

Docket: : A.12-12-024
Exhibit Number : DRA-04
Commissioner : Sandoval
ALJ : Kim
Witness : Enyinwa



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Southwest Gas Corporation
General Rate Case
Test Year 2014**

**Gas Supply and Distribution
Operation and Maintenance Expenses; Customer
Accounts; and Customer Service & Information Expenses**

San Francisco, California
June 3, 2013

TABLE OF CONTENTS

CHAPTER 1	1
SOUTHERN CALIFORNIA DIVISION	1
I. SUMMARY OF RECOMMENDATIONS	1
II. DISCUSSION / ANALYSIS	4
CHAPTER 2	11
NORTHERN CALIFORNIA DIVISION	11
I. INTRODUCTION	11
II. SUMMARY OF RECOMMENDATIONS	11
III. DISCUSSION / ANALYSIS	13
CHAPTER 3	19
SOUTH LAKE TAHOE DISTRICT	19
I. INTRODUCTION	19
II. SUMMARY OF RECOMMENDATIONS	19
III. DISCUSSION / ANALYSIS	21
CHAPTER 4	25
I. INTRODUCTION	25
II. SUMMARY OF RECOMMENDATIONS	25
III. DISCUSSION / ANALYSIS OF CUSTOMER ACCOUNTS	27
IV. DISCUSSION / ANALYSIS OF CS&I ACCOUNTS	29
CHAPTER 5	30
NORTHERN CALIFORNIA DIVISION	30
I. INTRODUCTION	30
II. SUMMARY OF RECOMMENDATIONS	30
III. DISCUSSION / ANALYSIS OF CUSTOMER ACCOUNTS	32
DISCUSSION / ANALYSIS OF CS&I	34
CHAPTER 6	35
SOUTH LAKE TAHOE DISTRICT	35
I. INTRODUCTION	35
II. SUMMARY OF RECOMMENDATIONS	35
I. DISCUSSION / ANALYSIS OF CUSTOMER ACCOUNTS	36

II. DISCUSSION / ANALYSIS OF CS&I 38

QUALIFICATIONS

1
2
3
4
5
6

CHAPTER 1 SOUTHERN CALIFORNIA DIVISION GAS SUPPLY AND DISTRIBUTION OPERATION AND MAINTENANCE EXPENSES

7 This Chapter presents the Division of Ratepayer Advocates' (DRA) analyses
8 and recommendations regarding the Southwest Gas Corporation (SWG or
9 Southwest), Southern California Division's Operation and Maintenance (O&M)
10 expenses for Gas Supply and Distribution in Test Year (TY) 2014.

11 Gas supply O&M expenses consist of labor loading and material and
12 expenses that SWG uses for allocating its central (headquarters) gas dispatching
13 costs. SWG does not have any major gas transmission facilities in California, and
14 therefore is not seeking rate recovery of transmission O&M expenses.

15 Gas distribution O&M expenses consist of labor, labor loading, and materials
16 and expenses required in the operation and maintenance of SWG's local gas
17 distribution system. The typical work activities associated with gas distribution O&M
18 expenses include leakage surveys; leak repairs; maintenance of mains and services;
19 application of corrosion control measures; valve maintenance; regulator station
20 maintenance; monitoring meter accuracy and odorant; and locating and marking
21 buried pipes to avoid damage caused from digging by others. Additionally, there is a
22 variety of supporting work necessary to complete the field maintenance work.

I. SUMMARY OF RECOMMENDATIONS

23 The following summarizes DRA's recommendations:

- 24 • DRA agrees with SWG's TY 2014 Gas Supply O&M request.
- 25 • With the exception of labor loading factors and FERC Accounts 870
26 (Operations Supervision & Engineering), 874 (Mains Expense), 879
27 (Customer Installation Expense), 881 (Rents), 887 (Maintenance of
28 Mains), and 892 (Maintenance of Services), DRA accepts SWG's
29 forecasted gas supply and distribution O&M expense estimates for TY
30 2014.

- 1 • For FERC Account 870, DRA recommends a TY 2014 O&M expense
2 of \$1,196,394 (in 2012 dollars), as compared to SWG’s request for
3 \$1,273,114.
- 4 • For FERC Account 874, DRA recommends a TY 2014 O&M expense
5 of \$743,136 (in 2012 dollars), as compared to SWG’s request for
6 \$947,568.
- 7 • For FERC Account 879, DRA recommends a TY 2014 O&M expense
8 of \$1,217,635 (in 2012 dollars), as compared to SWG’s request for
9 \$1,335,055.
- 10 • For FERC Account 881, DRA recommends a TY 2014 O&M expense
11 of \$193,007 (in 2012 dollars), as compared to SWG’s request for
12 \$219,210.
- 13 • For FERC Account 887, DRA recommends a TY 2014 O&M expense
14 of \$1,157,072 (in 2012 dollars), as compared to SWG’s request for
15 \$1,264,431.
- 16 • For FERC Account 892, DRA recommends a TY 2014 O&M expense
17 of \$714,982 (in 2012 dollars), as compared to SWG’s request for \$
18 771,866.
- 19 • For DRA’s recommended Labor Loading factors. See Exhibit DRA-5.

20 Table 4-1 below compares DRA’s recommendations with the proposed
21 Southern California Division’s Gas Supply O&M expense estimates, without labor
22 loading, for TY 2014:

23
24
25
26
27

1
2
3
4
Table 4-1
Southern California Division
2014 Gas Supply O&M Expenses without Labor Loading¹
(In Thousands of 2011 Dollars)

Description (a)	DRA Recommended (b)	SWG Proposed ² (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 813	\$107	\$107	\$0	0.00%
Total	\$107	\$107	\$0	0.00%

5 Table 4-2 below compares DRA's recommendations with the proposed
6 Southern California Division Gas Distribution O&M expense estimates, without labor
7 loading, for TY 2014:

8
9
10
11
Table 4-2
Southern California Division
2014 Gas Distribution O&M Expenses without Labor Loading
(In Thousands of 2012 Dollars)

Description (a)	DRA Recommended (b)	SWG Proposed ³ (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 870	\$1,196	\$1,273	\$77	6.44%
FERC Account 871	\$109	\$109	\$0	0.00%
FERC Account 874	\$743	\$948	\$205	27.59%
FERC Account 875	\$11	\$11	\$0	0.00%
FERC Account 878	\$1,190	\$1,190	\$0	0.00%
FERC Account 879	\$1,218	\$1,335	\$117	9.61%
FERC Account 880	\$1,961	\$1,961	\$0	0.00%
FERC Account 881	\$193	\$219	\$26	13.47%
Operations Total	\$6,621	\$7,046	\$425	6.42%
FERC Account 885	\$203	\$203	\$0	0.00%
FERC Account 886	\$0	\$0	\$ 0	n/a
FERC Account 887	\$1,157	\$1,264	\$107	9.25%
FERC Account 889	\$260	\$260	\$0	0.00%
FERC Account 892	\$715	\$772	\$57	7.97%
FERC Account 893	\$314	\$314	\$0	0.00%
FERC Account 894	\$17	\$17	\$ 0	0.00%
Maintenance Total	\$2,665	\$2,829	\$164	6.15%
Total	\$9,286	\$9,875	\$589	6.34%

¹ As discussed in Exhibit DRA-5, DRA's labor loading recommendation for TY 2014 is different than SWG's forecast. Therefore, some of the differences between DRA's and SWG's TY 2014 estimates for various FERC accounts are attributable to labor loading (e.g., pensions & benefits).

² SWG Appl., Vol. 2-A, Ch. 11 (B), at 4.

³ *Id.* at 7-8.

1 **II. DISCUSSION / ANALYSIS**

2 SWG's Southern California Division provides gas distribution service to
3 Victorville, Big Bear, Barstow, Needles, and other communities in Southeastern
4 California. Its district offices are located in four cities stated above. Most of its gas
5 supply is purchased from the El Paso Natural Gas Company (El Paso). The gas is
6 transported from the El Paso facilities by various Pacific Gas and Electric Co. and
7 Southern California Gas transmission lines. It reaches the Southwest distribution
8 system via feeder line taps into these lines.

9 SWG's distribution system O&M activities are largely driven by the safety-
10 related rules established by the U.S. Department of Transportation, Pipeline Safety
11 Regulations, 49 Code of Federal Regulations 192, and the Commission's General
12 Order 112-E. These rules specify various types of activities, such as the preparation
13 of O&M plans, inspection, testing, leak surveys, patrolling, other activities, and their
14 frequency.

15 Some distribution O&M work is performed for SWG by outside contractors.
16 Costs for this work by outside contractors are included in the materials and
17 expenses portions of various O&M accounts. Contractors have been used for
18 corrosion control, gas leak surveys, relocation of lines, meter testing and calibrating,
19 and general maintenance of mains, meters, and house regulators.

20 DRA conducted an account-by-account analysis of the FERC accounts
21 included in gas distribution expense. The initial analysis included a review of the
22 historical, adjusted-recorded expense amounts in each account for the last five
23 years, both in nominal dollars and in constant 2012 dollars, as supplied by SWG.

24 With three exceptions, SWG based its TY forecasts on a five-year average of
25 recorded expenses, for all Southern California gas distribution accounts. Use of a
26 multi-year average will tend to capture variances, but may not closely reflect the
27 latest expense experience, and only partially captures significant upward or
28 downward trends. With six exceptions, DRA accepts SWG's use of a five-year
29 average of recorded expenses for gas distribution accounts. It also generally

1 accepts SWG’s adjustments to the 2011 recorded gas distribution expenses in
2 Southern California as the basis of DRA’s TY 2014 forecasts.

3 DRA’s exceptions are as follows: FERC Accounts 870, 874, 879, 887 and 892
4 which are based on recorded 2012 numbers, which more accurately reflect the latest
5 expense experience for these accounts. The final exception is FERC Account 887,
6 for which an adjustments were made to the recorded 2012 expense to include
7 \$155,950 for Sewer Lateral Investigation Program (SLIP). All five are discussed
8 below.

9 **A. FERC Account 870 – Operations Supervision & Engineering**

10 Table 4-3 below shows the recorded expense figures for FERC Account 870 for
11 2007 through 2012. As the table shows, the labor and the materials and expenses
12 (M&E) portions of the annual expense are not particularly volatile.

13 **Table 4-3**
14 **Southern California Division**
15 **2014 Gas Distribution O&M Expenses without Labor Loading**
16 **(In Thousands of 2012 Dollars)**

Description	2007	2008	2009	2010	2011	2012
Labor	\$1,022	\$936	\$1,056	\$873	\$1,070	\$1,019
Materials & Expenses	\$207	\$232	\$190	\$203	\$187	\$178
Total	\$1,228	\$1,168	\$1,246	\$1,075	\$1,256	\$1,196

17 *Source:* 2007-2011 data from SWG Appl., Vol. 2-A, Ch. 11 (B), at 8; 2012 data from response to
18 DRA data request DRA-SWG-012-OE2, Q.1.

19 Given the lack of volatility over the last few years, DRA finds that expecting
20 this account to vary widely from year-to-year based on work requirements is
21 unreasonable and unsupported. Using the five-year average recorded amounts
22 would result in a higher value that is not representative of the trend shown in Table
23 4-3 above.

24 DRA recommends use of the 2012 recorded expenses for this Southern
25 California account, which results in a forecasted Operations Supervision &
26 Engineering expense of \$1,196,394, instead of the \$1,273,114 proposed by SWG
27 for TY 2014. Using the five-year average for FERC Account 870 does not capture
28 the most recent value, which is the more accurate forecast for the Test Year.

Table 4-6
Southern California Division
2014 Gas Distribution O&M Expenses without Labor Loading
(In Thousands of 2012 Dollars)

Description	2007	2008	2009	2010	2011	2012
Rents	\$76	\$72	\$72	\$77	\$219	\$193

Source: 2007-2011 data from SWG Appl., vol. 2-A, Ch. 11 (B), at 8; 2012 data from response to DRA data request DRA-SWG-012-OE2, Q.1.

SWG justifies the request of \$219,210 for the 2014 TY with the following statement:

Southwest Gas used 2011 expenses to project Account 881, Rents, which is higher than historical levels due to an allocation of rent from Southern Nevada division for Southern California's use of its training facilities of approximately \$100,000 per year beginning in 2011. This expense is a recurring expense.⁴

Given that this expense is a recurring expense and usually is constant with little or no variance as can be seen from the table above, DRA recommends use of the 2012 recorded expenses for this Southern California account. This would result in a forecasted Rents expense of \$193,007, instead of the \$219,210 proposed by SWG for TY 2014. SWG has not demonstrated as reasonable and justified the need for an increase from the 2012 recorded expense for rent. There is no justification to forecast a higher amount than what was paid in rents for 2012. The most recent amount of \$193,007 is a more accurate reflection of a reasonable TY forecast.

E. FERC Account 887 – Maintenance of Mains

SWG is requesting \$1,264,431 for TY 2014, which is a much higher amount than the 2012 recorded amount of \$1,001,122. Table 4-7 below shows the recorded expense figures for FERC Account 887 for 2007 through 2012.

⁴ SWG Appl., Vol. 2-A, Ch. 11(B), at 2.

Table 4-7
Southern California Division
2014 Gas Distribution O&M Expenses without Labor Loading
(In Thousands of 2012 Dollars)

Description	2007	2008	2009	2010	2011	2012
Labor	\$745	\$692	\$652	\$596	\$556	\$492
Materials & Expenses	\$633	\$545	\$547	\$615	\$420	\$509
Total w/o Loading	\$1,377	\$1,237	\$1,200	\$1,211	\$977	\$1,001

Source: 2007-2011 data from SWG Appl., Vol. 2-A, Ch. 11(B), at 8; 2012 data from response to DRA data request DRA-SWG-012-OE2, Q.1.

As the table shows, the labor portion and the materials expenses (M&E) portions of the annual expense indicate a downward trend. SWG justifies the TY 2014 increase with the following statements:

Southwest Gas normalized Sewer Lateral Investigation Program costs by comparing the costs projected for Phase III starting in 2012 to the historical costs recorded between 2007 and 2011 for Phases I and II. This results in an increase of \$155,950 per year to Account 887.

The Sewer Lateral Investigation Program (SLIP) program commenced in Phoenix in 2004 and was implemented Company-wide in 2005. This was broken up into three phases, of which Phase I and II are almost complete. The first phase investigated gas services from the meter to the property line potentially in conflict with sewer laterals serving priority customer classes such as schools, hospitals, nursing homes, mobile home parks, and apartment complexes; while the second phase was an extension in 2009 to investigate service replacements for residential customers.

Phase III, initiated in 2012, is investigating gas mains potentially in conflict with sewer laterals/mains (from the property line to the gas main). Compared to previous phases, there are tens of thousands more potential conflict sites to investigate, increasing the program cost. In addition, the method for field investigating the potential conflict sites is more expensive as it requires specialized robotic camera equipment capable of inspecting both the sewer main and associated sewer laterals.⁵

DRA is supportive of SWG's safety goals and takes no issue with the program. Since Phase III portion of the program started in 2012; a more accurate TY forecast is the most recent recorded expense from 2012. DRA accepts SWG's

⁵ SWG Appl., Vol. 2-A, Ch.11 (B), at 2; 2013 data from response to DRA data request DRA-SWG-37-OE2, Q.4.

1 request for an increase of \$155,950 for the SLIP and applies this increase to the
 2 M&E portion of FERC Account 887 2012 recorded expense of \$509,367, to come up
 3 with an M&E Expense of \$665,317 for TY 2014. This adds up to a total of
 4 \$1,157,072 for FERC Account 887, which is the amount DRA recommends for the
 5 TY 2014. DRA recommends the use of the 2012 recorded expenses for this account,
 6 which results in a forecasted Operations Supervision & Engineering expense of
 7 \$1,157,072, instead of the \$1,264,431 proposed by SWG.

8 **F. FERC Account 892 – Maintenance of Service**

9 Table 4-8 below shows the recorded expense figures for FERC Account 892
 10 for 2007 through 2012. As the table shows, the labor portion and the materials and
 11 expenses (M&E) portions of the annual expense are not volatile. The numbers are at
 12 the same general range, with the exception of the 2010 recorded number.

13
 14 **Table 4-8**
 15 **Southern California Division**
 16 **2014 Gas Distribution O&M Expenses without Labor Loading**
 17 **(In Thousands of 2012 Dollars)**

Description	2007	2008	2009	2010	2011	2012
Labor	\$534	\$460	\$447	\$486	\$430	\$383
Materials & Expenses	\$178	\$235	\$301	\$630	\$366	\$332
Total w/o Loading	\$712	\$695	\$748	\$1,116	\$796	\$715

18 *Source:* 2007-2011 data from SWG Appl., Vol. 2-A, Ch. 11(B), at 8; 2012 data from response to DRA
 19 data request DRA-SWG-012-OE2, Q.1.

20 It is unreasonable to incorporate the unusually high recorded figure from 2010
 21 in the TY forecast. Using the five-year average recorded figure which includes 2010
 22 recorded data would result in a high value which is not representative of a typical
 23 year as shown in Table 4-8.

24 DRA recommends use of the 2012 recorded expenses for this Southern
 25 California account, which results in a forecasted Operations Supervision &
 26 Engineering expense of \$714,982, instead of the \$771,866 proposed by SWG.

1
2
3
4

**CHAPTER 2
NORTHERN CALIFORNIA DIVISION
GAS SUPPLY AND DISTRIBUTION
OPERATION AND MAINTENANCE EXPENSES**

5 **I. INTRODUCTION**

6 This Chapter presents DRA's analyses and recommendations regarding
7 SWG Northern California Division's Gas Supply and Distribution, O&M expenses for
8 TY 2014.

9 Gas supply O&M expenses consist of labor loading and material and
10 expenses that SWG uses for allocating its central (headquarters) gas dispatching
11 costs. SWG does not have any major gas transmission facilities in the Northern
12 California Division and therefore is not seeking rate recovery of transmission O&M
13 expenses.

14 Gas distribution O&M expenses consist of labor, labor loading, and materials
15 and expenses required in the operation and maintenance of SWG's local gas
16 distribution system. The typical work activities associated with gas distribution O&M
17 expenses include leakage surveys, leak repairs, maintenance on mains and
18 services, application of corrosion control measures, valve maintenance, regulator
19 station maintenance, monitoring meter accuracy, odorant, and locating and marking
20 buried pipes to avoid damage caused from digging by others. Additionally, there is a
21 variety of supporting work necessary to complete the field maintenance work.

22 **II. SUMMARY OF RECOMMENDATIONS**

23 The following summarizes DRA's recommendations:

- 24
- 25 • DRA agrees with SWG's TY 2014 Gas Supply O&M request.
 - 26 • With the exception of labor loading factors and FERC Accounts 870
27 (Operations Supervision & Engineering), 874 (Mains Expense), 880
28 (Other Expense) and 892 (Maintenance of Services), DRA accepts
29 SWG's forecasted gas supply and distribution O&M expense estimates
for TY 2014.

1
2
3
4

Table 4-10
Northern California Division
2014 Gas Distribution O&M Expenses without Labor Loading
(In Thousands of 2011 Dollars)

Description (a)	DRA Recommended (b)	SWG Proposed (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 870	\$186	\$213	\$27	14.52%
FERC Account 871	\$20	\$20	\$0	0.00%
FERC Account 874	\$57	\$86	\$29	50.88%
FERC Account 875	\$20	\$20	\$0	0.00%
FERC Account 878	\$106	\$106	\$0	0.00%
FERC Account 879	\$84	\$84	\$0	0.00%
FERC Account 880	\$153	\$196	\$43	28.1%
FERC Account 881	\$242	\$242	\$0	0.00%
Operations Total	\$849	\$946	\$97	11.43%
FERC Account 885	\$42	\$42	\$0	0.00%
FERC Account 886	\$0	\$0	\$0	0.00%
FERC Account 887	\$202	\$202	\$0	0.00%
FERC Account 889	\$51	\$51	\$0	0.00%
FERC Account 892	\$111	\$178	\$67	60.36%
FERC Account 893	\$32	\$32	\$0	0.00%
FERC Account 894	\$157	\$157	\$0	0.00%
Maintenance Total	\$438	\$502	\$64	14.61%
Total O&M	\$1,287	\$1,448	\$161	12.51%

5 **III. DISCUSSION / ANALYSIS**

6 In forecasting its TY 2014 O&M expenses for its Southern California Division
7 and South Lake Tahoe District, SWG used 2011 adjusted recorded expenses as the
8 basis. For its Northern California district, however, SWG based its TY forecasts on
9 an average of the recorded adjusted values for the five years from 2007-2011. In
10 justification of its use of a 5 year average, SWG states:

11

1 The Northern California, South Lake Tahoe, and Northern Nevada
2 ratemaking jurisdictions comprise Southwest Gas' Northern Nevada
3 division (NND). Distribution expenses vary from year to year based
4 on work requirements for the various distribution activities (which
5 cause variances amongst the various distribution accounts) and
6 NND's various ratemaking jurisdictions. Therefore, it is appropriate
7 to normalize total distribution expenses based on a five-year
8 average for projection purposes. Rent expense, Account
9 881, is excluded from the normalization.

10
11 Southwest Gas used 2011 expenses to project Account 881, Rents,
12 which is higher than historical levels due to an allocation of rent
13 from Southern Nevada division for South Lake Tahoe's use of its
14 training facilities of approximately \$100,000 per year beginning in
15 2011. This expense is a recurring expense. In addition, Southwest
16 Gas increased Account 880 expenses in 2014 to recover estimated
17 incremental costs for payments to the State of California, California
18 Environmental Protection Agency Air Resources Board (CARB) of
19 approximately \$132,762 per year on a state-wide basis. CARB is
20 described in response to Master Data Request No. A-GR.10. The
21 adjustment is calculated in work paper 11B, Sheet 17.⁷
22

23 While recognizing that "distribution expenses vary from year to year" and
24 that there are "variances amongst the various distribution accounts," DRA
25 believes that the specifics of the situation in Northern California argue
26 against use of an average in all cases.

27 **A. FERC Account 870 – Operations Supervision & Engineering**

28 Table 4-11 shows the recorded expense figures for FERC Account 870 for
29 the years 2007 through 2012. As can be seen from the chart, the labor portion and
30 the materials and expenses (M&E) portions of the annual expense are not volatile.
31

⁷ SWG Appl., Vol. 2-B, Ch.11 (B), at 1-2.

Table 4-11
Northern California Division
2014 Gas Supply O&M Expenses without Labor Loading
(In Thousands of 2011 Dollars)

Description	2007	2008	2009	2010	2011	2012
Labor	\$218	\$218	\$187	\$177	\$179	\$172
Materials & Expenses	\$21	\$26	\$14	\$13	\$14	\$14
Total w/o Loading	\$239	\$244	\$200	\$190	\$192	\$186

Source: 2007-2011 data from SWG Appl., Vol. 2-A, Ch. 11(B), at 8; 2013 data from response to DRA data request DRA-SWG-012-OE2, Q.1.

Table 4-11 shows not only a lack of volatility but also a downward trend or reduction in the expenses as the years go by. Given the lack of volatility over the last few years, DRA finds SWG's expectations unreasonable and unsupported that this account would vary widely from year-to-year based on work requirements. SWG's use of the five-year average recorded data would result in a high value which is not representative of the downward trend shown in Table 4-11 above.

DRA recommends using the 2012 recorded expenses for this Northern California account, which results in a forecasted Operations Supervision & Engineering expense of \$186,432, instead of the \$213,110 requested by SWG for TY 2014. Using the five-year average for FERC Account 870 does not capture the most recent value and also does not address the downward trend in expenses over the recorded period 2007 to 2012.

B. FERC Account 874 – Mains Expense

Table 4-12 below shows the adjusted-recorded expense figures for FERC Account 874 for 2007 through 2012. As the table shows, the labor and materials and expenses (M&E) portions show considerable variance. For example, the data for the period 2007 to 2009 show relatively high variances, as compared to other years.

1 **Table 4-12**
 2 **Northern California Division**
 3 **2002-2007 Recorded Data for FERC Account 874**
 4 **(In Thousands of 2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012
Labor	\$36	\$27	\$14	\$18	\$11	\$14
Materials & Expenses	\$124	\$75	\$43	\$40	\$40	\$48
Total w/o Loading	\$161	\$103	\$57	\$58	\$52	\$62

5 *Source:* 2007-2011 data from SWG Appl., vol. 2-A, Ch. 11 (B), at 8; 2012 data from response to DRA
 6 data request DRA-SWG-012-OE2, Q.1.

7 Given the dramatic drop between 2007 and 2009 and the more steady and
 8 consistent trends over the last three years (2010 to 2012), DRA finds unreasonable
 9 and unsupported SWG's expectations that future years would consistently match the
 10 level of expense experienced in past five years, 2007-2011. Use of the five-year
 11 average recorded figure would result in an abnormally high value due to the high
 12 level of 2007 and 2008 expenses which is not likely to be replicated in the TY.

13 DRA recommends use of the 2012 recorded expenses for this account, which
 14 results in a forecasted expense of \$57,079, instead of the \$86,001 proposed by
 15 SWG for TY 2014. The 2012 recorded figure is the highest amount in the most
 16 recent four-year period. Using 2012 recorded expenses for FERC Account 874
 17 captures not only the most recent value but also mirrors a steadier trend over the
 18 past 4 years (2009-2012).

19 **C. FERC Account 880 – Other Expense**

20 Table 4-13 below shows the recorded expense data for FERC Account 880
 21 for 2007 through 2012.

22 **Table 4-13**
 23 **Northern California Division**
 24 **2002-2007 Recorded Data for FERC Account 880**
 25 **(In Thousands of 2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012
Labor	\$72	\$61	\$59	\$77	\$78	\$86
Materials & Expenses	\$147	\$117	\$101	\$83	\$87	\$64
Total w/o Loading	\$220	\$178	\$159	\$159	\$166	\$150

26 *Source:* 2007-2011 data from SWG Appl., vol. 2-A, Ch. 11(B), at 8; 2012 data from response to DRA
 27 data request DRA-SWG-012-OE2, Q.1.

28
 29 SWG justifies the increase for this account as follows:

1 In addition, Southwest Gas increased Account 880
2 expenses in 2014 to recover estimated incremental costs
3 for payments to the State of California, California
4 Environmental Protection Agency Air Resources Board
5 (CARB) of approximately \$132,762 per year on a state-wide
6 basis. CARB is described in response to Master Data
7 Request No. A-GR.10. The adjustment is calculated in work
8 paper 11B, Sheet 20.⁸

9 Based on the Four Factor Allocation Method⁹, SWG allocated the \$132,762
10 CARB expense to the three California divisions as follows: \$103,108 to the Southern
11 division; \$19,045 to the Northern Division; and \$10,609 to the South Lake Tahoe
12 Division. DRA accepts the Labor portion of SWG's request for FERC Account 880,
13 but applies the Northern Division allocation of \$19,045 to the M&E 2012 recorded
14 expense of \$64,842, to come up with an M&E Expense of \$83,887. This adds up to
15 a total of \$153,311 for FERC Account 880, which amount DRA is recommending for
16 the TY 2014.

17 Table 4-13 shows a downward trend or reduction in the M&E expenses over
18 time. Given the lack of volatility from 2010 through 2012, DRA finds unreasonable
19 and unsupported SWG's expectations that this account would vary widely from year-
20 to-year based on work requirements. SWG's use of the five-year average (2007-
21 2011) recorded figure would result in a high value, which is not representative of the
22 downward trend shown in Table 4-13 above.

23 DRA recommends using the 2012 recorded M&E expenses for this Northern
24 California account and including the CARB expenses. This results in a forecasted
25 Operations Supervision & Engineering expense of \$153,311, instead of the
26 \$195,510 proposed by SWG for TY 2014. Using the five-year average for FERC
27 Account 880 does not capture the most recent value and is inconsistent with the
28 2012 figure of \$153,311 which is comparable to the 3 year (2010-2012) average of
29 \$158,523.

⁸ SWG Appl., Vol. 2-B, Ch.11 (B), at 2.

⁹ Supporting Work papers to Northern California District Results of Operations, Vol. IV-B, workpapers Chapter 12, Sheet 6.

- 1 • For FERC Account 880, DRA recommends a TY 2014 O&M expense
- 2 estimate of \$196,758 (in 2011 dollars), as compared to SWG's request
- 3 for \$275,190.
- 4 • For FERC Account 881, DRA recommends a TY 2014 O&M expense
- 5 estimate of \$ 86,096 (in 2012 dollars), as compared to SWG's request
- 6 for \$ 218,785.
- 7 • For FERC Account 892, DRA recommends a TY 2014 O&M expense
- 8 estimate of \$ 405,578 (in 2012 dollars), as compared to SWG's
- 9 request for \$ 612,220.
- 10 • DRA's recommended labor loading factors can be found in Exhibit
- 11 DRA-5.

12 Table 4-15 below compares DRA's recommendations with SWG's proposed
 13 SLT District Gas Supply O&M expense estimates, without labor loading, for TY
 14 2014:

15 **Table 4-15**
 16 **South Lake Tahoe District**
 17 **2014 Gas Supply O&M Expenses without Labor Loading¹**
 18 **(In Thousands of 2011 Dollars)**

Description (a)	DRA Recommended (b)	SWG Proposed ¹⁰ (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 813	\$14	\$14	\$0	0.00%
Total	\$14	\$14	\$0	0.00%

19

¹⁰ SWG Appl., Vol. 2-C, Ch.11 (B), at 6.

1 Table 4-16 below compares DRA's recommendation with SWG's proposed
 2 SLT District Gas Distribution O&M expense estimates, without labor loading, for TY
 3 2014:

4 **Table 4-16**
 5 **South Lake Tahoe District**
 6 **2014 Gas Distribution O&M Expenses without Labor Loading**
 7 **(In Thousands of 2011 Dollars)**

Description (a)	DRA Recommended (b)	SWG Proposed (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 870	\$140	\$140	\$0	0.00%
FERC Account 871	\$21	\$21	\$0	0.00%
FERC Account 874	\$93	\$93	\$0	0.00%
FERC Account 875	\$0	\$0	\$0	n/a
FERC Account 878	\$92	\$92	\$0	0.00%
FERC Account 879	\$83	\$83	\$0	0.00%
FERC Account 880	\$104	\$275	\$171	164.42%
FERC Account 881	\$86	\$218	\$132	153.49%
Operations Total	\$712	\$923	\$211	29.63%
FERC Account 885	\$29	\$29	\$0	0.00%
FERC Account 886	\$0	\$0	\$ 0	n/a
FERC Account 887	\$227	\$227	\$0	0.00%
FERC Account 889	\$49	\$49	\$0	0.00%
FERC Account 892	\$406	\$612	\$206	50.74%
FERC Account 893	\$54	\$54	\$0	0.00%
FERC Account 894	\$0	\$0	\$ 0	n/a
Maintenance Total	\$765	\$971	\$206	26.93%
Total O&M	\$1,477	\$1,895	\$418	28.30%

8 **III. DISCUSSION / ANALYSIS**

9 In forecasting its TY 2014 O&M expenses for its SLT District, SWG used
 10 2011 adjusted recorded expenses as the basis. SWG based its TY forecasts on an
 11 average of the recorded adjusted values for the five-years from 2007-2011. In
 12 justification of this five-year average, SWG gives the same reasons as stated above
 13 for its Northern California District.¹¹

14

¹¹ SWG Appl., Vol. 2-B, Ch. 11 (B), at 1-2.

1 While recognizing that “distribution expenses vary from year to year” and
2 there are “variances amongst the various distribution accounts,” The specifics of the
3 situation in the SLT District do not support using an average in all cases.

4 **A. FERC Account 880 – Other Expense**

5 Table 4-17 below shows the recorded expense figures for FERC Account 880
6 for 2007 through 2012. As the table shows, the expenses show a significant
7 downward trend, especially in the most recent years of 2010 to 2012.

8 **Table 4-17**
9 **South Lake Tahoe District**
10 **2007-2012 Recorded Data for FERC Account 880**
11 **(In Thousands of 2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012
Labor	\$110	\$87	\$90	\$65	\$52	\$54
Materials & Expenses	\$164	\$247	\$319	\$113	\$77	\$40
Total w/o Loading	\$274	\$334	\$408	\$177	\$129	\$94

12 *Source:* 2007-2011 data from SWG Appl., Vol. 2-C, Ch. 11 (B), at 9; 2012 data from response to DRA
13 data request DRA-SWG-012-OE2, Q.1.

14 Based on the Four Factor Allocation Method¹² and the justification stated by
15 SWG at page 17 of this DRA Testimony, SWG allocated the \$132,762 CARB
16 expense to the three California divisions as follows: \$103,108 to the Southern
17 division; \$19,045 to the Northern Division; and \$10,609 to the South Lake Tahoe
18 Division. DRA added the SLT District’s allocation of \$10,609 to the M&E 2012
19 recorded expense of \$39,811, to arrive at its M&E Expense forecast of \$50,420. The
20 total forecast for Account 880 is derived by adding the recorded 2012 labor figure of
21 \$53,839 to the \$50,420 M&E forecast. This results in a total of \$104,258 for FERC
22 Account 880, which DRA is recommending for the TY 2014.

23 Table 4-13 below shows a downward trend or reduction in expenses over
24 time. Given the downward trend from 2009 through 2012, SWG’s use of a 5 year
25 average from 2007-2011 will result in an excessive forecast for the TY. Using the
26 five-year average recorded figure would result in a high value, which is inconsistent
27 with the downward trend shown above in Table 4-13.

¹² Supporting Work papers to South Lake Tahoe District Results of Operations, Vol. IV-C, workpapers Chapter 12, Sheet 6.

1 DRA recommends use of the 2012 recorded expenses for this Account, and
2 includes the sum of \$10,609 for CARB which results in a forecasted Other Expenses
3 of \$104,258, instead of the \$275,190 proposed by SWG. Using the 2012 recorded
4 expense would not only reflect the most recent trend for this expense, but also more
5 than meet SWG's expense needs, which Table 4-17 shows trending downward.

6 **B. FERC Account 881 – Rents**

7 Table 4-18 below shows the recorded expense figures for FERC Account 881
8 from 2007 through 2012.

9 As the table shows, SWG's rent went down quite substantially in 2012.

10 **Table 4-18**
11 **South Lake Tahoe District**
12 **2007-2012 Recorded Data for FERC Account 881**
13 **(In Thousands of 2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012
Rents	\$233	\$233	\$239	\$341	\$219	\$86

14 *Source:* 2007-2011 data from SWG Appl., Vol. 2-C, Ch. 11 (B), at 8; 2012 data from response to DRA
15 data request DRA-SWG-012-OE2, Q.1. 2012 data from Supporting workpapers to South Lake Tahoe
16 District Results of Operations, Vol. IV-C, workpaper Ch. 12, Sheet 6.

17 SWG justifies the increase with the following statement:

18 Southwest Gas used 2011 expenses to project Account 881,
19 Rents, which is higher than historical levels due to an
20 allocation of rent from Southern Nevada division for South
21 Lake Tahoe's use of its training facilities of approximately
22 \$100,000 per year beginning in 2011. This expense is a
23 recurring expense.¹³

24 Given that the most recent information shows a substantial reduction in this
25 expense, DRA recommends using the 2012 recorded expenses for this Account.
26 This would result in a forecasted Rents expense of \$86,096, instead of the \$218,785
27 requested by SWG for TY 2014. SWG did not have this more recent data available
28 when it derived its forecast; DRA believes the most recent amount of \$86,096 is a
29 reasonable and accurate forecast for this account in the TY.

30

¹³ SWG Appl., Vol. 2-C, Ch.11 (B), at 2.

1 Table 4-20 below compares DRA's recommendations with SWG's proposed
 2 Southern California Division Customer Accounts expense estimates, without labor
 3 loading, for TY 2014:

4 **Table 4-20**
 5 **Southern California Division**
 6 **2014 Customer Accounts Expenses without Labor Loading¹⁴**
 7 **(In Thousands of 2011 Dollars)**

Description (a)	DRA Recommended (b)	SWG Proposed ¹⁵ (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 901	\$157	\$157	\$0	0.00%
FERC Account 902	\$134	\$134	\$0	0.00%
FERC Account 903	\$2,863	\$2,863	\$0	0.00%
FERC Account 904	\$202	\$284	\$82	40.59%
FERC Account 905	\$18	\$18	\$0	0.00%
Total	\$3,374	\$3,356	\$82	2.39%

8
 9

¹⁴ As discussed in Exhibit DRA-5, DRA's labor loading recommendation for TY 2014 is different than SWG's forecast. Therefore, some of the differences between DRA's and SWG's TY 2014 estimates for various FERC accounts are attributable to labor loading (e.g., pensions & benefits).

¹⁵ SWG Appl., Vol. 2-A, Ch.12, at 3.

1 Table 4-21 below compares DRA’s recommendations with SWG’s proposed
 2 Southern California Division’s CS&I expense estimates (without labor loading) for TY
 3 2014:

4 **Table 4-21**
 5 **Southern California Division**
 6 **2014 CS&I Expenses without Labor Loading**
 7 **(In Thousands of 2011 Dollars)**

Description (a)	DRA Recommended (b)	SWG Proposed ¹⁶ (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 908	\$149	\$149	\$0	0%
FERC Account 909	\$0	\$0	\$ 0	
FERC Account 910	\$0	\$0	\$ 0	
Total	\$149	\$149	\$0	n/a

8 **III. DISCUSSION / ANALYSIS OF CUSTOMER ACCOUNTS**

9 For most of the Southern California Division’s Customer Accounts (FERC
 10 Accounts 901, 902, 903, and 905), SWG used the 2011 recorded expenses to
 11 project these Accounts. DRA accepts this methodology but disagrees with the
 12 amount for proposed for FERC Account 904.

13 **A. FERC Account 904 - Uncollectibles**

14 Utilities are compensated for bad debt write-offs with an uncollectible rate
 15 based on historic data that is multiplied by the utility’s energy revenues. SWG seeks
 16 an uncollectible rate of 0.4584%, while DRA recommends an uncollectible rate of
 17 0.3269%. Table 4-22 below shows the recorded figures for FERC Account 904

¹⁶ SWG Appl., Vol. 2-A, Ch. 13, at 3.

1 (Uncollectibles) from 2007 through 2012 for Southern California Division. While
2 Table 4-20 shows DRA's recommended uncollectible expense of \$202,355 in
3 comparison to SWG's request of \$283,754.

4 **Table 4-22**
5 **Southern California Division**
6 **2007-2012 Recorded Data for FERC Account 904**
7

Description	2007	2008	2009	2010	2011	2012
Uncollectible Rate	0.3269%	0.3755%	0.6036%	0.4664%	0.4584%	0.4017%

8 *Source:* 2012 data from SWG Appl., Vol. 4-A, Ch. 12, at 6; 2007-2012 data response to data request
9 DRA-SWG-email-04-24-13.

10 Table 4-22 shows significant variance from year-to-year; which likely resulted
11 from the housing market crisis from 2007 to 2012 and the recession that occurred
12 during that period. DRA recommends the use of the 2007 uncollectible rate of
13 0.3269%. The housing economic crisis was at its worse in 2009 and 2010. In 2012
14 the housing economy witnessed a tapering off of the decline and a reduction in
15 foreclosures, which is a major contributing factor in uncollectibles for utilities.
16 Furthermore, the overall economy has improved and continues to show
17 improvement. The uncollectible rate has decreased. With the continuing
18 improvement of the economy, the 2007 uncollectible rate shows more consistency
19 with the improving economy.

20 In comparison with other gas utilities, SWG has one of the highest
21 uncollectible rates. In their last rate cases the following gas companies had
22 uncollectible rates as follows: Southern California Gas Company (SoCal Gas) –
23 0.238%¹⁷; San Diego Gas & Electric (SDG&E) – 0.141%; and West Coast Gas
24 Company – 0.1643%¹⁸. Given how much lower other gas utilities uncollectible rates
25 are, SWG should be able to effectively manage these expenses. If SWG's

¹⁷ *SDG&E*, D.08-07-046, 2008 Cal. PUC LEXIS 281, at *195 (dated July 31, 2008).

¹⁸ *West Coast Gas*, D.13-03-014, 2013 Cal. PUC LEXIS 127, at *10 (Find. of Fact 6) (dated Mar. 21, 2013).

1 uncollectible rate decreases between 2012 and 2014, as it did from 2010 to 2012,
2 then it will be comparable to the DRA forecast of 0.3269%.

3 **IV. DISCUSSION / ANALYSIS OF CS&I ACCOUNTS**

4 FERC Accounts 908, 909, and 910 comprise the Customer Service and
5 Information accounts. As shown in Table 4-21 above, SWG requests no dollars for
6 Accounts 909 and 910. SWG forecasts \$149,110 (in 2011 dollars) for TY 2014 for
7 Account 908 and DRA accepts this amount.

1 Table 4-23 below compares DRA's recommendations with the proposed
 2 SWG Northern California Division's Customer Accounts Expense estimates, without
 3 labor loading, for TY 2014:

4 **Table 4-23**
 5 **Northern California Division**
 6 **2014 Customer Accounts Expenses without Labor Loading¹⁹**
 7 **(In Thousands of 2011 Dollars)**

Description (a)	DRA Recommended (b)	SWG Proposed ¹⁹ (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 901	\$46	\$46	\$0	n/a
FERC Account 902	\$51	\$51	\$0	n/a
FERC Account 903	\$417	\$506	\$89	21.34%
FERC Account 904	\$20	\$22	\$2	10.00%
FERC Account 905	\$1	\$1	\$0	n/a
Total	\$536	\$627	\$91	16.98%

8 Table 4-24 below compares DRA's recommended with the proposed SWG
 9 Northern California Division's CS&I Expense estimates, without labor loading, for TY
 10 2014:
 11

¹⁹ SWG Appl., Vol. 2-B, Ch. 12, at 4.

1
2
3
4

Table 4-24
Northern California Division
2014 CS&I Expenses without Labor Loading
(In Thousands of 2011 Dollars)

Description (a)	DRA Recommended (b)	SWG Proposed ²⁰ (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 908	\$27	\$27	\$0	0.00%
FERC Account 909	\$0	\$0	\$0	0.00%
FERC Account 910	\$0	\$0	\$0	0.00%
Total	\$27	\$27	\$0	0.00%

5

III. DISCUSSION / ANALYSIS OF CUSTOMER ACCOUNTS

For most of the Northern California Division’s Customer Accounts (FERC Accounts 901, 902, 903, and 905), SWG used the 2011 recorded expenses to project these Accounts. DRA accepts this methodology for FERC Accounts 901, 902 and 905, but takes exceptions to the amounts for FERC Accounts 903 and 904.

A. FERC Account 903 – Customer Records & Collections

Table 4-25 below shows the recorded expenses for FERC Account 903 (Customer Records & Collection) for 2007 through 2012.

14
15
16
17

Table 4-25
Northern California Division
2007-2012 Recorded Data for FERC Account 903
(In Thousands of 2011 Dollars)

Description	2007	2008	2009	2010	2011	2012
Labor	\$243	\$245	\$215	\$214	\$197	\$188
Materials & Expenses	\$184	\$200	\$208	\$219	\$236	\$229
Total w/o Loading	\$427	\$445	\$423	\$433	\$433	\$417

Source: 2007-2011 data from SWG Appl., Vol. 2-A, Ch. 11(B), at 8; 2012 data from response to DRA data request DRA-SWG-012-OE2, Q.1.

DRA finds that using the 2011 recorded expense is not as current as the recorded 2012 recorded expense. SWG forecast of \$506,217 is the 2011 recorded expenses plus incremental expenses for Call center and support functions. DRA finds that the 2012 recorded expenses are more recent and more appropriate.

²⁰SWG Appl., Vol. 2-B, Ch.13, at 3.

1 DRA recommends use of the 2012 recorded expenses for this Account, which
 2 results in a forecast Customer Records & Collections expense in the amount of
 3 \$416,985, as opposed to \$506,217 requested by SWG. SWG’s use of the 2011
 4 recorded expense for FERC Account 903 does not capture the most recent value or
 5 the recent trend of the last three years

6 **B.FERC Account 904 - Uncollectibles**

7 Table 4-26 below shows the recorded figures for FERC Account 904
 8 (Uncollectibles) for 2007 through 2012 for both Northern California Division and
 9 South Lake Tahoe District. While Table 4-23 shows DRA’s recommended
 10 uncollectible expense of \$20,050 in comparison to SWG’s request of \$22,365. DRA
 11 recommends using the recorded 2012 uncollectible rate which is the most recent.
 12 The resulting rate (0.1323%) is DRA’s margin-related uncollectibles forecast for TY
 13 2014. SWG used the rate (0.1476%) derived from the 2011 recorded expense.

14 **Table 4-26**
 15 **Northern California Division**
 16 **2007-2012 Recorded Data for FERC Account 904**

Description	2007	2008	2009	2010	2011	2012
Uncollectibles Rate	0.2010%	0.1099%	0.1209%	0.1655%	0.1476%	0.1323%

17 *Source:* 2012 data from supporting work papers in SWG Appl., Vol. 4-B, ch. 12, at 6; 2012 data from
 18 response to DRA data request DRA-SWG-email-04-24-13.

19 Table 4-26 below shows significant variance from year-to-year; which likely
 20 resulted from the housing market crisis from 2007–2012. DRA recommends the use
 21 of the 2012 uncollectible rate of 0.1323%. The housing economic crisis resulted in
 22 the big housing decline in 2009 and 2010. Only recently in 2012 has the housing
 23 economy witnessed an improvement and a reduction in foreclosures, which in
 24 conjunction with the general economic conditions has been a major contributing
 25 factor in uncollectibles for utilities. For these reasons, DRA recommends the use of
 26 the most recent recorded Uncollectible rate of 0.1323% as a more reasonable
 27 forecast for TY 2014.

1 **DISCUSSION / ANALYSIS OF CS&I**

2 FERC Accounts 908, 909, and 910 comprise the Customer Service and
3 Information Accounts. As shown in Table 4-24 above, SWG forecasts zero dollars in
4 TY 2014 for the Northern California Division in Accounts 909 and 910.

5 SWG forecasts \$26,931 (in 2011 dollars) in TY 2014 for Account 908, which
6 is based on the 2011 recorded amount. DRA agrees with SWG's request.

1 Table 4-27 below compares DRA's recommended with SWG's proposed SLT
 2 District Customer Accounts expense estimates, with labor loading, for TY 2014:

3 **Table 4-27**
 4 **South Lake Tahoe District**
 5 **TY 2014 Customer Accounts Expenses without Labor Loading¹**
 6 **(In Thousands of 2011 Dollars)**

Description (a)	DRA Recommended (b)	SWG Proposed ²¹ (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 901	\$27	\$27	\$0	n/a
FERC Account 902	\$43	\$43	\$0	n/a
FERC Account 903	\$235	\$367	\$132	56.17%
FERC Account 904	\$8	\$9	\$1	12.50%
FERC Account 905	\$0	\$0	\$0	n/a
Total	\$313	\$446	\$133	42.49%

7 Table 4-28 below compares DRA's recommendations with SWG's proposed
 8 SLT District CS&I Expense estimates, without labor loading, for TY 2014:

9 **Table 4-28**
 10 **South Lake Tahoe District**
 11 **TY 2014 CS&I Expenses without Labor Loading**
 12 **(In Thousands of 2011 Dollars)**
 13

Description (a)	DRA Recommended (b)	SWG Proposed ²² (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 908	\$21	\$21	\$ 0	0.00%
FERC Account 909	\$0	\$0	\$ 0	
FERC Account 910	\$0	\$0	\$ 0	
Total	\$21	\$21	\$0	

14 **I. DISCUSSION / ANALYSIS OF CUSTOMER ACCOUNTS**

15 For most of the Customer Accounts in Northern California (FERC Accounts
 16 901, 902, 903, and 905), SWG used the 2011 recorded expenses to project these
 17 accounts. DRA accepts this methodology, except for FERC Account 903 and 904.

²¹ SWG Appl., Vol. 2-C, Ch. 12, at 4.

²² *Id.* Ch. 13, at 3.

1 Table 4-30 below shows the recorded figures for FERC Account 904 (Uncollectibles)
2 for 2007 through 2012 for the SLT District.

3 **A.FERC Account 903 – Customer Records & Collections**

4 Table 4-29 below shows the recorded expenses for FERC Account 903
5 Customer Records & Collection for 2007 through 2012.

6 **Table 4-29**
7 **South Lake Tahoe District**
8 **2007-2012 Recorded Data for FERC Account 903**
9 **(In Thousands of 2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012
Labor	\$178	\$174	\$78	\$74	\$74	\$75
Materials & Expenses	\$130	\$144	\$150	\$154	\$164	\$160
Total w/o Loading	\$308	\$318	\$227	\$228	\$238	\$235

10 *Source:* 2007-2011 data from SWG Appl., Vol. 2-A, Ch. 12, at 3; 2012 data from response to DRA
11 data request DRA-SWG-012-OE2, Q.1.

12 SWG's forecast of \$366,618 is based on the 2011 recorded expenses of
13 \$237,684, plus incremental expenses for Call center and support functions. Use of
14 the 2011 recorded expense for FERC Account 903 does not capture the most recent
15 values or the recent trend over the last three years.

16 DRA recommends using the 2012 recorded expenses for this Account, which
17 results in a forecast Customer Records & Collections expense of \$235,209, instead
18 of \$366,618 as requested by SWG.

19 **B.FERC Account 904 - Uncollectibles**

20 Table 4-30 below shows the recorded figures for FERC Account 904
21 (Uncollectibles) for 2007 through 2012 for both Northern California Division and SLT
22 District. While Table 4-27 shows DRA's recommended uncollectible expense of
23 \$8,083 in comparison to SWG's request of \$9,016. As previously discussed, DRA
24 recommends use of the recorded 2012 uncollectible rate of 0.1323%, which is a
25 more recent uncollectibles figure for the TY. SWG developed a rate of 0.1476%
26 derived from the 2011 recorded expense.

27
28
29
30

1
2
3

Table 4-30
South Lake Tahoe District
2007-2012 Recorded Data for FERC Account 904

Description	2007	2008	2009	2010	2011	2012
Uncollectibles Rate	0.2010%	0.1099%	0.1209%	0.1655%	0.1476%	0.1323%

4 *Source:* 2012 data from supporting work papers in SWG Appl., Vol. 4-C, Ch. 12, at 6; 2013 data from
5 response to DRA data request DRA-SWG-email-04-24-13.

6 **II. DISCUSSION / ANALYSIS OF CS&I**

7 FERC Accounts 908, 909, and 910 comprise the Customer Service and
8 Information Accounts. As shown in Table 4-28 above, SWG requests no dollars for
9 Accounts 909 and 910.

10 SWG forecasts \$20,793 (in 2011 dollars) in 2014 for Account 908, which DRA
11 agrees with.

12

1 **QUALIFICATIONS AND PREPARED TESTIMONY**
2 **OF**
3 **OGE ENYINWA**
4

5 Q.1. Please state your name and business address.

6 A.1. My name is Oge Enyinwa. My business address is 505 Van Ness Avenue,
7 San Francisco, California 94102.

8
9 Q.2. By whom are you employed and in what capacity?

10 A.2. I am employed by the State of California at the California Public Utilities
11 Commission (CPUC) as a Utilities Engineer in the Division of Ratepayer Advocates
12 (DRA).

13
14 Q.3. Please describe your educational background and professional experience.

15 A.3. I graduated from The Federal University of Technology, Nigeria, with a
16 Bachelor of Science degree in Electrical & Electronics Engineering, emphasis in
17 Power Systems Engineering. I also have a California EIT Certification. I have worked
18 as an engineering intern with Mobil Exxon and moved from there to Continental
19 Transmitter Services, as an Associate Engineer, before joining the CPUC as a
20 Utilities Engineer in 2008. My primary job for the last four years has been as an
21 analyst and utilities engineer for the California Public Utilities Commission. I have
22 worked on water, electric and gas industry issues. My responsibilities have included
23 sponsoring reports/testimony in proceedings, such as reasonableness reviews,
24 infrastructure expansions, incentive ratemaking, OIIs, CPCNs; General Rate Cases,
25 conflict resolutions between water companies and the rate payers and serving in the
26 capacity of a technical adviser to ALJs in formal proceedings.

27
28 Q.4. What is your area of responsibility in this proceeding?

29 A.4 I am sponsoring Exhibit DRA-04, Gas Supply and Distribution Operation and
30 Maintenance Expenses; Customer Accounts, Customer Service & Information
31 Expenses.