for the Southern California Division, a $3.2 million (21%) increase for the Northern California Division, and a $2.8 million (45%) increase for the South Lake Tahoe District, relative to current Commission-authorized levels. SWG has asked for additional revenues to cover higher costs associated with: the cost of capital (rate of return on infrastructure investment); pensions and benefits expenses; operating and maintaining its gas systems (e.g., associated with meters, mains, and services); customer-related expenses (e.g., meter reading, customer records and collection, and responding to customer inquiries); administrative and general expenses (e.g., employee salaries, insurance, and outside contractors); and rate base (e.g., net infrastructure investment).

Based on its independent review of SWG's cost estimates, DRA recommends:

- a $0.4 million (-1%) decrease in TY 2014 for the Southern California Division;
- a $0.7 million (5%) increase in TY 2014 for the Northern California Division; and
- a $0.8 million (13%) increase for the South Lake Tahoe District.

In addition to its TY 2014 rate increase request, SWG proposes additional revenue increases in four subsequent years—2015, 2016, 2017 and 2018. DRA recommends a more equitable and transparent indexing mechanism that would yield more modest increases during the four attrition years compared to SWG's request.

II. THE COMMISSION SHOULD ADOPT DRA's TEST YEAR 2014 AND 2015-2018 POST-TEST YEAR RECOMMENDATIONS IN THEIR ENTIRETY

This exhibit presents DRA's: (1) executive summary regarding SWG's TY 2014 and post-Test Year 2015-2018 proposals; and (2) a recommendation regarding a phase-in approach to the adopted rate increase for the South Lake Tahoe District.

A. Southwest Gas Seeks a $5.6 Million (9%) Increase for its Southern California Division, a $3.2 Million (21%) Increase for its Northern California Division, and a $2.8 Million (46%) Increase for its South Lake Tahoe District in 2014

As shown in Table 1-1 below, SWG is requesting a total of $94.7 million in operating margin[1] in TY 2014 for its three California ratemaking jurisdictions,

[1] Operating margin refers to the revenues derived from base rates, excluding revenues and expenses related to the natural gas commodity. Natural gas commodity-related revenues and expenses are subject to a separate purchased gas cost adjustment

(continued on next page)

which represents a $11.6 million (14%) increase relative to 2009 levels. This consists of a $5.6 million (9%) increase in the Southern California Division, a $3.2 million (21%) increase in the Northern California Division, and a $2.8 million (or 45%) increase in the South Lake Tahoe District.

Table 1-1
SWG is Seeking $94.7 Million in 2009 Operating Margin for its Three California Ratemaking Jurisdictions, an $11.6 Million (or 14%) Increase Compared to 2009 Levels (in Thousands of Dollars)

Jurisdiction (a)	SWG's Proposed 2014 Operating Margin (b)	2009 Operating Margin (c)	$ Increase over 2009 Operating Margin (d=b-c)	% Increase over 2009 Operating Margin (e=d/c)
Southern CA Division	$67,452.1	$61,896.9	$5,555.2	8.9%
Northern CA Division	$18,391.1	$15,154.7	$3,236.4	21.4%
South Lake Tahoe District	$8,871.3	$6,109.6	$2,761.7	45.2%
Total	$94,714.5	$83,161.2	$11,553.3	13.9%

The major drivers impacting all three California ratemaking jurisdictions are the cost of capital,[2] operations and maintenance expenses,[3] customer-related expenses,[4] administrative and general expenses,[5] pensions and benefits expenses,[6] system allocable (corporate) costs[7] and/or plant additions.[8]

(continued from previous page)
mechanism and are not included in GRC base revenues.

[2] The rate of return on rate base, or net infrastructure investment.

[3] These expenses reflect the cost of activities such as maintenance of meters, mains, services, and regulator stations and performing leak surveys and repairs.

[4] These expenses reflect the cost of activities such as meter reading, customer records and collection, providing customer service and responding to customer inquiries.

[5] These expenses include general costs such as the cost of insurance, outside services and employee salaries.

[6] This includes the cost of medical insurance and funding levels for deferred executive compensation and a supplemental executive retirement plan.

[7] System Allocable (total company) costs include expenses, plant additions, and depreciation expense and reserve, which are then allocated to the utility's three California
(continued on next page)

B. DRA Recommends a $0.4 Million (-1%) Decrease for Southwest Gas' Southern California Division, a $0.7 Million (5%) Increase for the Northern California Division, and a $0.8 Million (13%) Increase for the South Lake Tahoe District in TY 2014

DRA recommends that the Commission authorize a total of $84.3 million in TY 2014 operating margin for SWG's three California ratemaking jurisdictions, compared to the utility's request for $94.7 million. Relative to SWG's authorized 2009 operating margin, DRA recommends an overall increase of $1.1 million (or 1.3%) for TY 2014. Table 1-2 below provides a breakdown of DRA's recommended changes for SWG's Southern California, Northern California, and South Lake Tahoe divisions.

Table 1-2
DRA Recommends $84.3 Million in 2014 Operating Margin for SWG's Three California Ratemaking Jurisdictions, a $1.1 Million (or 1.3%) Increase Compared to 2009 Levels (in Thousands of Dollars)

Jurisdiction (a)	DRA's Recommended 2014 Operating Margin (b)	2009 Operating Margin (c)	$ Increase over 2009 Operating Margin (d=b-c)	% Increase over 2009 Operating Margin (e=d/c)
Southern CA Division	$61,484.9	$61,896.9	$(412.0)	(1)%
Northern CA Division	$15,866.1	$15,154.7	$711.4	5%
South Lake Tahoe District	$6,904.6	$6,109.6	$795.0	13%
Total	$84,255.6	$83,161.2	$1,094.4	1.3%

(continued from previous page)
service territories via the 4-Factor, as discussed in Exhibit DRA-02.

[8] These are the capital investment costs for infrastructure, such as pipelines, meters, gas mains, and services to serve new and existing customers.

C. DRA Recommends Lower TY 2014 Operating Margins Compared to SWG's Request

SWG's TY 2014 request exceeds DRA's recommendation by $10.5 million, or 12%. The difference between DRA's recommended and SWG's proposed operating margins for TY 2014 are shown in Table 1-3.

Table 1-3
For SWG's Three California Ratemaking Jurisdictions, DRA Recommends a 2014 Operating Margin that is $10.5 Million Lower than the Utility's Request (in Thousands of Dollars)

Jurisdiction (a)	DRA Recommended (b)	SWG Proposed (c)	$ Amount SWG > DRA (d=c-b)	% Difference SWG > DRA (e=d/b)
Southern CA Division	$61,484.9	$67,452.1	$5,967.2	10%
Northern CA Division	$15,866.1	$18,391.1	$2,525.0	16%
South Lake Tahoe District	$6,904.6	$8,871.3	$1,966.7	3%
Total	$84,255.6	$94,714.5	$10,458.9	12%

D. DRA Recommends Lower 2015-2018 Post-Test Year Operating Margin Increases Compared to SWG's Request

SWG is requesting approval of a Post-Test Year Ratemaking (PTYR) mechanism which would result in annual increases to 2015-2018 Post-Test Year operating margins of 2.95% for Southern and Northern California and South Lake Tahoe. SWG proposes an additional attrition amount for its proposed accelerated replacement of Aldyl-A main and service lines. DRA is proposing a more equitable and transparent indexing mechanism that would yield modest increases during the four attrition years.

The differences between DRA's recommended and SWG's proposed 2015-2018 estimated operating margin increases for the utility's three California ratemaking jurisdictions, given each parties' respective proposed PTYR mechanism, are shown in Table 1-4.

Table 1-4
DRA is Recommending Lower and More Reasonable
Post-Test Year Operating Margin Increases
Compared to the SWG Requests for its Three California Ratemaking Jurisdictions
(in Thousands of Dollars)

Year (a)	DRA Recommended (b)	SWG Proposed (c)	$ Amount SWG>DRA (d=c-b)
2015	$1,011.1	$3,088.5	$2,077.4
2016	$1,193.7	$3,179.7	$1,986.0
2017	$1,123.9	$3,273.5	$2,149.6
2018	$1,138.6	$3,370.0	$2,231.4
Total	$4,467.4	$12,911.7	$8,444.3

The figures above are derived from DRA's and SWG's proposed PTYR mechanisms in conjunction with their respective forecasts of TY 2014 operating margins. Both DRA and SWG are seeking Commission approval of their respective PTYR mechanisms during 2015-2018, and not explicit approval of specific dollar amounts for annual Post-Test Year operating margin increases.[9]

III. RATE IMPACT ON THE UTILITY'S CALIFORNIA CUSTOMERS

DRA's analysis indicates that if the Commission grants SWG's application, its customers would experience the following changes to their total gas bills (system average percentage increase): a 14.8% increase in the Southern California Division; an 18.9% increase in the Northern California Division; and a 45.2% increase in the South Lake Tahoe District.

In contrast, if the Commission adopts DRA's recommended operating margins for TY 2014, DRA currently estimates[10] that SWG's customers would

[9] As discussed in section VII below, DRA is recommending that the Commission adopt specific 2015-2018 forecasts of the All-Urban Consumer Price Index for the purposes of implementing DRA's proposed PTYR indexing mechanism. Therefore, DRA would not object to the authorization of specific dollar amounts for the Post-Test Years based on its recommended mechanism.

[10] A more precise determination of the rate impact on SWG's customers appears in DRA's Report on Revenue Allocation and Rate Design (Exhibit DRA-11).

experience the following approximate changes to their TY 2014 total gas bills (system average percentage increase): a 4.6% increase in the Southern California Division; a 10.6% increase in the Northern California Division; and an 8.9% increase in the South Lake Tahoe District.

IV. DRA's ANALYSIS

DRA is responding to SWG's TY 2014 GRC application, A.12-12-024, with the issuance of its prepared testimony.

DRA's team for this case consists of 10 persons responsible for the project coordination, support, financial review and analytical responsibilities needed to process SWG's GRC application. DRA's "Qualifications of Witnesses" attachments provide details on its multi-disciplinary team with backgrounds in engineering, accounting, economics, finance and policy.

DRA submits the following reports in support of its recommendations:

- Report on the Results of Operations Southwest Gas Corporation General Rate Case TY 2014 (Exhibits DRA-1 through DRA-8);
- Report on the Cost of Capital for Southwest Gas Corporation General Rate Case TY 2014 (Exhibit DRA-9);
- Report on the Results of Examination for Southwest Gas Corporation General Rate Case TY 2014 (Exhibit DRA-10);
- Report on Revenue Allocation and Rate Design for Southwest Gas Corporation General Rate Case TY 2014 (Exhibit DRA-11).

The appendix at the end of this exhibit shows the specific exhibits and subject matters for which each DRA witness is responsible.

V. ORGANIZATION OF DRA's SHOWING / SUMMARY OF DIFFERENCES

This section: (1) indicates how DRA's exhibits are organized; and (2) briefly highlights the major differences[11] between DRA and SWG with respect to the

[11] Unless noted otherwise in this "Summary of Differences" section, the differences

(continued on next page)

various elements of revenues, operating expenses, capital expenditures, and rate base.

Exhibit DRA-01
Executive Summary and Other Matters

This exhibit provides a brief overview of SWG's request; presents the overall organization of DRA's exhibits; summarizes the differences between DRA's and SWG's Test Year 2014 and 2015-2018 Post-Test Year estimates; and addresses other matters such as Post-Test Year ratemaking and a phase-in proposal for the adopted rate increase in the South Lake Tahoe District.

Exhibit DRA-02
Summary of Earnings and Allocation Factors

This exhibit compares DRA's and SWG's Summary of Earnings and the factors used to allocate total company (System Allocable) costs to the utility's California ratepayers in the Southern California Division, Northern California Division and South Lake Tahoe District.

- DRA recommends different gross revenue (or net-to-gross) multipliers because of differences with SWG regarding uncollectible rates, as discussed in Exhibit DRA-04.
- DRA does not take issue with the 4-Factor percentages that SWG developed and proposes in this rate case.

Exhibit DRA-03
Billing Determinants

This exhibit addresses issues regarding sales and customer forecasts for TY 2014. DRA reviewed SWG's sales and customer forecasts, developed its own analysis and determined that there were insignificant differences with the Company. DRA agrees with SWG's sales and customer forecasts.

Exhibit DRA-04
Gas Supply and Distribution, Customer Accounts, Customer Service & Information Expenses

This exhibit addresses issues regarding SWG's gas supply and distribution, customer accounts and customer service & information O&M expenses for TY 2014.

- For the Southern California Division, DRA recommends adjustments of $589,000 to SWG's request for $9.9 million for Distribution.

(continued from previous page)
between DRA's and SWG's forecasted expenses are expressed in constant 2011 dollars and without labor loading, while differences in forecasted plant additions, depreciation, and rate base are expressed in nominal (2012-2014) dollars.

- For the Northern California Division, DRA recommends adjustments of $161,000 to SWG's request for $1.4 million for Distribution.
- For the South Lake Tahoe District, DRA recommends adjustments of $418,000 to SWG's request for $1.9 million for Distribution.

DRA's adjustments are primarily due to differences regarding forecasting methodology, and using more recent data where appropriate.

Exhibit DRA-05
Administrative and General Expenses, Pensions & Benefits

This exhibit addresses issues regarding SWG's administrative and general (A&G) expenses for TY 2014.

- For direct A&G expenses in the Southern California Division, DRA recommends adjustments of $49,360 to SWG's request for $1.0 million.
- For direct A&G expenses in the Northern California Division, DRA recommends adjustments of $1,211 to SWG's request for $163,845.
- For direct A&G expenses in the South Lake Tahoe District, DRA recommends adjustments of $34 to SWG's request for $89,252.
- For total company System Allocable (before allocation) A&G expenses, DRA recommends adjustments of $1.7 million to SWG's request for $84.9 million.

DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data, and removing expenses that do not provide ratepayer benefits.

This exhibit also addresses issues regarding SWG's pensions and benefits expenses, including post-retirement benefits other than pension (PBOPs) expenses.

- For TY 2014, DRA recommends total-company adjustments of $12.2 million to SWG's request for $86.8 million.
- DRA also recommends a labor loading factor of 59.88% instead of the 67.14% rate which SWG proposes.

DRA's adjustments are primarily due to lower forecasts regarding the cost of medical insurance, no funding of the utility's deferred executive compensation and supplemental executive retirement plan, flex benefits and using actual 2011 costs to calculate the labor loading factor.

Exhibit DRA-06
Intangible, Distribution and General Plant

This exhibit addresses issues regarding SWG's plant additions and plant balances for the 3-year period from 2012-2014.

- For the Southern California Division, DRA recommends adjustments of $8.7 million to SWG's request for $375.7 million in plant-in-service from 2012-2014.
- For the Northern California Division, DRA recommends adjustments of $1.5 million to SWG's request for $129.9 million in plant-in-service from 2012-2014.
- For the South Lake Tahoe District, DRA does not take issue with SWG's request for

$40.8 million in plant-in-service from 2012-2014.

DRA's adjustments are primarily due to differences regarding forecasting methodology and using more recent data where appropriate.

Exhibit DRA-07
Rate Base and Working Capital

This exhibit addresses issues regarding SWG's weighted-average rate base for TY 2014.

- For the Southern California Division, DRA recommends adjustments of $10.5 million to SWG's request for $177.2 million.
- For the Northern California Division, DRA recommends adjustments of $1.0 million to SWG's request for $72.6 million.
- For the South Lake Tahoe District, DRA recommends adjustments of $0.046 million to SWG's request for $25.0 million.

DRA's adjustments are primarily due to different forecasts of lag days for Federal and State income taxes, Materials & Supplies inventories, deferred taxes and customer advances. Other differences in rate base are due to plant-in-service, which are addressed in Exhibit DRA-6.

- SWG provided a Book Depreciation Study dated December 2011. DRA reviewed SWG's study and concludes that the depreciation rates proposed by the utility for this rate case are reasonable.

Exhibit DRA-08
Tax Expenses

This exhibit addresses issues regarding SWG's income, payroll, and property tax expenses for TY 2014, as well as franchise fees.

- For California Corporate Franchise Tax (CCFT), DRA recommends the use of the effective tax rate calculated for each Division.
- For property taxes, DRA recommends adjustments to the Northern and Southern California Divisions.
- DRA recommends adjustments to SWG's deferred taxes to reflect (i) the 2013 Bonus Depreciation statutory rates set forth in the American Tax Relief Act of 2012 and (ii) DRA's recommendations regarding net plant additions.
- For deferred taxes, the Commission should reject SWG's calculation of net operating losses from its parent company via common or "System" allocations.

Exhibit DRA-09
Cost of Capital

The exhibit addresses issues regarding SWG's capital structure and cost of capital for TY 2014.

- DRA recommends a rate of return of 6.29% for the Southern California Division and 7.75% for the Northern California Division and SLT District.

- DRA recommends SWG's capital structure should be based on the actual capital structure as of December 31, 2013.
- DRA recommends a cost of equity of 9.52%.
- For the Northern California Division and South Lake Tahoe District, DRA recommends a long-term cost of debt of 5.84%.
- For the Southern California Division, DRA recommends a long term cost of debt of 2.83%

Exhibit DRA-10
Results of Examination

This exhibit addresses issues regarding DRA's audit examination of SWG's financial records for the period 2007 to 2011.

- After reviewing SWG's financial accounts, DRA does not propose any audit adjustments.

Exhibit DRA-11
Revenue Allocation and Rate Design

This exhibit addresses issues regarding SWG's revenue allocation and rate design for 2014.

- DRA addresses SWG's proposals on the Class Cost of Service Study, residential rates (including customer and commodity charges), and commercial rates.
- DRA makes recommendations regarding SWG's proposed Customer Owned Yard Lines (COYL), Infrastructure Reliability and Replacement Adjustment Mechanism (IRRAM) and Conservation and Energy Efficiency (CEE) programs.

VI. IF THE COMMISSION ADOPTS A RATE INCREASE GREATER THAN 20% FOR THE SOUTH LAKE TAHOE DISTRICT, THE RATE INCREASE SHOULD BE PHASED-IN OVER TWO YEARS

SWG proposes that the 45% increase in operating margin that it forecasts for the SLT District be fully implemented in TY 2014. DRA's Results of Operations model yields a comparatively lower 13% increase for TY 2014.

In the past, the Commission has agreed with DRA's proposals to mitigate very large increases for a single year. In SWG's last GRC (A.07-12-022) for TY 2009, DRA proposed to phase-in its revenue requirement deficiency over a 4-year period for the SLT District. The Commission adopted a settlement with a two year phase-in (without a carrying charge) of the adopted revenue requirement increase for the SLT District.[12] In this GRC, the magnitude of the rate increase for the SLT District may necessitate a phased-in approach. If the Commission adopts a rate increase greater than 20% for the SLT District, DRA recommends that any rate increase in excess of 20% be phased in over two years.

VII. POST-TEST YEAR RATEMAKING

This section presents DRA's analyses and recommendations regarding SWG's Post-Test Year ratemaking testimony. DRA conducted its analysis by reviewing SWG's testimony, and uses an independent approach to the development of a post-Test Year mechanism.

Background

Prior to 1982, the base revenue requirement was adjusted during GRC proceedings and there were no rate adjustments between rate cases. Utilities received additional revenue between rate cases from customer growth. GRC rate adjustments for attrition were implemented in the early 1980's in response to unprecedented higher inflation and lower rates of customer growth and sales in the late 1970's. However, during the mid-1980's, inflation declined to more modest historical levels. Between rate cases, utilities were not automatically entitled to attrition rate increases. Although the Commission has authorized attrition-type increases for some utilities in the past, there have been times when the Commission has also denied such increases.[13] Absent an attrition-type mechanism, some utilities have had revenue balancing account protection from sales fluctuation. Further, highly volatile utility fuel-related costs, where the utility has limited control, were removed from base rates and are recovered through separate Energy Cost mechanisms with balancing accounts. Regarding attrition mechanisms, the Commission has stated the following:

---

[12] D.08-11-048, *mimeo.*, at p. 9, Ordering Paragraph 1.

[13] In CPUC D.02-02-043, the Commission authorized PG&E a 2001 Attrition increase of approximately $151 million while in D.03-03-034, the Commission denied PG&E's Attrition request for 2002.

> The attrition mechanism is not an entitlement. Nor is it a method of insulating the company from the economic pressures which all businesses experience…Neither the Constitution nor case law has ever required automatic rate increases between general rate case applications. (CPUC D.93-12-043, 52 CPUC 2d 471, 492).

Utility rates are set by the Commission for a particular Test Year, in this case 2014, through a GRC proceeding after extensive review and analysis. Attrition year increases are not scrutinized by the Commission to the same degree, typically resulting from an Advice Letter review.

In D.08-11-048, the Commission approved a settlement between SWG and DRA that provided a 2.95% annual attrition amount for Northern and Southern California, along with an annual fixed dollar amount of $103,000 for SLT.

Given relatively low inflation rates in recent years, DRA has advocated an attrition recommendation for small energy utilities based on the All Urban-CPI Index (CPI-U) less a 0.5% productivity factor. DRA notes that IHS Global Insight's current CPI-U forecast is 1.4% for 2013, 1.6% for 2014, 1.7% for 2015, 1.9% for 2016, 1.8% for 2017 and 1.8% for 2018.[14] CPI-U reflects the cost increases experienced by SWG's ratepayers.

In D.12-11-030, the Commission approved a settlement between California Pacific (CalPeco) and DRA that included a CPI-U minus 0.5% productivity factor attrition mechanism for CalPeco's TY 2013 GRC. In D.10-09-010, the Commission approved a settlement between PacifiCorp and DRA that included a CPI-U minus 0.5% productivity factor attrition mechanism for PacifiCorp's TY 2011 GRC. The Commission approved an agreement between PacifiCorp and DRA to extend this mechanism an additional year for 2014. More recently, DRA, the California Farm Bureau Federation and PacifiCorp have agreed to extend the mechanism another year through 2015. Thus, PacifiCorp will have the mechanism in effect for 4 years.

[14] IHS Global Insight, US Economic Outlook, May 2013, p. 8.

SWG's Post-Test Year Attrition Request

SWG proposes to continue its current attrition escalation of 2.95% annually for the Northern California and Southern California Divisions, and extend it to include the SLT District. SWG also proposes an additional attrition amount to compensate the Company for the accelerated replacement of Aldyl-A mains and service line replacements for the SLT District.

DRA Recommendation

DRA recommends that the Commission adopt an annual attrition mechanism for SWG based on CPI-U minus a 0.5% productivity factor. Given the current low inflation regime, there is no reason to deviate from CPI-U minus a productivity factor. The Commission has recently adopted CPI-U minus 0.5% productivity factor settlements for similar small energy utilities in California. DRA's proposed Post-Test Year mechanism provides SWG reasonable annual rate increases based on inflation with an incentive to efficiently manage its costs.

SWG proposes an additional attrition amount for the South Lake Tahoe District for accelerated Aldyl-A mains and service line replacement for 2015-2018. SWG is already replacing its Aldyl-A service, but that "Southwest Gas is not proposing the accelerated replacement of AA due to safety concerns, as Southwest Gas believes the system will continue to operate in a safe and reliable manner that meets or exceeds pipeline safety regulations."[15] SWG's workpapers show that the additional Aldyl-A attrition amount practically doubles SWG's attrition request for SLT.[16] DRA opposes SWG's request for an additional attrition amount for SLT for accelerated Aldyl-A replacement. The Company has admitted the accelerated replacement of Aldyl-A is not for safety reasons, and SLT's ratepayers already face a substantial rate increase. DRA made no adjustment for TY 2014 for Aldyl-A replacement, beyond what is included in the recorded data for 2012. SWG spent $2.6 million in 2013 and is expected to spend the same amount in TY

[15] SWG Testimony, Lang, p. 14, lns. 24-27.

[16] SWG Vol. II-C, SLT District, Results of Operations, TY 2014, Ch. 22, sheet 2 of 13.

2014 on Aldyl-A replacement in SLT.[17] This embedded investment for Aldyl-A replacements is incorporated in the base margin for the SLT District. DRA's proposal will provide SWG the necessary funding to continue replacing Aldyl-A at the current levels.

[17] SWG Results of Operations, Vol. II-C, Ch. 17, Sheet 2 of 29.

VIII. APPENDIX

Exhibit No.	Subject	DRA Witness
DRA-01	Executive Summary and Other Matters	Truman Burns
DRA-02	Summary of Earnings and Allocation Factors	Mark Loy
DRA-03	Billing Determinants	Maricela Sierra
DRA-04	Gas Supply and Distribution, Customer Accounts, Customer Service & Information Expenses	Oge Enyinwa
DRA-05	Administrative & General Expenses, Pensions & Benefits	Mariana Campbell
DRA-06	Intangible, Distribution and General Plant	Godson Ezekwo
DRA-07	Rate Base and Working Capital	Galen Dunham
DRA-08	Tax Expenses	Mark Loy
DRA-09	Cost of Capital	Thomas Renaghan
DRA-10	Results of Examination	Grant Novack
DRA-11	Revenue Allocation and Rate Design	Pearlie Sabino

IX. QUALIFICATIONS AND PREPARED TESTIMONY OF TRUMAN L. BURNS

Q.1 Please state your name and business address.

A.1 My name is Truman L. Burns. My business address is 505 Van Ness Avenue, San Francisco, California, 94102.

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

A.2 I am employed by the California Public Utilities Commission as Program and Project Supervisor in the Division of Ratepayer Advocates Energy Cost of Service and Natural Gas Branch.

Q.3 Briefly describe your educational background and work experience.

A.3 I received a Bachelor of Arts Degree in Political Science and English and a Masters of Arts Degree in Political Science, State Politics and Policy Specialization, from the University of California, Davis. I received a Juris Doctor Degree from the University of San Francisco, and am a member of the California Bar. I joined the CPUC's Special Economics Projects Branch in 1986. During my employment with the CPUC, I have performed various tasks, and have spent most of my time on electric utility regulation. I have testified before the Commission related to PG&E's Diablo Canyon nuclear power plant (steam generator replacement cost effectiveness, nuclear decommissioning trust funds, target capacity factor, long-term operating costs, utility retained generation capital and operating costs) Humboldt Bay Unit No. 3 nuclear power plant (decommissioning trust funds and decommissioning costs) and Southern California Edison's San Onofre Units 2 & 3 (utility retained generation capital and operating costs) and Unit 1 nuclear power plant (environmental costs and rate base recovery). I have also testified before the Atomic Safety and Licensing Board of the U.S. Nuclear Regulatory Commission regarding PG&E's financial qualifications requirements for an independent spent fuel storage installation (ISFSI), and was appointed to the National Association of Regulatory Utility Commissioners Staff Subcommittee on Nuclear Issues-Waste Disposal in 2004. I was DRA project coordinator for the California Pacific (CalPeco) Test Year 2013 GRC and co-coordinator for the Sempra TY 2012 GRC.

Q.4 What is the purpose of your testimony?

A.4 I am responsible for Exhibit DRA-01, Executive Summary and Other Matters. I am also DRA's project coordinator for the Southwest Gas Company's general rate case.

Q.5 Does that complete your prepared testimony?

A.5 Yes, it does.