

Docket	:	<u>A.07-12-022</u>
Exhibit	:	<u>DRA-05</u>
Commissioner	:	<u>Sandoval</u>
ALJ	:	<u>Kim</u>
Witness	:	<u>Campbell</u>



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

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

**Administrative & General Expenses,
Pensions and Benefits**

San Francisco, California
June 3, 2012

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1 **SOUTHWEST GAS CORPORATION**
2 **ADMINISTRATIVE & GENERAL EXPENSES,**
3 **PENSIONS AND BENEFITS**

4 **I. INTRODUCTION**

5 This exhibit presents the Division of Ratepayer Advocates' (DRA) analyses
6 and recommendations regarding Southwest Gas Corporation's (SWG or Southwest)
7 Administrative and General (A&G) expenses and Pensions and Benefits for Test
8 Year (TY) 2014.

9 The categories of A&G expenses cover general expenses that are not
10 chargeable to a specific functional activity but which are recorded in Federal Energy
11 Regulatory Commission's (FERC) Uniform System of Accounts 920 through 935.
12 Many items comprise A&G expenses, including: administrative and general salaries;
13 office supplies; outside services employed; injuries and damages; employee pension
14 and benefits; franchise taxes; regulatory commission expense; general
15 advertising/safety education; miscellaneous general expense and maintenance of
16 general plant. SWG charged A&G expenses directly to Northern California, Southern
17 California and South Lake Tahoe (SLT) in nominal and 2011 dollars. SWG's Direct
18 Expenses are expenses that are either incurred directly by a rate jurisdiction, or
19 directly charged to a rate jurisdiction for expenses incurred on its behalf.¹

20 Pensions and Benefits expenses (P&B) are all employer-provided employee
21 benefit plans and programs, including paid time off. This includes pensions, post-
22 retirement benefits other than pensions (PBOP), health care, disability, life and
23 AD&D insurance, employee investment plan (EIP), supplemental executive
24 retirement plan (SERP), employee assistance program, tuition reimbursements,
25 employee communications, flex benefits, miscellaneous benefits and deferred
26 executive compensation.

27 DRA examined SWG's request for TY 2014 rate recovery for A&G and
28 pensions and benefits, and conducted an independent analysis of SWG's supporting

¹ Southern California Division Results of Operations, Vol. II-A, Prepared Direct Testimony of Randi L. Aldridge, p. 4, A.13, ln. 19.

1 workpapers, responses to data requests, and other discovery. DRA also reviewed
2 past Commission decisions (California and other states) as well as published articles
3 discussing pensions and benefits.

4 **II. SUMMARY OF RECOMMENDATIONS**

5 The following summarizes DRA's A&G recommendations for TY 2014, in
6 2011 dollars and without labor loading regarding the following FERC Accounts for
7 each of SWG's three California service areas:

8 **Northern California Division:**

- 9 • For FERC Account 923, DRA does not oppose SWG's forecast of
10 \$1,416.
- 11 • For FERC Account 925, DRA recommends a forecast of \$24,954 which is
12 \$1,157 less than SWG's request.
- 13 • For FERC Account 928, DRA recommends a forecast of \$7,549 which is
14 \$54 less than SWG's request.
- 15 • For FERC Account 930.1, DRA does not oppose SWG's forecast of
16 \$51,024.
- 17 • For FERC Account 930.2, DRA does not oppose SWG's forecast of
18 \$35,864.
- 19 • For FERC Account 935, DRA does not oppose SWG's forecast of
20 \$41,827.

21 Table 5-1 below compares DRA's recommended with SWG's proposed A&G
22 expense estimates for TY 2014 for the Northern California Division:

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Table 5-1
TY 2014 A&G Expenses – Northern California Division
(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 923	\$1,416	\$1,416	\$0	0%
FERC Account 925	\$24,954	\$26,111	\$1,157	4.6%
FERC Account 928	\$7,549	\$7,603	\$54	0.7%
FERC Account 930.1	\$51,024	\$51,024	\$0	0%
FERC Account 930.2	\$35,864	\$35,864	\$0	0%
FERC Account 935	\$41,827	\$41,827	\$0	0%
Total	\$162,634	\$163,845	\$1,211	0.7%

Southern California Division:

- For FERC Account 923, DRA does not oppose SWG’s forecast of \$143,224.
- For FERC Account 925, DRA recommends a forecast of \$229,655 which is \$49,053 less than SWG’s request.
- For FERC Account 928, DRA recommends a forecast of \$40,855 which is \$307 less than SWG’s request.
- For FERC Account 930.1, DRA does not oppose SWG’s forecast of \$150,869.
- For FERC Account 930.2, DRA does not oppose SWG’s forecast of \$194,159.
- For FERC Account 935, DRA does not oppose SWG’s forecast of \$238,455.

Table 5-2 below compares DRA’s recommended with SWG’s proposed A&G expense estimates for TY 2014 for the Southern California Division:

²SWG Northern California Division Results of Operations, Vol. II-B, Ch. 15, sheet 4 of 4.

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Table 5-2
TY 2014 A&G Expenses – Southern California Division
(2011 Dollars)

Description (a)	DRA Recommended (b)	SWG Proposed ³ (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 923	\$143,224	\$143,224	\$0	0%
FERC Account 925	\$229,655	\$278,708	\$49,053	21%
FERC Account 928	\$40,855	\$41,162	\$307	0.8%
FERC Account 930.1	\$150,869	\$150,869	\$0	0%
FERC Account 930.2	\$194,159	\$194,159	\$0	0%
FERC Account 935	\$238,455	\$238,455	\$0	0%
Total	\$997,217	\$1,046,577	\$49,360	4.9%

South Lake Tahoe District:

- For FERC Account 923, DRA does not oppose SWG’s forecast of \$1,562.
- For FERC Account 925, DRA does not oppose SWG’s forecast of \$11,091.
- For FERC Account 928, DRA recommends a forecast of \$4,201 which is \$34 less than SWG’s request.
- For FERC Account 930.1, DRA does not oppose SWG’s forecast of \$32,670.
- For FERC Account 930.2, DRA does not oppose SWG’s forecast of \$19,977.
- For FERC Account 935, DRA does not oppose SWG’s forecast of \$19,717.

Table 5-3 below compares DRA’s recommended with SWG’s proposed A&G expense estimates for TY 2014 for the South Lake Tahoe (SLT) District:

³ SWG Southern California Division Results of Operations, Vol. II-A, Ch. 15, sheet 4 of 4.

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Table 5-3
TY 2014 A&G Expenses – South Lake Tahoe (SLT) District
(2011 Dollars)

Description (a)	DRA Recommended (b)	SWG Proposed ⁴ (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 923	\$1,562	\$1,562	\$0	0%
FERC Account 925	\$11,091	\$11,091	\$0	0%
FERC Account 928	\$4,201	\$4,235	\$34	0.08%
FERC Account 930.1	\$32,670	\$32,670	\$0	0%
FERC Account 930.2	\$19,977	\$19,977	\$0	0%
FERC Account 935	\$19,717	\$19,717	\$0	0%
Total	\$89,218	\$89,252	\$34	0.04%

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⁴ SWG South Lake Tahoe California Division Results of Operations, Vol. II-C, Ch. 15, sheet 4 of 4.

**NORTHERN CALIFORNIA DIVISION
ADMINISTRATIVE & GENERAL EXPENSES**

Table 5-4 below compares DRA’s recommended with SWG’s proposed A&G expense estimate for TY 2014 for the Northern California Division:

**Table 5-4
TY 2014 A&G Expenses – Northern California Division
(2011 Dollars)**

Description (a)	DRA Recommended (b)	SWG Proposed ⁵ (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 923	\$1,416	\$1,416	\$0	0%
FERC Account 925	\$24,954	\$26,111	\$1,157	4.6%
FERC Account 928	\$7,549	\$7,603	\$54	0.7%
FERC Account 930.1	\$51,024	\$51,024	\$0	0%
FERC Account 930.2	\$35,864	\$35,864	\$0	0%
FERC Account 935	\$41,827	\$41,827	\$0	0%
Total	\$162,634	\$163,845	\$1,211	0.7%

III. DISCUSSION / ANALYSIS

DRA conducted an independent analysis of SWG’s Direct A&G expense estimates for the Northern California Division. DRA analyzed SWG’s application and exhibits, supporting workpapers, SWG’s data request responses, and information provided in meetings and e-mails. SWG provided five years of historical data (2007 through 2011) as well as projections for future years 2012, 2013 and TY 2014. SWG also provided actual recorded data for 2012. SWG normalized historical expenses on a five year average for most accounts in the Northern California Division. SWG relied on a three year average (2009 through 2011) to project expenses in FERC Account 930.2 - Miscellaneous General Expenses. SWG’s expenses for FERC Account 928 – Regulatory Commission Expense were estimated for the TY 2014 general rate case. A five-year amortization of these costs is requested to begin January 1, 2014. Regulatory Commission expense is allocated to the Northern California Division based on the 4-Factor allocation method. SWG

⁵ SWG Northern California Division Results of Operations, Vol. II-B, Ch. 15, sheet 4 of 4.

1 also applied the 4-factor allocation method to the requested amount for FERC
2 Account 930.1 – General Advertising/Safety Education.

3 DRA agrees with SWG’s forecast of A&G expenses for FERC Account 923 –
4 Outside Services, FERC Account 930.1- General Advertising/Safety Education,
5 FERC Account 930.2- Miscellaneous of General Plan and FERC Account 935 –
6 Maintenance of General Plant. The following section discusses DRA’s analysis
7 regarding DRA recommended adjustments to specific A&G accounts in SWG’s TY
8 2014 forecasts for the Northern California Division.

9 **A. FERC Account 925 - Injuries and Damages**

10 Table 5-5 below shows SWG’s recorded data for FERC Account 925 for 2007
11 through 2012.

12 **Table 5-5**
13 **2007-2012 Recorded Data for A&G FERC Account 925**
14 **(2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ⁶
Total	\$4,035	\$8,062	\$7,064	\$6,722	\$6,311	\$5,043

15 Source: 2007-2011 data from SWG Northern California Division, Vol. IIB, Results of
16 Operations Ch. 15, sheet 4 of 4.

17 Table 5-6 below shows DRA’s and SWG’s forecasts for FERC Account 925
18 for TY 2014:

19 **Table 5-6**
20 **TY 2014 DRA and SWG Forecast for FERC Account 925**
21 **(2011 Dollars)**

Description	2014
SWG	\$26,111
DRA	\$24,954
SWG>DRA	\$1,157

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23 SWG records expenses related to legal fees, injuries and damages and
24 workman’s compensation in FERC Account 925. SWG forecasts \$26,111 in TY
25 2014 for its Injuries and Damages expenses recorded to FERC Account 925, which
26 is a combination of average recorded expenses and self-insured retention expense

⁶ Response to DRA data request DRA-SWG-43-MCL, Q.1.1.

1 of \$19,911. The self-insured retention expense is a seven year average of the total
 2 company expense of \$971,585, and a 4-factor allocation. SWG also normalized
 3 FERC Account 925 expenses based on a five-year average from 2007-2011 (see
 4 Table 5-5) as the basis for its forecast.

5 DRA recommends that 2012 recorded of \$5,043 is the reasonable method to
 6 estimate Test Year expenses for this account. DRA also agrees with SWG’s request
 7 of the self-insured retention expense of \$19,911 resulting in a total of \$24,954.

8 **B. FERC Account 928 – Regulatory Commission Expense**

9 Table 5-7 below shows SWG’s recorded data for FERC Account 928 for 2007
 10 through 2012. SWG’s recorded expenses for Northern California remained flat in the
 11 past three years.

12 **Table 5-7**
 13 **2007-2012 Recorded Data for A&G FERC Account 928**
 14 **(2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ^z
Total	\$0	\$0	\$2,776	\$2,731	\$2,648	\$2,594

15 Source: 2007-2011 data from SWG Northern California Division, vol. IIB, Results of
 16 Operations Ch. 15, sheet 4 of 4.

17
 18 Table 5-8 below shows DRA’s recommendation and SWG’s forecast for
 19 FERC Account 928 for TY 2014:

20 **Table 5-8**
 21 **TY 2014 DRA and SWG Forecast for FERC Account 928**
 22 **(2011 Dollars)**

Description	2014
SWG	\$7,603
DRA	\$7,549
SWG>DRA	\$54

23
 24 SWG forecasts \$7,603 in TY 2014 for its Regulatory Expense in FERC
 25 Account 928. SWG bases its estimate on the 2011 recorded amount of \$2,648 and a
 26 rate case amortization expense of \$4,955 for the TY 2014 general rate case.

^z Response to DRA data request DRA-SWG-43-MCL, Q.1.1.

1 Table 5-9 below shows SWG's total company estimate of FERC Account 928
2 expenses for TY 2014 associated with this GRC.

3 **Table 5-9**
4 **FERC Account 928**
5 **SWG Estimated Total Company GRC Expense**

FERC Account 928 GRC Application Expense	2014 GRC⁸
Total Travel	\$60,000
Total Office/Miscellaneous	\$10,000
Total Postage/Mailing/Copying	\$5,000
Total Newspaper/Noticing	\$10,000
Total Professional Services Fees	\$180,000
Total Acct 928 GRC Expense	\$265,000

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7 Table 5-10 below shows SWG's estimated allocated amounts for TY 2014
8 expenses in FERC Account 928 for the Northern California Division.

9 **Table 5-10**
10 **FERC Account 928**
11 **SWG Estimated Incremental GRC Expense**

FERC Account 928 GRC Application Expense	2014 GRC⁹
Total California	\$265,000
Allocation to Northern California	\$38,016

12
13 DRA recommends \$7,549 for TY 2014 Regulatory Commission Expense,
14 adopting SWG's rate case amortization of \$4,955 and using SWG's 2012 recorded
15 expense of \$2,594. The 2012 recorded expenses provide more recent information
16 than SWG's use of 2011 recorded.

⁸ SWG Northern California Division, Vol. IV B, Results of Operations Ch. 15, workpaper Ch. 15, Sheet 13 of 14.

⁹ SWG Northern California Division, Vol. IIA, Results of Operations Ch. 15, workpaper Ch. 15, Sheet 12 of 14.

**SOUTHERN CALIFORNIA DIVISION
ADMINISTRATIVE & GENERAL EXPENSES**

Table 5-11 below shows DRA’s recommended and SWG’s proposed A&G expenses for TY 2014 for the Southern California Division:

**Table 5-11
TY 2014 A&G Expenses – Southern California Division
(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 923	\$143,224	\$143,224	\$0	0%
FERC Account 925	\$229,655	\$278,708	\$49,053	21%
FERC Account 928	\$40,855	\$41,162	\$307	0.8%
FERC Account 930.1	\$150,869	\$150,869	\$0	0%
FERC Account 930.2	\$194,159	\$194,159	\$0	0%
FERC Account 935	\$238,455	\$238,455	\$0	0%
Total	\$997,217	\$1,046,577	\$49,360	4.9%

IV. DISCUSSION / ANALYSIS

DRA analyzed SWG’s Direct A&G expense estimates for the Southern California Division. This involved examining SWG’s application and exhibits, supporting work-papers, SWG’s data request responses, and information provided in meetings and e-mails; and administrative and general expenses (A&G) charged to the Southern California Division.

SWG provided five years of historical data (from 2007 through 2011) as well as projections for future years and TY 2014. SWG provided actual recorded data for 2012. SWG normalized historical expenses on a five year average for most accounts in the Southern California Division and relied on a three year average for (2009 through 2011) to project expenses in FERC Account 930.2 - Miscellaneous General Expenses. SWG’s expenses in FERC Account 928 – Regulatory Commission Expense were estimated for processing the TY 2014 general rate case. A five-year

¹⁰SWG Southern California Division Results of Operations, Vol. II-A, Ch. 15, sheet 4 of 4.

1 amortization of these costs is requested to begin January 1, 2014. Regulatory
 2 Commission expenses are allocated to the Southern California Division based on
 3 the 4-Factor allocation. SWG also applied the 4-factor allocation to the requested
 4 amount for FERC Account 930.1 – General Advertising/Safety Education.

5 DRA does not take issue with SWG’s forecast of A&G expenses for FERC
 6 Account 923 – Outside Services, FERC Account 930.1- General Advertising/Safety
 7 Education, FERC Account 930.2- Miscellaneous of General Plan or FERC Account
 8 935 – Maintenance of General Plant. The following section discusses DRA’s
 9 analysis regarding specific A&G accounts where DRA recommends adjustments to
 10 SWG’s TY 2014 forecasts for the Southern California Division.

11 **C. FERC Account 925 - Injuries and Damages**

12 Table 5-12 below shows SWG’s recorded data for FERC Account 925 for
 13 2007 through 2012.

14 **Table 5-12**
 15 **2007-2012 Recorded Data for A&G FERC Account 925**
 16 **(2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ¹¹
Total	\$211,415	\$682,155	\$115,833	\$249,904	\$121,859	\$150,437

17 Source: 2007-2011 data from SWG Southern California Division, Vol. IIA, Results of
 18 Operations Ch. 15, sheet 4 of 4.

19 Table 5-13 below shows DRA’s and SWG’s forecast for FERC Account 925:

20 **Table 5-13**
 21 **TY 2014 DRA and SWG Forecast for FERC Account 925**
 22 **(2011 Dollars)**

Description	2014
SWG	\$278,708
DRA	\$229,655
SWG>DRA	\$49,053

23 SWG records expenses related to legal fees, injuries and damages and
 24 workman’s compensation in FERC Account 925. For its injuries and damages
 25 expenses recorded to FERC Account 925, SWG forecasts \$278,708 in TY 2014

¹¹ Response to DRA data request DRA-SWG-43-MCL, Q.1.1.

1 which is SWG's 2011 recorded expense of \$121,859 and self-insured retention
2 adjustment of \$156,850.

3 DRA recommends that 2011 recorded of \$121,859 is the reasonable method
4 to estimate TY expenses for this account. DRA also agrees with SWG's request of
5 the self-insured retention expense of \$107,796 resulting in a total of \$229,655.

6 **D. FERC Account 928 – Regulatory Commission Expense**

7 Table 5-14 below shows SWG's recorded data for FERC Account 928 during
8 2007 through 2012. Over the last three years recorded costs have declined.

9 **Table 5-14**
10 **2007-2012 Recorded Data for A&G FERC Account 928**
11 **(2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ¹²
Total	\$0	\$0	\$15,901	\$15,645	\$15,166	\$14,859

12 Source: 2007-2011 data from SWG Southern California Division, vol. IIA, Results of
13 Operations Ch. 15, sheet 4 of 4.

14 Table 5-15 below shows DRA's and SWG's forecast for FERC Account 928:

15 **Table 5-15**
16 **TY 2014 DRA and SWG Forecast for FERC Account 928**
17 **(2011 Dollars)**

Description	2014
SWG	\$41,162
DRA	\$40,855
BVES>DRA	\$307

18
19 SWG forecasts \$41,162 in TY 2014 for its FERC Account 928-Regulatory Expense.
20 SWG bases its estimate on the 2011 recorded amount of \$15,166 and an additional
21 adjustment of \$25,996¹³ for the TY 2014 general rate case.

22 Table 5-16 below shows SWG's estimate of FERC Account 928 total
23 company expenses for 2014 associated with this general rate case.

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¹² Response to DRA data request DRA-SWG-43-MCL, Q.1.1.

¹³ SWG Southern California Division Results of Operations, Vol. II-A, workpaper Ch.15, sheet 3 of 14.

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Table 5-16
FERC Account 928
SWG Estimated Total Company GRC Expense

FERC Account 928 GRC Application Expense	2014 GRC¹⁴
Total Travel	\$60,000
Total Office/Miscellaneous	\$10,000
Total Postage/Mailing/Copying	\$5,000
Total Newspaper/Noticing	\$10,000
Total Professional Services Fees	\$180,000
Total Acct 928 GRC Expense	\$265,000

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5 Table 5-17 below shows SWG's estimated allocated amounts for TY 2014
6 expenses in FERC Account 928 for Southern California.

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Table 5-17
FERC Account 928
SWG Estimated Incremental GRC Expense

FERC Account 928 GRC Application Expense	2014 GRC¹⁵
Total California	\$265,000
Allocation to Southern California	\$205,809

10

11 Given that expenses declined over the last three years, DRA recommends
12 2012 recorded expense of \$14,859 as base estimate for TY 2014 Regulatory
13 Commission Expense. DRA accepts SWG's request of an additional adjustment of
14 \$25,996, resulting in a total of \$40,855.

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¹⁴ SWG Southern California Division, Vol. IVB , Results of Operations Ch. 15, workpapers Ch. 15, Sheet 13 of 14.

¹⁵ SWG Southern California Division, Vol. IIA, Results of Operations Ch. 15, workpapers Ch. 15, Sheet 12 of 14.

**SOUTH LAKE TAHOE DISTRICT
ADMINISTRATIVE & GENERAL EXPENSES**

Table 5-18 below compares DRA’s recommended and SWG’s proposed TY 2014 A&G expenses for SLT:

**Table 5-18
TY 2014 A&G Expenses – South Lake Tahoe (SLT) District
(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 923	\$1,562	\$1,562	\$0	N/A
FERC Account 925	\$11,091	\$11,091	\$0	0%
FERC Account 928	\$4,201	\$4,235	\$34	0.8%
FERC Account 930.1	\$32,670	\$32,670	\$0	0%
FERC Account 930.2	\$19,977	\$19,977	\$0	0%
FERC Account 935	\$19,717	\$19,717	\$0	0%
Total	\$89,218	\$89,252	\$34	0.04%

V. DISCUSSION / ANALYSIS

DRA analyzed SWG’s Direct A&G expense estimates for the South Lake Tahoe (SLT) District, which included SWG’s application and exhibits, supporting work-papers, SWG’s data request responses, and information provided in meetings and e-mails. SWG provided five years of historical data (from 2007 through 2011) as well as projections for TY 2014. SWG also provided actual recorded data for 2012. SWG normalized historical expenses on a five year average for most accounts in the SLT Division. SWG relied on a three year average (2009 through 2011) to project expenses on FERC Account 930.2 - Miscellaneous General Expenses. SWG’s expenses for FERC Account 928 – Regulatory Commission Expense were estimated for processing the TY 2014 general rate case. A five-year amortization of these costs is requested to begin January 1, 2014. Regulatory Commission expense is allocated to SLT based on the 4-Factor allocation which was also applied to the requested amount for FERC Account 930.1 – General Advertising/Safety Education.

¹⁶ SWG South Lake Tahoe District Results of Operations, Vol. II-C, Ch. 15, sheet 4 of 4.

1 DRA does not take issue with SWG’s forecast of A&G expenses for FERC
 2 Account 923 – Outside Services, FERC Account 925 – Injuries and Damages, FERC
 3 Account 930.1- General Advertising/Safety Education, FERC Account 930.2-
 4 Miscellaneous of General Plan or FERC Account 935 – Maintenance of General
 5 Plant. The following section discusses DRA’s recommended adjustments to SWG’s
 6 2014 forecasts for the South Lake Tahoe District regarding specific A&G accounts.

7 **E. FERC Account 928 – Regulatory Commission Expense**

8 Table 5-19 below shows SWG’s recorded data for FERC Account 928 for
 9 2007 through 2012. For the last three years expenses have declined.

10 **Table 5-19**
 11 **2007-2012 Recorded Data for A&G FERC Account 928**
 12 **(2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ¹⁷
Total	\$0	\$0	\$1,735	\$1,707	\$1,655	\$1,621

13 *Source:* 2007-2011 data from SWG SLT Division Results of Operations, Vol. II-A, Ch. 18, sheet 5 of
 14 6. 2012 data from Response to DRA data request DRA-SWG-21 MCL-5.

15
 16 Table 5-20 below shows SWG’s estimated allocations to SLT for FERC
 17 Account 928 Regulatory Commission expenses for TY 2014.

18 **Table 5-20**
 19 **TY 2014 DRA and SWG Forecast for FERC Account 928**
 20 **(2011 Dollars)**

Description	2014
DRA	\$4,201
SWG	\$4,235
SWG>DRA	\$34

21
 22 SWG forecasts \$4,235 in TY 2014 for FERC Account 928-Regulatory
 23 Expense. This is based on an estimate of the 2011 recorded amount of \$1,655 and
 24 an additional adjustment of \$2,580 for the TY 2014 general rate case.

25 Table 5-21 below shows SWG’s estimate of FERC Account 928 total
 26 company expense for TY 2014 associated with this general rate case.

¹⁷ Response to DRA data request DRA-SWG-43-MCL, Q.1.1.

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2
3

Table 5-21
FERC Account 928
SWG Estimated Total Company GRC Expense

FERC Account 928 GRC Application Expense	2014 GRC¹⁸
Total Travel	\$60,000
Total Office/Miscellaneous	\$10,000
Total Postage/Mailing/Copying	\$5,000
Total Newspaper/Noticing	\$10,000
Total Professional Services Fees	\$180,000
Total Acct 928 GRC Expense	\$265,000

4

5 Table 5-22 below shows SWG's estimated allocation amount to SLT for
6 FERC Account 928 incremental expenses for 2014. DRA observes that the recorded
7 expenses for SWG's GRC expense declined in the past three years.

8
9
10

Table 5-22
FERC Account 928
SWG Estimated Incremental GRC Expense

FERC Account 928 GRC Application Expense	2014 GRC¹⁹
Total California	\$265,000
Allocation to South Lake Tahoe	\$21,176

11

12 DRA recommends \$4,201 for TY 2014 Regulatory Commission Expense.
13 DRA accepts 2012 recorded of \$1,621 as its base estimate and SWG's adjustment
14 of \$2,580, resulting in a total of \$4,201.

15

¹⁸ SWG South Lake Tahoe District, Vol. IVB, Results of Operations Ch. 15, workpaper Ch. 15, sheet 13 of 14.

¹⁹ SWG South Lake Tahoe District, Vol. II-C, Results of Operations Ch. 15, workpaper Ch. 15, sheet 12 of 14.

1 **SOUTHWEST GAS CORPORATION**
2 **PENSION AND BENEFITS**

3 **VI. SUMMARY OF RECOMMENDATIONS**

4 SWG requests \$86.847 million in total company pensions and benefits²⁰ for
5 the TY 2014, while the corresponding DRA estimate is \$74.697 million. The following
6 summarizes DRA's pension and benefits recommendations:

- 7 • The Commission should deny SWG's request for all costs associated with
8 SWG's Supplemental Executive Retirement Plan (SERP) Benefit
9 expenses and the Executive Deferral Plan expenses (Deferred
10 Compensation). Shareholders, not ratepayers, should bear the additional
11 costs of such programs that provide enhanced retirement benefits for
12 SWG's already highly-compensated executives.
- 13 • The Commission should deny SWG's request for costs associated with
14 Flexible Spending Benefits. Shareholders, not ratepayers, should bear the
15 additional cost for certain expenses that SWG already offers through the
16 medical health care coverage to participating employees.
- 17 • DRA recommends Medical Insurance expenses of \$13,521,388 which is
18 \$2,085,877 lower than the SWG forecast of \$15,607,205. DRA's forecast
19 is more comparable to historical expenses and 13% higher than the 2012
20 recorded figure.
- 21 • The Commission should adopt DRA's use of SWG's actual 2011 costs in
22 calculating the 59.88% labor loading rate that should be used in this
23 general rate case. DRA proposes a 59.88% labor loading rate in this
24 general rate case in contrast to SWG's forecast of 67.14%.
- 25 • DRA accepts SWG's labor escalation rates in this general rate case.
- 26 • DRA accepts SWG's other benefits escalation rates in this general rate
27 case.

28

²⁰ Northern California Division Results of Operations, Vol. II-A, Ch. 18, sheet 1 of 6.

1

2 Table 5-23 below compares on a total company basis DRA's recommended
3 with SWG's proposed pensions and benefits expense estimates for TY 2014:

4

Table 5-23
TY 2014 Pensions and Benefits Expenses
(2011 Dollars - Total Company)

5

6

Description (a)	DRA Recommended (b)	SWG Proposed ²¹ (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
SERP	\$0	\$3,508,400	\$3,508,400	0%
Deferred Compensation	\$0	\$3,564,509	\$3,564,509	0%
Life & AD&D insurance	\$488,915	\$521,897	\$32,982	6.76%
Medical insurance	\$13,521,328	\$15,607,205	\$2,085,877	15.43%
Employee assistance	\$105,993	\$115,911	\$9,918	9%
Pensions	\$49,815,437	\$49,815,437	\$0	0%
Pension admin.	\$47,970	\$47,970	\$0	0%
PBOP	\$2,945,020	\$2,945,020	\$0	0%
Dental insurance	\$1,462,321	\$1,462,321	\$0	0%
Employee investment Plan (EIP) employer match	\$4,535,775	\$4,946,207	\$410,432	9.06%
Tuition reimbursements	\$334,190	\$377,245	\$43,055	12.87%
LTD insurance	\$618,610	\$661,745	\$43,135	6.96%
Emp. Communications	\$80,098	\$174,777	\$94,679	118%
Flex benefits	\$0	\$1,867,171	\$1,867,171	0%
Miscellaneous benefits	\$664,751	1,231,014	\$566,263	85.39%
Total Pension & Benefits	\$74,620,408	\$86,846,829	\$12,226,421	16%

7

8

²¹ SWG Northern California Division Results of Operations, Vol. II-B, Ch. 18, sheet 3 of 6.

1 Table 5-24 below shows total company, recorded data for pensions and
 2 benefits for the past six years.

3 **Table 5-24**
 4 **Southwest Gas Corporation**
 5 **2007-2012 Recorded Data for Pensions and Benefits**
 6 **(Thousands of 2011 Dollars – Total Company)**

Description	2007	2008	2009	2010	2011	2012
SERP	3,505	3,275	3,322	3,684	2,614	2,586
Deferred Comp.	3,082	3,202	3,504	3,470	3,405	3,265
Life and AD&D Ins.	296,188	478,711	513,039	508,374	488,915	488,549
Medical Insurance	12,886	13,720	16,571	16,363	10,928	11,912
Emp. Assistance	99,122	96,004	105,480	103,914	108,586	115,300
Pensions	28,591	35,521	23,066	55,807	70,000	48,500
Pension admin.	96,932	73,388	55,416	58,194	44,939	68,069
PBOP	435,167	397,681	2,039	1,970	2,063	3,018
Dental	1,550	1,511	1,513	1,968	1,369	1,349
Long Term Disability Insurance	835,578	640,376	648,847	642,387	619,926	632,944
Flex Benefits	1,171,160	961,901	687,971	2,654,453	1,749,173	1,615,514
Employee Communications	155,460	188,900	170,434	173,943	129,923	30,274
Tuition Reimbursement	107,194	329,954	349,286	344,958	353,405	344,090
EIP match	4,111	4,612	4,727	4,740	4,624	4,709
Miscellaneous Benefits	1,165	1,181	1,514	1,093	811	664
Total	59,710	67,656	59,682	94,306	99,815	79,280

7 Source: 2007-2011 data from Southern California Division Results of Operations, Vol. II-A, Ch. 18,
 8 sheet 5 of 6. 2012 Benefits data from Response to DRA data request DRA-SWG-21-MCL, Q.1.1.

9 **VII. DISCUSSION / ANALYSIS OF PENSION AND BENEFITS**

10 DRA does not object to SWG’s basic methodology used to calculate the
 11 benefit program costs. SWG uses a “labor loading” projection in which, for every
 12 labor dollar charged to an account, an additional amount (the labor loading) is also
 13 charged to that account. The net labor amount (total labor less indirect time and
 14 management incentive plan) is multiplied by a labor escalation rate, and indirect time
 15 is multiplied by a labor escalation rate. The remaining pension and benefits are
 16 escalated by the materials and expenses escalation factor.²² The total of indirect

²² SWG Northern California Division Results of Operations, Vol. IV-B, Ch. 7, sheet 2 of 3.

1 time plus all other benefits is divided by net labor to derive the labor loading
 2 percentage.

3 Several pension and benefits projections are based on escalating 2011
 4 benefits, including life and AD&D insurance, employee assistance program, pension
 5 plan administration fees, dental, long term disability, flex benefits, tuition
 6 reimbursements, and employee investment. The remaining pension and benefit
 7 projections were normalized in 2011 over three years (medical and post-employment
 8 benefits other than pension) or five years (supplemental executive retirement plan
 9 (SERP), deferred compensation (EDCP), pension, employee communications and
 10 miscellaneous benefits) because the expense fluctuated from year to year in recent
 11 years.²³

12 Table 5-25 below shows SWG’s labor loading calculation:

13 **Table 5-25**
 14 **Southwest Gas Corporation**
 15 **Labor Loading Calculation**
 16 **(Thousands of 2011 Dollars)**

	Recorded 2011	Projected 2012	Projected 2013	Projected 2014
Total Company Labor	189,973			
Less: indirect time	(23,767)			
Less: Mgmt compensation	(9,862)			
Net Labor	156,344	159,471	163,293	167,206
Indirect Time	23,767	24,242	24,823	25,418
Other Benefits	99,815	82,897	84,813	86,846
Total	123,582	107,139	109,636	112,264
Labor loading percentage	61.53%	67.18%	67.14%	67.14%

17 Source: SWG SLT Division Results of Operations, Vol. II-A, Ch. 18, sheets 5 and 6 of 6.

18 Table 5-26 below shows DRA’s derivation of its labor loading rate, which is
 19 discussed in Section I later in this exhibit:

20

²³ SWG Northern California Division Results of Operations, Vol. II-B, Ch. 18, sheet 1 of 6.

Table 5-26
DRA's Determination of SWG's Labor Loading Rate
(Thousands of 2011 Dollars)

	Recorded 2011	TY 2014
Total Company Labor	189,973	
Less: indirect time	(23,767)	
Less: Mgmt incentive	(9,862)	
Net Labor	156,344	167,206
Indirect Time	23,767	25,418
Other Benefits	99,815	74,620
Total	123,582	100,038
Labor loading	61.53%	59.88%

F. Labor Escalation Rate

DRA accepts labor and non-labor escalation rates used by SWG in this general rate case.²⁴ DRA used SWG's labor and non-labor escalation rate in labor loading calculations.

G. Other Benefits Escalation Rate

DRA accepts other benefits escalation rates used by SWG in this GRC.

H. Executive Benefits

SWG's labor loading rate calculation includes costs for supplemental executive benefits that are inappropriate for ratepayers to fund, such as the following: (i) \$3.50 million for the Supplemental Retirement Plan (SERP), and (ii) \$3.56 million in Deferred Executive Compensation. DRA opposes the inclusion of any supplemental executive benefits in revenue requirements. There is no justification for ratepayers to bear the costs of supplemental retirement and other exclusive executive benefits that are unauthorized by U.S. or California tax laws and which go beyond SWG's normal employee coverage.

1. Supplemental Executive Retirement Plan

The purpose of Supplemental Executive Retirement Plans (SERP) is to provide benefits to a select group of executive officers. SERP is one of the four

²⁴Southwest Gas Results of Operations, Vol. IV-B, Ch. 7.

1 plans that are offered to executive officers. The SERP is designed to supplement
2 the benefits under the Retirement Plan to a level of 50 – 60% of salary.²⁵

3 Officers that participate in the Executive Deferral Plan are also participants in
4 SERP.²⁶

5 SWG forecasts \$3.508 million in the TY for this program, which includes
6 supplemental retirement benefits, enhanced death benefits, and enhanced disability
7 benefits for executives.²⁷

8 The pension contributions that are funded by ratepayers through the
9 traditional limitations under the Employee Retirement Income Security Act of 1974
10 (ERISA) and the Pension Protection Act of 2006 (PPA) already provide sufficient
11 compensation for these highly compensated employees to enjoy a reasonable
12 retirement stipend. Ratepayers already contribute pension plan contributions
13 required under pension law, and there is no reason that ratepayers need to provide
14 even more funding to further supplement the retirement of a small number of high-
15 level SWG employees. The SERP program is a way to enhance and increase
16 retirement benefits for executives. The executives in this corporation are highly
17 compensated by the corporation through current rates by customers. If SWG wants
18 to provide supplemental benefits to a small number of highly compensated officers,
19 then these costs should be borne by shareholders.

20 Regulatory commissions in California's neighboring states have examined the
21 issue of supplemental retirement benefits, and have declined to include such
22 expenses in revenue requirements. The reasoning used by these other states for
23 rejecting utility requests for ratepayer funding of supplemental pension costs are
24 equally applicable in California. In 2006, the Arizona Corporation Commission
25 rejected such a proposal from Southwest Gas Corporation:

²⁵Four retirement plans are available to the executive officers. Two of the plans, the Retirement Plan for Employees of Southwest Gas Corporation (Retirement Plan) and the Employees' Investment Plan (EIP), are tax-qualified plan and are available to all employees.

²⁶ SWG's Notice of 2012 Annual Meeting of Shareholders and Proxy Statement, exhibit 23, p. 33.

²⁷ SWG's annual Form 10-K, exhibit 10.03, Table of Contents.

1 "... we believe that the record in this case supports a
2 finding that the provision of additional compensation to
3 Southwest Gas' highest paid employees to remedy a
4 perceived deficiency in retirement benefits relative to the
5 Company's other employees is not a reasonable expense
6 that should be recovered in rates. Without the SERP, the
7 Company's officers still enjoy the same retirement
8 benefits available to any other Southwest Gas employee
9 and the attempt to make these executives "whole" in the
10 sense of allowing a greater percentage of retirement
11 benefits do not meet the test of reasonableness. If the
12 Company wishes to provide additional retirement benefits
13 above the level permitted by IRS regulations applicable
14 to all other employees it may do so at the expense of its
15 shareholders. However, it is not reasonable to place this
16 additional burden on ratepayers."²⁸

17
18 The Nevada Public Service Commission reached the same conclusion in a
19 2002 decision in a Nevada Power Company rate case, finding that, "the SERP
20 should be the responsibility of the shareholders."²⁹

21 The Oregon Public Utilities Commission did the same in a 2001 PacifiCorp
22 rate case, stating:

23 "Staff proposes to remove the entire cost of SERP,
24 approximately \$806,000 from the revenue requirement.
25 Staff argues that PacifiCorp's executives are already well
26 compensated, receiving on average 4.3 times the
27 average compensation of non-officers. Further, these
28 executives are already covered by a regular retirement
29 plan, the expense of which is covered in customer rates.
30 Finally, PacifiCorp did not establish that SERP was a
31 necessary expense.

32 The Commission has not allowed recovery of SERP
33 expenses in other utility rate cases. PacifiCorp has not
34 persuaded us that it is necessary to pay SERP to hire
35 and retain executive officers. The SERP costs are not
36 allowed."³⁰

²⁸ Arizona Corporation Commission, Decision No. 68487, February 23, 2006, p. 19.

²⁹ Public Utilities Commission of Nevada, Docket Nos. 01-10001 and 01-10002, decision dated March 29, 2002, p. 42.

³⁰ Oregon Public Utilities Commission, Order No. 01-787, September 7, 2001, p. 44.

1 DRA's recommendations pertaining to SWG's executive retirement plan are
2 consistent with DRA's policy in the recent Southern California Edison (SCE) TY
3 2009 GRC (A. 07-11-011), and the Southern California Gas (SoCalGas) and San
4 Diego Gas & Electric (SDG&E) TY 2008 GRCs (A.06-12-009 and A.06-12-010). In
5 these cases, DRA recommended that there be no ratepayer funding for
6 supplemental pension costs.

7 In D.04-05-055, the Commission addressed the issue of Pacific Gas and
8 Electric Corporation (PG&E) awarding \$84.5 million in retention bonuses to 17
9 executives pursuant to a Senior Executive Retention Program (SrERP) as follows:

10 We have given the issue [of SrERP] special attention. We
11 find that none of the \$84.5 million has been, or will be,
12 charged to ratepayers. We adopt additional accounting
13 and reporting measures to further ensure that the \$84.5
14 million is charged to shareholders, not ratepayers. We
15 are appalled at the size of the award, and encourage the
16 senior executives to voluntarily return any amounts not
17 needed to meet the program's purpose, or that are
18 unreasonable or inequitable.³¹

19 SWG's request of \$3.508 million for supplemental executive retirement costs
20 for a few key individuals is excessive. It is entirely unwarranted for a regulated utility
21 to expect funding from its ratepayers for enhanced expenses benefiting only few
22 highly compensated officers. SWG's ratepayers already fund a retirement program
23 that benefits all employees including executives to the full extent of the law, and they
24 should not be expected to supplement the benefits of a select few.

25 **2. Deferred Compensation**

26 The purpose of the Executive Deferral Plan is to provide benefits to a select
27 group of key employees.³² The Executive Deferral Plan is a non-qualified plan,
28 which does not have the tax savings benefits associated with a qualified plan such
29 as SWG's Employees' Investment Plan. All officers are eligible to participate, subject
30 to approval by the Board of Directors. The Board of Directors may offer eligibility in

³¹ D.04-05-055, section 10.3.2, Retention Bonuses.

³² SWG's annual Form 10-K, exhibit 10.10, effective January 1, 2005, p. 1.

1 this plan to any employee, at its sole discretion, so long as that individual is a
2 member of “a select group of management or highly-compensated employees.”³³
3 SWG forecasts \$3.564 million in TY 2014 for this program.³⁴

4 Under SWG’s regular Employees’ Investment Plan, which is included in rate
5 recovery and which is offered to all employees, employees can defer a small portion
6 of their annual compensation, subject to IRS limitations; SWG matches up to three
7 percent of an employee’s annual compensation.³⁵ Under the Executive Deferral
8 Plan, a few select SWG employees have the opportunity to defer up to 100% of their
9 annual cash compensation. The Company matches another three percent on the
10 amount deferred to the Executive Deferral Plan.³⁶ This would require ratepayer
11 funding of another 3% match for executives in addition to the 3% matching amount
12 already included in the Employee Investment Plan.

13 Ratepayers already contribute a reasonable amount to provide future income
14 security to SWG employees in the form of the Employees’ Investment Plan and
15 Pension Plan. There is no reason that ratepayers need to provide even more funding
16 to further supplement a small number of high-level SWG employees. It is
17 inappropriate to burden ratepayers by requiring them to provide duplicative funding
18 for the executive supplemental program. SWG provides no justification for ratepayer
19 funding of these supplemental programs. If SWG wants to provide this benefit to its
20 executives, it should do so at shareholders’ expense. DRA recommends removing
21 all costs related to this program.

22 I. DRA’s Labor Loading Rate Calculation

23 DRA used SWG’s actual 2011 costs and SWG’s recommended labor
24 escalation and Other Benefits escalation rates, but eliminated SERP and deferred

³³ SWG’s annual Form 10-K, exhibit 10.10, effective January 1, 2005, p. 5.

³⁴ \$2.652 million total 2006 Deferred Comp. times 4.45% escalation for three years = \$3.825 million.

³⁵ SWG’s 2006 Annual Report, note #9, Pension and Other Postretirement Benefits.

³⁶ SWG’s 2006 Annual Report, note #9, Pension and Other Postretirement Benefits.

1 compensation from Other Benefits, to calculate a Labor Loading rate of 59.88% for
 2 the TY 2014.

3 Table 5-27 below presents DRA's calculations:

4 **Table 5-27**
 5 **DRA's Determination of SWG's Labor Loading Rate**
 6 **(Thousands of 2011 Dollars)**

	Recorded 2011	TY 2014
Total Company Labor	189,973	
Less: indirect time	(23,767)	
Less: Mgmt incentive	(9,862)	
Net Labor	156,344	167,206
Indirect Time	23,767	25,418
Other Benefits	99,815	74,620
Total	123,582	100,038
Labor loading	61.53%	59.88%

7
 8 **J. Life and AD&D Insurance**

9 Table 5-28 below shows SWG's recorded data for life and accidental death
 10 and dismemberment (AD&D) insurance benefit offered to SWG's employees.

11 **Table 5-28**
 12 **2007-2012 Recorded Data for Life and AD&D Insurance**
 13 **(2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ³⁷
Total	\$296,188	\$478,711	\$513,039	\$508,374	\$488,915	\$488,549

14 Source: 2007-2011 data from Southwest Gas Corp. Results of Operations, Vol. II-A, Ch. 18, sheet 5
 15 of 6.

16 Table 5-29 below compares DRA's recommendation and SWG's request for TY
 17 2014.

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 21

³⁷ 2012 Benefits data from Response to DRA data request DRA-SWG-21-MCL, Q.1.1.

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Table 5-29
TY 2014 DRA and SWG Forecast for Life and AD&D Insurance
(2011 Dollars)

Description	2014
DRA	\$488,915
SWG	\$521,897
SWG>DRA	\$32,982

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10
 SWG offers to eligible employees the benefit of basic AD&D plan coverage, which provides financial protection if a covered family member dies or is seriously injured in an accident.³⁸ SWG forecasts \$521,897 in TY 2014 for life and AD&D insurance, which is an increase of \$32,982 or 7% over 2011 recorded expenses of \$488,915. SWG based its projection by escalating 2011 benefits to arrive at its TY 2014 forecast.

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16
 DRA reviewed SWG's historical benefits and TY estimate and recommends \$488,549 for life and AD&D insurance benefits. DRA reviewed and utilized SWG's 2012 recorded adjusted expenses provided in response to data request DRA-MCL-21 to forecast TY 2014. DRA used the latest 2012 figure of \$488,915 as a reasonable estimate for TY 2014 benefits because the data has remained stable over the past five years.

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18
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K. Medical-Health Care Insurance

Table 5-30 below shows SWG's recorded data for the medical insurance benefit offered to SWG's employees.

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Table 5-30
2007-2012 Recorded Data for Medical Insurance
(in Thousands of 2011 Dollars)

Description	2007	2008	2009	2010	2011	2012 ³⁹
Total	\$12,886	\$13,720	\$16,571	\$16,363	\$10,928	\$11,912

23
24
 Source: 2007-2011 data from Southwest Gas Corp. Results of Operations, Vol. II-A, Ch. 18, sheet 5 of 6.

³⁸ Response to DRA data request DRA-SWG-MCL-21, Attachment C.

³⁹ 2012 Benefits data from response to DRA data request DRA-SWG-21-MCL, Q.1.1.

1 Table 5-31 below shows DRA's and SWG's TY 2014 forecasts for medical
2 insurance:

3 **Table 5-31**
4 **TY 2014 DRA and SWG Forecast for Medical Insurance**
5 **(2011 Dollars)**

Description	2014
DRA	\$13,521,328
SWG	\$15,607,205
BVES>DRA	\$2,085,877

6
7 SWG offers to eligible employees the benefit of health care plan coverage
8 which offers a wide range of medical services and supplies, including prescription
9 and vision coverage.⁴⁰ SWG forecasts \$15,607,205 in 2014 for medical insurance,
10 which is an increase of \$4,679,000 or 43% over 2011 recorded expenses of
11 \$10,928,400. SWG based its projection by escalating 2011 benefits to arrive at the
12 TY 2014 forecast.

13 Based on SWG's historical benefits and TY estimate, DRA recommends
14 \$13,521,328 for Medical Insurance benefits. DRA relied on a five-year average from
15 2007-2011 as the basis for its forecast of \$13,521,328 because a five year average
16 accounts for some of the variability of the different recorded years as shown in Table
17 5-23. The DRA forecast of \$13,521,328 is \$1.6 million or 13% higher than the 2012
18 recorded figure.

19 **L. Employee Assistance Program (EAP)**

20 Table 5-32 below shows SWG's recorded data for Employee Assistance
21 Program (EAP) benefit offered to SWG's employees.

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23
24
25
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27

⁴⁰ Response to DRA data request DRA-SWG-MCL-21, Attachment B.

Table 5-32
2007-2012 Recorded Data for Employee Assistance Program
(2011 Dollars)

Description	2007	2008	2009	2010	2011	2012 ⁴¹
Total	\$99,122	\$96,004	\$105,480	\$103,914	\$108,586	\$115,300

Source: 2007-2011 data from Southwest Gas Corp. Results of Operations, Vol. II-A, Ch. 18, sheet 5 of 6.

Table 5-33 below shows DRA's recommendation and SWG's forecast of EAP expenses:

Table 5-33
TY 2014 DRA and SWG Forecast for Employee Assistance Program
(2011 Dollars)

Description	2014
SWG	\$115,911
DRA	\$105,993
BVES>DRA	\$9,918

SWG offers to eligible employees the benefit of the EAP which is a confidential short-term counseling and referral service designed to help SWG employees and eligible family members deal with personal or work-related problems including financial and legal issues, elder care, job stress, drug or alcohol dependency, parenting/family concerns, marriage, bereavement issues and depression or anxiety.⁴²

SWG forecasts \$115,911 in TY 2014 for EAP, which is an increase of \$19,907 or 9% over 2008 recorded expenses of \$96,004. SWG based its projection by escalating 2011 benefits to arrive at the TY 2014 forecast.

DRA reviewed SWG's historical benefits and Test Year estimate and recommends \$105,993 for EAP benefits. DRA relied on a three-year average from 2009-2011 as the basis for its forecast of \$105,993. DRA did not include 2007 and

⁴¹ 2012 Benefits data from response to DRA data request DRA-SWG-21-MCL, Q.1.1.

⁴² Response to DRA data request DRA-SWG-MCL-21, Attachment B, p. 107.

1 2008 because those expense levels no longer appear to be representative of current
2 spending levels.

3 **M. Pension – Cash Basis**

4 Table 5-34 below shows SWG’s recorded data for pension – cash basis
5 benefit offered to SWG’s employees.

6 **Table 5-34**
7 **2007-2012 Recorded Data for Pension – Cash Basis**
8 **(Thousands of 2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ⁴³
Total	\$28,591	\$35,521	\$23,066	\$55,807	\$70,000	\$48,500

9 Source: 2007-2011 data from Southwest Gas Corp. Results of Operations, Vol. II-A, Ch. 18, sheet 5
10 of 6.

11 SWG offers eligible employees the benefit of a pension plan other than
12 SERP. SWG stated that the Commission requires that pensions be requested for
13 recovery on a cash basis. SWG provided workpapers showing all pension plan
14 payments paid per year.⁴⁴ SWG forecasted \$49,815,437 in TY 2014 for its pension
15 plan. SWG normalized the pension plan in 2011 dollars over five years to arrive at
16 the company’s TY 2014 forecast.⁴⁵

17 DRA recommends a one-way balancing account for SWG’s pension
18 cash basis account. Given the ongoing recovery of the U.S. economy, DRA
19 expects that the value of pension investments will rise substantially in the
20 short-term. To protect ratepayers, SWG should establish a one-way
21 balancing account. The proposed one-way balancing account would permit
22 SWG to recover its cash basis pension costs up to a fixed amount of
23 \$49,815,437. DRA reviewed SWG’s historical benefits and TY estimate and does
24 not take issue with them.

⁴³ 2012 Benefits data from response to DRA data request DRA-SWG-21-MCL, Q.1.1.

⁴⁴ SWG Northern California Division Results of Operations, Vol. IV-B, Ch. 18 workpapers, sheet 2 of 15.

⁴⁵ SWG Northern California Division Results of Operations, Vol. IV-B, Ch. 18, sheet 1 of 6.

1 normalized PBOP benefits in 2011 over three-years to arrive at the company's TY
2 2014 forecast.⁴⁹

3 DRA reviewed SWG's historical expenses in relation to PBOP expenses and
4 does not take issue with them.

5 **P. Dental Insurance**

6 Table 5-37 below shows SWG's 2007-2012 recorded data for dental
7 insurance benefits offered to SWG's employees.

8 **Table 5-37**
9 **2007-2012 Recorded Data for Dental Insurance**
10 **(Thousands of 2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ⁵⁰
Total	\$1,550	\$1,511	\$1,513	\$1,968	\$1,369	\$1,349

11 Source: 2007-2011 data from Southwest Gas Corp. Results of Operations, Vol. II-A, Ch. 18, sheet 5
12 of 6.

13
14 SWG offers to eligible employees the enhanced dental insurance plan which
15 is a dental Preferred Provider Organization (PPO) plan. This plan provides the
16 flexibility to see any licensed dentist on a list of dentists who provide care at
17 discounted fees. Employees also have the option to see other dentists outside of the
18 list; their out-of-pocket cost will generally be lower.⁵¹

19 SWG forecasts \$1,462,321 in 2014 for dental insurance. SWG based its TY
20 2014 dental insurance request on escalating 2011 benefits to TY 2014.

21 DRA reviewed SWG's historical benefits and TY estimate for dental insurance
22 and does not take issue with them.

23 **Q. Employee Investment Plan (EIP)**

24 Table 5-38 below shows SWG's recorded 2007-2012 data for the Employee
25 Investment Plan (EIP) offered to SWG's employees.

⁴⁹ SWG Northern California Division Results of Operations, Vol. IV-B, Ch. 18, sheet 1 of 6.

⁵⁰ Response to DRA data request DRA-SWG-43-MCL, May 7, 2013.

⁵¹ Response to DRA data request DRA-SWG-MCL-21, Attachment B, p. 70 of 94.

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Table 5-38
2007-2012 Recorded Data for EIP
(Thousands of 2011 Dollars)

Description	2007	2008	2009	2010	2011	2012 ⁵²
Total	\$4,111	\$4,612	\$4,727	\$4,740	\$4,624	\$4,709

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Source: 2007-2011 data from Southwest Gas Corp. Results of Operations, Vol. II-A, Ch. 18, sheet 5 of 6.

7
8

Table 5-39 below shows DRA's recommendation and SWG's TY 2014 request for EIP:

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10
11

Table 5-39
TY 2014 DRA and SWG Forecast for EIP
(2011 Dollars)

Description	2014
DRA	\$4,535,775
SWG	\$4,946,207
SWG>DRA	\$410,432

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SWG forecasts \$4,946,207 in TY 2014 expenses associated with its EIP. SWG employees have the option to participate in SWG's EIP. The EIP is designed as a 401(k) plan under federal law. The program provides employees the opportunity to save for their retirement through payroll deductions. The EIP includes generous contributions from SWG which matches a percentage of the employee before-tax contributions. SWG offers its employees up to a 3.5% matching contribution of the eligible pay. SWG invests the company matching contributions in the SWG Stock Fund.⁵³ SWG'S EIP was projected based on escalating 2011 expenses.

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DRA reviewed SWG's historical benefits and TY estimate and recommends \$4,535,775 for the Employee Investment Plan. SWG's ratepayers are being asked to fund two retirement plans for SWG's employees, both the pension plan, and the EIP. In addition to post-retirement benefits (SERP and Deferred Compensation), SWG's TY 2014 EIP request of \$4,946,207 is excessive as compared to prior years. DRA relied on a four-year average from 2008-2011 as the basis for its forecast of \$4,535,775. DRA considers it reasonable to use a multi-year average as the basis

⁵² Response to DRA data request DRA-SWG-43-MCL, May 7, 2013.

⁵³ Response to DRA data request DRA-SWG-MCL-21, Attachment D, p. 28 of 62.

1 for its forecast. The historical data does not support the forecast and increased level
2 of funding proposed by SWG.

3 **R. Tuition Reimbursements**

4 Table 5-40 below shows SWG's 2007-2012 recorded data for SWG's tuition
5 reimbursements.

6 **Table 5-40**
7 **2007-2012 Recorded Data for Tuition Reimbursements**
8 **(2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ⁵⁴
Total	\$107,194	\$329,954	\$349,286	\$334,958	\$353,405	\$344,090

9 Source: 2007-2011 data from Southwest Gas Corp. Results of Operations, Vol. II-A, Ch. 18, sheet 5
10 of 6.

11 Table 5-41 below shows DRA's recommendation and SWG's TY 2014
12 request for tuition reimbursements:

13 **Table 5-41**
14 **TY 2014 DRA and SWG Forecast for Tuition Reimbursements**
15 **(2011 Dollars)**

Description	2014
DRA	\$334,190
SWG	\$377,245
SWG>DRA	\$43,055

16
17 SWG offers to eligible employees the benefit of tuition reimbursements. SWG
18 forecasts \$377,245 in TY 2014. This is an increase of \$23,840 or 7% over 2011
19 recorded expenses of \$353,405. SWG based its projection by escalating 2011
20 benefits to arrive at its TY 2014 forecast.

21 DRA reviewed SWG's historical benefits and TY estimate and recommends
22 \$334,190 for tuition reimbursements to SWG's employees. DRA relied on a four-
23 year average from 2008-2011 as the basis for its forecast of \$334,190 because a
24 four year average accounts for some of the variability of the different recorded years.
25 DRA did not use 2007 as part of the multi-year average because expenses in that
26 year were significantly lower than more recent years.

⁵⁴ 2012 Benefits data from response to DRA data request DRA-SWG-21-MCL, Q.1.1.

1 **S. Long Term Disability Insurance (LTD)**

2 Table 5-42 below shows SWG’s 2007-2012 recorded data for SWG’s Long
3 Term Disability Insurance (LTD).

4 **Table 5-42**
5 **2007-2012 Recorded Data for Long Term Disability Insurance**
6 **(2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ⁵⁵
Total	835,578	640,376	648,847	642,387	619,926	\$611,495

7 Source: 2007-2011 data from Southwest Gas Corp. Results of Operations, Vol. II-A, Ch. 18, sheet 5
8 of 6.

9
10 Table 5-43 below shows DRA’s recommendation and SWG’s TY 2014
11 request for LTD:

12 **Table 5-43**
13 **TY 2014 DRA and SWG Forecast for Long Term Disability Insurance**
14 **(2011 Dollars)**

Description	2014
DRA	\$618,610
SWG	\$661,745
SWG>DRA	\$43,135

15
16 SWG offers to eligible employees the benefit of LTD insurance. SWG’s LTD
17 provides financial protection for the employee if the employee is unable to work for
18 an extended period of time because of illness, injury or disability for more than 180
19 days.⁵⁶ SWG requests \$661,745 in TY 2014 for LTD insurance, which is an increase
20 of \$41,819 or 7% over 2011 recorded expenses of \$619,926. SWG based its
21 projection by escalating 2011 benefits to arrive at its TY 2014 forecast.

22 DRA reviewed SWG’s historical benefits and TY request and recommends
23 \$618,610 for LTD insurance for SWG’s employees. DRA relied on a four-year
24 average from 2008-2011 as the basis for its forecast of \$618,610 because the years

⁵⁵ 2012 Benefits data from response to DRA data request DRA-SWG-21-MCL, Q.1.1.

⁵⁶ Response to DRA data request DRA-SWG-MCL-21, Attachment F, p. 11 of 22.

1 used for the multi-year average are comparable. DRA's recommendation exceeds
2 the 2012 recorded figure of \$611,495.

3 **T. Employee Communications**

4 Table 5-44 below shows SWG's 2007-2012 recorded data for SWG's
5 employee communications.

6 **Table 5-44**
7 **2007-2012 Recorded Data for Employee Communications**
8 **(2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ⁵⁷
Total	\$155,460	\$188,900	\$170,434	\$173,943	\$129,923	\$30,274

9 Source: 2007-2011 data from Southwest Gas Corp. Results of Operations, Vol. II-A, Ch. 18, sheet 5
10 of 6.

11 Table 5-45 below shows DRA's and SWG's TY 2014 forecasts for employee
12 communications:

13 **Table 5-45**
14 **TY 2014 DRA and SWG Forecast for Employee Communications**
15 **(2011 Dollars)**

Description	2014
DRA	\$80,098
SWG	\$174,777
SWG>DRA	\$94,679

16

17 SWG offers to employees the benefit of employee communications.
18 Employee communication expenses include all costs incurred in producing
19 employee publications such as magazines, newsletters, media summaries, lifelines
20 and video presentations as well as communications projects.⁵⁸ SWG forecasts
21 \$174,777 in TY 2014 for expenses related to employee communications, which is an
22 increase of \$144,503 or 477% over 2012 recorded expenses of \$30,274. SWG

⁵⁷ 2012 Benefits data from response to DRA data request DRA-SWG-21-MCL, Q.1.1.

⁵⁸ Response to DRA data request DRA-SWG-MCL-21 Employee Benefits, Q.1.8, p. 2.

1 based its projection by escalating 2011 benefits over a five-year average to arrive to
2 at its TY 2014 forecast.⁵⁹

3 DRA reviewed SWG's historical benefits and TY estimate and recommends
4 \$80,098 for employee communication expenses. DRA relied on a two-year average
5 from 2011-2012 as the basis for its forecast of \$80,098 and finds SWG's request of
6 \$174,777 excessive in comparison to the latest recorded year 2012 expense level of
7 \$30,274.

8 U. Flex Benefits

9 Table 5-46 below shows SWG's recorded 2007-2012 data for SWG's flex
10 benefits.

11 **Table 5-46**
12 **2007-2012 Recorded Data for Flex Benefits**
13 **(2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ⁶⁰
Total	\$1,171,160	\$961,901	\$687,971	\$2,654,453	\$1,749,173	\$1,615,514

14 Source: 2007-2011 data from Southwest Gas Corp. Results of Operations, Vol. II-A, Ch. 18, sheet 5
15 of 6.

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17 Table 5-47 below shows DRA's recommendation and SWG's TY 2014
18 request for flex benefits:

19 **Table 5-47**
20 **TY 2014 DRA and SWG Forecast for Flex Benefits**
21 **(2011 Dollars)**

Description	2014
DRA	\$0
SWG	\$1,867,171
SWG>DRA	\$1,867,171

22

23 SWG offers to employees for certain eligible health care and dependent care
24 expenses referred to as flex benefits. SWG offers two kinds of flexible spending
25 accounts; Health Care FSAs (which includes the SHARE FSA and the Traditional

⁵⁹SWG Results of Operations, Vol. IV-B, Ch. 18, sheet 1 of 6.

⁶⁰2012 Benefits data from response to DRA data request DRA-SWG-21-MCL, Q.1.1.

1 Health Care FSA) and a Dependent Care flexible spending account.⁶¹ SWG
2 forecasts \$1,867,171 in TY 2014 for expenses related to flex benefits, which is an
3 increase of \$ 251,657 or 16% over 2012 recorded expenses of \$1,615,514. SWG
4 based its projection on escalating 2011 benefits to arrive at its TY 2014 request.⁶²

5 DRA reviewed SWG's flex benefits and TY estimate and opposes SWG's
6 forecast for TY 2014 for flex benefits. DRA considers flexible spending account
7 benefit expenses to be an excessive burden on SWG's customers. SWG's flex
8 benefits allows employees to get reimbursed for certain eligible health care
9 expenses including expenses such as acupuncture, Christian Science practitioners,
10 cosmetic surgery, guide dog, air conditioning when necessary to relieve allergies or
11 breathing difficulties, smoking cessation programs and elastic hosiery for medical
12 purposes.⁶³

13 DRA recommends the disallowance of flex benefit expenses in this general
14 rate case. It is inappropriate for SWG to request ratepayer funds to pay for these
15 types of health care benefits under a flex benefit plan when SWG receives ratepayer
16 funding to provide complete health care and dental care insurance programs for
17 SWG's employees. SWG's flex benefits program covering these types of expenses
18 are not reasonable and does not provide a clear benefit to ratepayers. If SWG
19 wants to provide additional flex benefits related to health care it may do so; however,
20 these expenses should be at the shareholders' expense not the ratepayers'
21 expense.

22 V. Miscellaneous Benefits

23 Table 5-48 below shows SWG's recorded 2007-2012 data for SWG's
24 miscellaneous benefits.

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⁶¹ Response to DRA data request DRA-SWG-MCL-21 Employee Benefits, Q.1.9, attachment E.

⁶² SWG Results of Operations, Vol. IV-B, Ch. 18, sheet 1 of 6.

⁶³ Response to DRA data request DRA-SWG-MCL-21 Employee Benefits, Q.1.9, attachment E, p. 11 of 22.

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Table 5-48
2007-2012 Recorded Data for Miscellaneous Benefits
(2011 Dollars)

Description	2007	2008	2009	2010	2011	2012 ⁶⁴
Total	\$1,165,170	\$1,181,683	\$1,514,101	\$1,093,594	\$811,546	\$664,751

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Source: 2007-2011 data from Southwest Gas Corp. Results of Operations, Vol. II-A, Ch. 18, sheet 5 of 6.

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Table 5-49 below shows DRA’s recommendation and SWG’s TY 2014 request for miscellaneous benefits:

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Table 5-49
TY 2014 DRA and SWG Forecast for Miscellaneous Benefits
(2011 Dollars)

Description	2014
SWG	\$1,231,014
DRA	\$664,751
SWG>DRA	\$566,263

11

12 SWG incurs expenses in relation to miscellaneous benefits. These benefits
13 include expenses on behalf of employees that are not more properly assigned to
14 another account.⁶⁵ SWG requests \$1,231,014 in TY 2014 for expenses related to
15 miscellaneous benefit expenses, which is an increase of \$419,468 or 45.9% over
16 2011 recorded expenses of \$811,546. SWG based its projection on a historical 5-
17 year average and then escalated to 2014 dollars.⁶⁶

18 DRA reviewed SWG’s historical benefits and TY estimate and recommends
19 \$664,751 for miscellaneous benefit expenses. DRA utilized 2012 recorded year
20 expenses due to the trend which shows a decline in recorded expenses since 2010.

⁶⁴ 2012 Benefits data from response to DRA data request DRA-SWG-21-MCL, Q.1.1.

⁶⁵ Response to DRA data request DRA-SWG-MCL-21 Employee Benefits, Q.1.9, p. 2.

⁶⁶ SWG Northern California Division Results of Operations, Vol. IV-B, Ch. 18, sheet 1 of 6.

1 DRA's estimate of \$664,751, utilizing SWG's last recorded year expenses, is
2 \$566,263 less than SWG's TY forecast, and is a reasonable method to forecast TY
3 2014 expenses.

4 **W. Indirect Time**

5 Table 5-50 below shows SWG' recorded 2007-2012 data for SWG's indirect
6 time.

7 **Table 5-50**
8 **2007-2012 Recorded Data for Indirect Time**
9 **(2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012
Total	\$21,937	\$22,942	\$23,590	\$27,928	\$23,767	\$25,085

10 Source: 2007-2011 data from Southwest Gas Corp. Results of Operations, Vol. II-A, Ch. 18, sheet 5
11 of 6.

12 SWG forecasts indirect time based on 2011 recorded adjusted using the
13 labor-related benefit escalation. DRA does not oppose SWG's forecast for TY 2014
14 for indirect time.

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CHAPTER 5 SYSTEM ALLOCABLE ADMINISTRATIVE AND GENERAL EXPENSES

4 **I. INTRODUCTION**

5 This chapter presents DRA's analyses and recommendations regarding
6 SWG's System Allocable Administrative and General (A&G) expenses for Test Year
7 (TY) 2014.

8 The categories of A&G expenses cover general expenses not chargeable to a
9 specific functional activity and that are recorded in Federal Energy Regulatory
10 Commission's (FERC) Uniform System of Accounts 920 through 935. Many items
11 comprise A&G expenses, including: administrative and general salaries; office
12 supplies and expenses, administrative expenses transferred, outside services
13 employed, property insurance, injuries and damages; employee pension and
14 benefits; miscellaneous general expenses, rents and maintenance of general plant.

15 **II. SUMMARY OF RECOMMENDATIONS**

16 The following summarizes DRA's recommendations for TY 2014, in 2011
17 dollars and without labor loading:

- 18 • For FERC Account 920, DRA does not oppose SWG's forecast of
19 \$43,970,057.
- 20 • For FERC Account 921, DRA recommends a forecast of \$12,751,620
21 which is \$1,039,067 less than SWG's request.
- 22 • For FERC Account 922, DRA does not oppose SWG's forecast of
23 (10,884,751).
- 24 • For FERC Account 923, DRA does not oppose SWG's forecast of
25 \$14,793,675.
- 26 • For FERC Account 924, DRA does not oppose SWG's forecast of
27 \$400,214.
- 28 • For FERC Account 925, DRA does not oppose SWG's forecast of
29 \$9,800,371.

- 1 • For FERC Account 930.2, DRA recommends a forecast of \$5,813,704
- 2 which is \$1,356,370 less than SWG's request.
- 3 • For FERC Account 935, DRA does not oppose SWG's forecast of
- 4 \$1,949,123.

5 Table 5-51 below compares DRA's recommended with SWG's requested total
6 System Allocable A&G expense estimates, without labor loading, for TY 2014:

7 **Table 5-51**
8 **Total System Allocable, Before Allocation**
9 **2014 A&G Expenses without Labor Loading**
10 **(2011 Dollars)**

Description (a)	DRA Recommended (b)	SWG Proposed ⁶⁷ (c)	Amount SWG>DRA (d=c-b)	Percentage SWG>DRA (e=d/b)
FERC Account 920	\$43,970,056	\$43,970,056	\$0	0%
FERC Account 921	\$12,751,620	\$13,790,687	\$1,039,067	8%
FERC Account 922	(\$10,884,751)	(\$10,884,751)	\$0	0%
FERC Account 923	\$14,793,675	\$14,793,675	\$0	0%
FERC Account 924	\$400,214	\$400,214	\$0	0%
FERC Account 925	\$9,800,371	\$9,800,371	\$0	0%
FERC Account 930.2	\$5,813,704	\$6,448,334	\$634,630	10.9%
FERC Account 931	\$0	\$0	\$0	0%
FERC Account 935	\$1,949,123	\$1,949,123	\$0	0%
Total	\$78,594,012	\$84,984,561	\$1,673,697	8%

11 III. DISCUSSION / ANALYSIS

12 DRA conducted an independent analysis of SWG's System Allocable A&G
13 expense estimates. DRA analyzed SWG's application and exhibits, issued data
14 requests and analyzed responses. DRA also spoke with SWG's A&G expert witness
15 to discuss findings and questions pertinent to various data requests and responses.
16 DRA used information provided in meetings, telephone conversations and e-mails.
17 SWG provided five years of historical data (2007 through 2011) as well as recorded
18 data for 2012 and projections for future years and TY 2014. SWG primarily relies on
19 recorded 2011 expenses as the basis for forecasting TY 2014 expenses.

⁶⁷ Id., Sheet 4, col. q, excluding the labor loading figures.

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Table 5-53
Total System Allocable, Before Allocation
2007-2012 Recorded Data for FERC Account 921
(2011 Dollars)

Description	2007	2008	2009	2010	2011	2012 ⁶⁹
Total Materials & Expenses	\$11,193,283	\$12,925,264	\$12,971,326	\$12,877,539	\$13,790,687	\$13,769,355

5 Source: 2007-2012 data from Southern California Division Results of Operations, Vol. II-A, Chapter
6 8, Tab A, Sheet 4 of 4.

7 Table 5-54 below shows DRA's recommendation and SWG's TY 2014
8 request for office supplies.

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Table 5-54
TY 2014 DRA and SWG Forecast for FERC Account 921
(2011 Dollars)

Description	2014
DRA	\$12,751,620
SWG	\$13,790,687
SWG>DRA	\$1,039,067

12 Southwest Gas forecasts \$13,790,687 in TY 2014 for its office supplies
13 expenses recorded to FERC Account 921.⁷⁰ SWG bases its TY forecast on 2011
14 expenses and provides a general explanation that this account contains a wide
15 range of expenses, which have increased significantly for telecommunications and
16 consulting costs related to implementing virtualized call centers, beginning in
17 2008.⁷¹ SWG's forecast relies on 2011 expense levels, the highest level of
18 expenses for this account during the past several years.

19 DRA recommends \$12,751,620 in TY 2014 expenses for FERC Account 921.
20 DRA used a five year average of data from 2007-2011 as the basis for its forecast of
21 \$12,751,620 because a five year average includes the variability in expenses for this

⁶⁹ Response to DRA-SWG-MCL-Email 5-28-13.

⁷⁰ Southern California Division Results of Operations, Vol. II-A, Chapter 8, Tab A, Sheet 6, col. q, ln. 9.

⁷¹ Southern California Division Results of Operations, Vol. II-A, Chapter 8, Tab A, Sheet 1 of 4.

1 account, and takes into account the recorded costs incurred since 2008 for SWG's
2 virtualized call centers.

3 **FERC Account 925 – Injuries and Damages**

4 SWG forecasts \$9,800,371 in TY 2014 for Injuries and Damages for FERC
5 Account 925.⁷² SWG bases its TY forecast on a five year average and self-insured
6 retention which was normalized based on a seven year average.⁷³ SWG's forecast
7 of \$9,800,371 consists of two components--\$9,385,129 in recorded 2011 expenses
8 carried forward to its TY 2014 estimate, and a \$415,242 adjustment increase for
9 self-insured retention which is also carried forward to its TY 2014 estimate.⁷⁴

10 DRA reviewed SWG's historical expenses for FERC Account 925 and agrees
11 with SWG's forecast for TY 2014.

12 **FERC Account 930.2 – Miscellaneous General Expenses**

13 FERC Account 930.2 includes miscellaneous general expenses. Table
14 5-55 below shows SWG's recorded expenses for 2007-2012.

15 **Table 5-55**
16 **Total System Allocable, Before Allocation**
17 **2007-2012 Recorded Data for FERC Account 930.2**
18 **(2011 Dollars)**

Description	2007	2008	2009	2010	2011	2012 ⁷⁵
Total Materials & Expenses	\$4,967,161	\$4,965,157	\$5,102,306	\$5,168,733	\$7,170,074	\$6,180,498

19 Source: 2007-2012 data from Southern California Division Results of Operations, Vol. II-A, Ch. 8,
20 Tab A, Sheet 4.

21 Table 5-56 below shows DRA's and SWG's TY 2014 forecasts for FERC
22 Account 930.2:

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⁷² Southern California Division Results of Operations, Vol. II-A, Chapter 8, Tab A, Sheet 4, col. q.

⁷³ Id., Sheet 2.

⁷⁴ Supporting workpapers to Southern California Division Results of Operations, Vol. II-A, workpapers Ch. 8, Tab A, Sheets 1 of 10.

⁷⁵ Response to DRA-SWG-MCL-Email 5-28-13.

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Table 5-56
TY 2014 DRA and SWG Forecast for FERC Account 930.2
(2011 Dollars)

Description	2014
DRA	\$5,813,704
SWG	\$6,448,334
SWG>DRA	\$634,630

4 SWG forecasts \$6,448,334 in TY 2014 for its miscellaneous general
5 expenses recorded to FERC Account 930.2,⁷⁶ which is a decrease of \$721,740 as
6 compared to 2011 recorded expenses of \$7,170,074. SWG bases its TY forecast on
7 2011 expenses and SWG provides a general explanation that reasons for the large
8 increase in this account is due to the cost increases to various corporate
9 assessments and fees.⁷⁷ SWG's forecast relies on 2011 data; the year in which the
10 utility incurred the highest level of expenses for this account over the past several
11 years.

12 DRA recommends \$5,813,704 in TY 2014 expenses for FERC Account
13 930.2. DRA used a three year average from 2009-2011 as the basis for its forecast
14 because a three year average smooths some of the variability in expenses for this
15 account, and includes the actual recorded expenses incurred in 2011 for SWG's
16 corporate assessments and fees.

17

⁷⁶ Southern California Division Results of Operations, Vol. II-A, Ch. 8, Tab A, Sheet 4, col. q.

⁷⁷ Id., Sheet 2.

1 **QUALIFICATIONS AND PREPARED TESTIMONY**
2 **OF**
3 **MARIANA C. CAMPBELL**

4 Q.1 Please state your name and address.

5 A.1 My name is Mariana Campbell. My business address is 505 Van Ness
6 Avenue, San Francisco, California.

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

8 A.2 I am employed by the California Public Utilities Commission as a Public
9 Utilities Regulatory Analyst II in the Division of Ratepayer Advocates Energy
10 Cost of Service and Natural Gas Branch.

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

12 A.3 I graduated from San Francisco State University in 1995, with a Bachelor of
13 Arts Degree in Electronic Media, with a major in Radio & Television. I was
14 previously employed by a Telecommunications Research Company. I have
15 been employed by the Commission for six years. I have worked on Low
16 Income Energy Efficiency Issues. Assignments with DRA consisted of review
17 and analysis of both Energy Low Income Assistance Programs and Budgets
18 for California Alternate Rate for Energy and Low Income Energy Efficiency.
19 I've submitted testimony on operating expenses for the Kerman Telephone
20 Company General Rate Case (A.02-01-004), Administrative & General (A&G)
21 expenses for the California American Water 2007 General Rate Case (A.07-
22 01-037), Administrative & General expenses for the California Water Service
23 Company 2008 General Rate Case (A.07-07-001), Administrative and
24 General (A&G) expenses for Southwest Gas Corporation jurisdiction-specific
25 and System Allocable A&G expenses (A.07-12-022), A&G expenses for Bear
26 Valley Electric Service (A.08-06-034), Operation & Maintenance (O&M)
27 Expenses – Customer Accounts and Energy Efficiency Programs for Sierra
28 Pacific Power Company General Rate Case (08-08-004). A&G expenses for
29 Pacific Gas and Electric 2011 General Rate Case (A.09-12-020). I most
30 recently worked on the Sempra GRC, A.10-12-005/006, A&G Expenses.

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

32 A.4 I am responsible for Exhibit DRA-05, Administrative and General Expenses,
33 Pensions & Benefits.

34 Q.5 Does that complete your prepared testimony?

35 A.5 Yes, it does.