

Case No. 80911

In the Supreme Court of Nevada

SOUTHWEST GAS CORPORATION,
Appellant,

vs.

PUBLIC UTILITIES COMMISSION OF
NEVADA; and STATE OF NEVADA
BUREAU OF CONSUMER PROTECTION,
Respondents.

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Elizabeth A. Brown
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APPEAL

from the Eighth Judicial District Court, Clark County
The Honorable WILLIAM KEPHART, District Judge
District Court Case No. A-19-791302-J

**JOINT APPENDIX
VOLUME 9
PAGES 2001-2250**

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CERTIFICATE OF SERVICE

I certify that on January 4, 2021, I submitted the foregoing “Joint Appendix” for filing *via* the Court’s eFlex electronic filing system. Electronic notification will be sent to the following:

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/s/ Cynthia Kelley
An Employee of Lewis Roca Rothgerber Christie LLP

1 CARSON CITY AND LAS VEGAS, NEVADA

2 THURSDAY, OCTOBER 25, 2018

3 10:44 A.M.

4 -oOo-

5 COMMISSIONER PONGRACZ: Mr. Stephens?

6 MR. STEPHENS: Thank you.

7 CROSS-EXAMINATION

8 (Resumed)

9 BY MR. STEPHENS:

10 Q In your Question and Answer 89 you
11 indicate that you did not identify any concerns
12 regarding your review of the Company's Northern
13 Nevada projects for GIR; correct?

14 A Correct.

15 Q And but-for the costs that you identify
16 related to APL, you have the same conclusion and
17 recommendation with respect to the Company's
18 Southern Nevada GIR projects; correct?

19 A Correct.

20 Q Your Q&A 99 asserts that Southwest Gas
21 has not provided valid justification for the price
22 increases contained in change order 4; correct?

23 A Correct.

24 Q As part of your response to that
25 question is there any reason why you did not refer

SILVER STATE COURT REPORTERS (775) 329-6323

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sumer Protection*

/s/ Cynthia Kelley
An Employee of Lewis Roca Rothgerber Christie LLP

1 to the Company's response to Staff DR 272?

2 A No.

3 Q Let's take a look at that response.

4 I think in that black binder right there on the
5 corner, if you'll find the rebuttal testimony of
6 Thomas Cardin, and look at TWC-1.

7 A There it is. It was hiding.

8 Okay. I'm sorry. Can you direct me to
9 what page again?

10 Q Sure, it's rebuttal Exhibit TWC-1,
11 attached to the rebuttal testimony of
12 Thomas Cardin.

13 A Okay. I'm there.

14 Q And would you agree that in the
15 response to Staff DR 272, Southwest Gas provided
16 an explanation and justification for the price
17 adjustments relating to the APL contract?

18 A I agree that in Staff 272 there is some
19 discussion.

20 Q I believe we took administrative notice
21 of the Nevada master data requests yesterday. Do
22 you have those in front of you over there?

23 A I found it.

24 Q All right. Do you think there could
25 be some benefit to modify the MDRs to address some

1 of the issues that were encountered in this case?

2 A Of course. There's always room for
3 improvement as lessons are learned. You know, it's
4 a continuing learning environment, and parties can
5 gain valuable information and incorporate that
6 information in future proceedings. I mean, that's
7 a valuable tool to use.

8 Q Would you agree that the MDRs contain
9 some outdated questions?

10 A I'm not sure --

11 MS. CASSITY: Objection. It's beyond
12 the scope of his testimony.

13 COMMISSIONER PONGRACZ: Quite true.

14 MR. STEPHENS: Well, he does talk a lot
15 about discovery, and MDRs --

16 COMMISSIONER PONGRACZ: He does, but
17 not about -- he's not a witness addressing
18 potential reforms of the MDR.

19 MR. STEPHENS: Understood. But he did
20 testify a tremendous amount about the issues in
21 discovery in this case, and the master data
22 requests are part of that.

23 COMMISSIONER PONGRACZ: That is true.
24 However, you're making an assumption that that
25 the -- that what Staff perceives as deficiencies in

1 the Company's presentation correlate to issues with
2 the MDR, and that may or may not be the case, but
3 that is an assumption.

4 And so this witness is not being
5 presented as a witness on Commission regulation or,
6 in general, or the MDRs or changes that need to be
7 presented. We could have that discussion in a
8 different context, for example if the Company chose
9 to submit a petition to the Commission requesting a
10 proceeding be opened to look at that.

11 So the objection is sustained.

12 MR. STEPHENS: Okay. Well, in response
13 to that, just for the record, the question had
14 nothing to do with petitioning, or anything else
15 like that, it was a question as to did he think
16 that the MDRs contain some outdated questions.
17 And the line of questioning is to discuss areas
18 that Staff believes may be beneficial to remedy
19 this type of situation in the future so that rate
20 cases and other dockets can be more efficient.

21 COMMISSIONER PONGRACZ: Again,
22 Mr. Stephens, that line of questioning assumes that
23 it is the burden of an entity other than the
24 Company to make the determination regarding which
25 information will be provided by the Company to

1 support its revenue requirement. That is an
2 assumption. That may not be shared by all.

3 MR. STEPHENS: And I guess I'll
4 disagree with that, because I don't believe that
5 assumption is in there. It's from the premise of,
6 what can we do to make this better.

7 He's testified a tremendous amount
8 about, hey, it would have been nice to get this
9 information sooner, and I wanted to talk to him
10 about if he agrees with ideas for improving the
11 process.

12 COMMISSIONER PONGRACZ: Again, right
13 now our task is to address the adequacy of the
14 Company's revenue requirement case in this
15 proceeding.

16 BY MR. STEPHENS:

17 Q Let's take a look at MDR 106.

18 A Okay. Can I get this binder --

19 Q Yes. I'm just going to stay in this
20 MDR document.

21 A Okay. I'm there.

22 Q And you reviewed the information
23 related to MDR 106 in this docket; correct?

24 A Correct.

25 Q And in fact, you testified about that

1 in your testimony; correct?

2 A Correct.

3 Q Okay. The information contained in
4 MDR 106 doesn't contain all of the information that
5 Staff wanted in this case regarding the projects
6 identified and listed in MDR 106; correct?

7 A Correct. MDR 106, I believe, is a
8 starting point for Staff. There's projects that
9 are listed there that Staff will then review during
10 its audit of the utility's filing.

11 Q And as you look at MDR 106, Southwest
12 Gas complied with what MDR 106 requested; correct?

13 A Specifically to MDR 106, I mean the
14 information is there. I can't -- it's this
15 Commission's decision whether it complied with it.
16 There was information provided. I reviewed that
17 information.

18 Q You also testified about how NVEnergy
19 provides binders or a data room, if you will, with
20 respect to MDR 106 projects; correct?

21 A Correct. And I believe we had that
22 discussion with Southwest Gas during the 30-day
23 meeting.

24 Q Do you think that requiring that sort
25 of format or information through an MDR would

1 accelerate the audit process?

2 COMMISSIONER PONGRACZ: Excuse me. I
3 believe we just -- didn't we just discuss that the
4 purpose of this proceeding is to address the
5 adequacy of the Company's revenue requirement
6 showing in this proceeding, and that
7 recommendations for changes to the process were
8 outside the scope.

9 MR. STEPHENS: Okay. No further
10 questions.

11 COMMISSIONER PONGRACZ: Thank you.
12 Do we have -- is there redirect from
13 Staff?

14 Oh, I'm sorry, Mr. Stuhff. Are there
15 questions for this witness?

16 MR. STUHFF: No question. Thank you.

17 COMMISSIONER PONGRACZ: Thank you.
18 Is there redirect from Staff?

19 MS. CASSITY: Yes.

20 REDIRECT EXAMINATION

21 BY MS. CASSITY:

22 Q Mr. Danise, could you turn to what was
23 marked as Exhibit, I believe it was 66. It was the
24 financial systems roadmap.

25 A I believe I have it.

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1 Q And if you could turn to page 5.

2 A Is that document -- or is it labeled:

3 Key decisions made?

4 Q Yes.

5 A Okay. I'm there.

6 Q And if you look at that first step in
7 that, and I don't really know how to describe that,
8 it's a flow chart or an image, but under Oracle GL
9 what does it state there?

10 A Oracle chosen for future state GL.

11 Q Does this document -- you said you
12 reviewed this document; right?

13 A Correct.

14 Q Does this document indicate why Oracle
15 was chosen?

16 A No.

17 Q Do you know if Microsoft has any
18 alternatives to this program?

19 A I'm sure they do, as various other
20 vendors do as well.

21 Q Did Southwest Gas provide that
22 information to you?

23 A No.

24 Q How do you, as a member of Staff, know
25 if projects you review are necessary, prudent, or

1 just and reasonable, if the utility doesn't provide
2 that information?

3 A I don't. That's why Staff requests
4 information during discovery, is to try to
5 determine that, but if it's never provided, Staff
6 can't make that decision.

7 Q And I believe you testified -- I should
8 say given that you have testified that you're not
9 an expert in IT project management, does it seem
10 reasonable to you that Southwest Gas expects you
11 to alert them to deficiencies in their filing
12 related to the IT projects in this case?

13 A No.

14 Q Do you have experience investigating
15 multi-million dollar utility projects filed for
16 approval with this Commission?

17 A Yes. Over the nine years, I have
18 reviewed many projects from values down to 100,000
19 level up to over \$800 million in value.

20 Q And in fact, you investigated and
21 testified regarding the Harry Allen plant project
22 for NVEnergy; is that right?

23 A Correct. And that was the project that
24 was over \$800 million.

25 Q And what did that entail?

1 A Whew. That was a very intense review
2 as well. I looked at all of the RFPs, contracts,
3 change orders, invoices, company documentation,
4 and I may have even seen some correspondence
5 between the company's vendors and the company
6 personnel in internal company documents.

7 Q So even though you're not an expert
8 in IT project management, based on your years of
9 experience in auditing utilities, you are an expert
10 in determining what costs are just and reasonable
11 and should be recovered by a utility, and whether
12 the Company has provided sufficient justification
13 for the project.

14 A Correct.

15 Q If you can look at MDR 106.

16 A Okay.

17 Q And if you look at the second sentence
18 of what's required in MDR 106, it states: At a
19 minimum, the Company should include the work order
20 number, the date closed to plants, and other
21 information included in this DR. Right?

22 A Correct.

23 Q So if the Company wanted to provide
24 additional support for its work orders, could it do
25 that?

1 A Of course. The Company can support its
2 application with as much documentation as it deems
3 necessary.

4 Q And in this particular case, given the
5 Commission's order in 2012, was more than what was
6 required by MDR 106 required for this particular
7 case?

8 A I believe so.

9 Q I believe yesterday Mr. Stephens was
10 asking you questions about Miss Cunningham not
11 offering substantial testimony in reference to the
12 language in your testimony where you reference
13 substantial testimony.

14 Is your reference to substantial
15 testimony a standard, or is it based on your
16 professional judgment and what is required for
17 you to adequately perform your job?

18 A I believe it assists the regulator in
19 determining reasonableness of project justification
20 and project costs. It provides more information
21 for this Commission, and any time this Commission
22 has more information it can provide a more informed
23 decision.

24 Q Do different utilities provide
25 information in different forms to the Commission?

1 A Yes.

2 Q Do you have any issues with that, so
3 long as the utility provides sufficient
4 documentation regarding its decisions and the costs
5 incurred, in order for the Commission to determine
6 the reasonableness of charging those costs to
7 ratepayers?

8 A No, and I wouldn't expect each utility
9 to be the same; they're different utilities,
10 different entities, and they have different
11 processes.

12 Q Now is your audit review based on the
13 sufficiency of documentation in meeting the just
14 and reasonable standard in the statutes, and not
15 some other personal or Staff audit requirements?

16 A Correct. It's reviewed for just and
17 reasonableness; it's not any level of Staff
18 requirement.

19 Q If the software projects you discuss in
20 your testimony had come forward in a resource plan
21 or some other docket where prudence is an issue,
22 what would you have expected to see in such a
23 filing for prudence?

24 A In a case of an IRP, such a filing, is
25 that your question?

1 Q Yes.

2 A I would expect laying out the need
3 for the project. As I discussed yesterday what
4 alternatives -- so you identify a need, you
5 identify alternatives to be able to solve that
6 need, and you identify risks or costs to each of
7 those alternatives; some type of analysis that
8 shows that you have evaluated it, and determined
9 it was the most prudent and reasonable course of
10 business.

11 Q So since Southwest Gas does not have
12 prudence approval or is not required to seek
13 prudence approval for any of the software projects
14 that you raised in your testimony, would you have
15 expected to see that level of information in this
16 case?

17 A Yes. This is the case where prudence
18 is determined.

19 Q Mr. Danise, who is the ultimate
20 decisionmaker on whether the Company has
21 demonstrated that the costs it has incurred are
22 just and reasonable?

23 A This Commission is.

24 Q Does the Commission have access to all
25 of the data that is produced in response to

1 discovery?

2 A No.

3 Q So even though you testified the direct
4 case was deficient, do you believe Southwest Gas
5 provided sufficient information on rebuttal to
6 demonstrate the prudence and just and
7 reasonableness of these costs?

8 A Not at all.

9 Q So even though it would have been
10 outside Staff's audit process and it would have
11 frustrated Staff, Southwest Gas, in rebuttal, could
12 have provided additional information to supplement
13 the record and to demonstrate the prudence and
14 just and reasonableness of the costs in this rate
15 case.

16 A Correct. And Southwest Gas could have
17 provided the answers to all the questions that he
18 asked me, you know, about airfare and the lodging
19 and meals, in their rebuttal, and there was no
20 description of any key decisions made of projects,
21 any decisions, you know, supporting decisions,
22 there was just lack of information, and it seemed
23 like the rebuttal was more of a focus on myself
24 than the Company's actions of actually executing
25 those projects.

1 MS. CASSITY: I have no further
2 questions.

3 COMMISSIONER PONGRACZ: Thank you.
4 Recross?

5 MR. STEPHENS: Yes, one question.

6 RECROSS-EXAMINATION

7 BY MR. STEPHENS:

8 Q Did you ever ask Southwest Gas why they
9 selected Oracle for the FSM project?

10 A No, I did not.

11 MR. STEPHENS: Nothing further.

12 Thank you.

13 COMMISSIONER PONGRACZ: Redirect on the
14 recross?

15 MS. CASSITY: No, thank you.

16 COMMISSIONER PONGRACZ: Thank you.

17 Do we have questions from the dais in
18 Carson City for this witness?

19 MR. McDONNELL: Yes, Commissioner, we
20 do.

21 COMMISSIONER PONGRACZ: Thank you.

22 Mr. McDonnell, please proceed.

23 MR. McDONNELL: Thank you.

24

25

1 CLARIFICATION

2 QUESTIONS

3 BY MR. McDONNELL:

4 Q Good morning, Mr. Danise.

5 A Good morning.

6 Q Let me start with, if you could turn to
7 page 6 of your prefiled direct testimony, Question
8 12.

9 A Okay. I'm there.

10 Q Okay. You respond to a question you
11 posed to yourself, and you go: May 29th, 2018
12 Southwest Gas filed its application.

13 Am I reading that correctly?

14 A Correct.

15 Q Okay. Does this Southwest -- does this
16 Commission have 210-days to process that
17 application?

18 A That is my understanding, yes.

19 Q And those 210 days are established by
20 statute?

21 A That is my understanding, yes.

22 Q Okay. Would you accept, subject to
23 check, that the deemed approved date for this
24 application is December 25th, 2018?

25 A That does seem to align, yes.

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1 Q Okay. So today is October 25th; is
2 that correct?

3 A Correct.

4 Q Okay. And you filed your testimony on
5 October 3rd; is that correct?

6 A Yes.

7 Q And that's a little more than 120 days
8 after the application was filed. Does that sound
9 about right?

10 A Yes, that seems appropriate.

11 Q Okay. There has been testimony here
12 and questions posed regarding something called the
13 30-day meeting; is that correct?

14 A Correct.

15 Q And do these meetings occur before most
16 general rate cases?

17 A Yes.

18 Q With every utility that files a rate --

19 A With every utility -- yes. Sorry.

20 Every utility I have been included, on
21 the rate case process, I have sat in on a 30-day
22 meeting.

23 Q Okay. Did you sit in on this 30-day
24 meeting?

25 A Yes.

1 Q How many people were at that meeting?

2 Do you recall?

3 A I can't recall. I know we, I think we
4 filled up Hearing Room B, but I couldn't give you
5 an exact number.

6 Q Okay. Is this meeting just between
7 Staff and the Company, or is BCP involved?

8 A I believe BCP is also involved.

9 Q Okay. Was Miss Cunningham involved, do
10 you remember?

11 A You know, right off the top of my head
12 I can't remember.

13 Q Okay. On May 29th this application was
14 filed. You were assigned to this case in advance
15 of this application being filed? You knew you were
16 going to be involved in some capacity?

17 A Given the amount of workload I
18 typically get assigned, yes, I assumed that I was
19 going to be included in this docket.

20 Q Okay. Turning back to page 6 of your
21 prefiled direct testimony on line 6, on June 13th,
22 2013 you propounded certain data requests, Staff 66
23 through 69.

24 Were those the first data requests that
25 you propounded in this docket?

1 A Yes.

2 Q Okay. Moving forward, back to October
3 3rd, what is the review generally the -- what was
4 the review time for your testimony between when
5 you completed it and when it was actually filed?

6 A I believe Staff usually has a two-week
7 deadline for it to be to the attorney assigned to
8 the docket, so it would be two weeks prior to it
9 being filed that I would had to have had my
10 testimony in to Miss Cassity. And before that,
11 I would have to have had it reviewed by my Manager.

12 Q Would that back us up into September
13 20th then that you would have to have finished most
14 of the substance of your work?

15 A Correct.

16 Q Okay. Just a quick matter of
17 clarification here.

18 For Exhibit 65, did you testify this
19 morning as to the date that you propounded that
20 request and the date on which you received a
21 response?

22 A Can you -- I'm sorry. I didn't mark
23 all the exhibits. Can you describe what that one
24 was?

25 Q Staff 30. 168 through 217 is the

1 cover. And below it says Staff-3170, reference
2 Staff allocable plant work orders.

3 A Correct, yes, I did.

4 Q Okay. Do you happen to remember the
5 dates you sent them out, and when you received
6 responses?

7 A Yes. On the date I sent it out would
8 be July 20th. And what I can recall, I believe I
9 received something the middle of August maybe.

10 And the cover letter to this would have
11 the actual date that Southwest Gas submitted its
12 response.

13 Q Is that the normal turnaround time for
14 a data request?

15 A No.

16 Q Okay. And what is the normal time for
17 a data request?

18 A I believe it's 10 business days, with a
19 five business-day extension.

20 Q And to get an extension, Southwest Gas
21 would have had to have requested an extension?

22 A Correct.

23 Q Do you know if they did so?

24 A I believe they did.

25 Q Okay. Mr. Danise, you've testified

1 that you've been involved in a number of audits
2 during your tenure here with the PUC; is that
3 correct?

4 A Correct.

5 Q Did you testify that it was
6 approximately 12?

7 A Yes, between the GRCs and deferred
8 dockets it's probably around there.

9 Q Mr. Danise, were you involved in an
10 audit involving something called ASD?

11 A Yes.

12 Q And is that an acronym --

13 COMMISSIONER PONGRACZ: Excuse me,
14 Mr. McDonnell, yes, could you inform the record, or
15 are you going to ask Mr. Danise to?

16 MR. McDONNELL: Yes, I'm sorry.

17 COMMISSIONER PONGRACZ: Okay.

18 BY MR. McDONNELL:

19 Q ASD, is that advance service delivery?

20 A Yes.

21 Q Is that more commonly known as the
22 smart meter -- as the smart meters?

23 A Yes, it is.

24 Q Okay. And what was your role in -- did
25 that project involve hardware and software systems?

1 A Yes, it did.

2 Q And were you involved in the auditing
3 of the procurement of and the installation of the
4 hardware and software systems?

5 A Yes, I was one of the auditors involved
6 with reviewing the entirety of that project.

7 Q And could you briefly summarize which
8 parts of that project you audited? If you
9 remember?

10 A I audited pretty much the same that I
11 conducted on these projects. I do the same type
12 of audit for every project I'm assigned to.

13 Q Okay. Did that involve software, too,
14 that audit?

15 A Yes, it did.

16 Q Okay. So you just testified that it's
17 pretty much the same sort of audit that you
18 conducted here; is that correct?

19 A Correct.

20 Q Could you please explain to me, did you
21 go for a field audit or audits for the ASD project?

22 A Yes, I did.

23 Q Okay. And this involved travel to
24 NVEnergy headquarters; correct?

25 A Correct.

1 Q Okay. Could you please explain, did
2 they have -- did you encounter the same
3 difficulties with NVEnergy that you have testified
4 to here today and yesterday?

5 A Not at all. It was a very organized
6 audit. They had any information that was
7 requested, everything was categorized and made
8 available, readily available, at the offices where
9 it was kept.

10 Q When you say "readily available," could
11 you explain to me what that means?

12 A Yes, for such as paper copies it's
13 being able to flip through, as I am right here on
14 the stand, going through page-by-page, or if it's
15 an electronic document easily be able to paginate
16 through the document and pull up, you know, having
17 all of the files associated with that compiled into
18 a directory, or some sort of media that is
19 different from how it may have resided natively on
20 the utility's system.

21 Q Is it your testimony today that that
22 was not the case with your audit experience with
23 Southwest Gas in the instant proceeding?

24 A That's correct.

25 Q Okay. When you went to Southwest Gas,

1 was it just -- did you go alone, or did somebody
2 assist you in this audit?

3 A I went alone.

4 Q Okay. Mr. Danise, you were in the
5 room, I believe yesterday, when - or the day
6 before - when Miss Cunningham testified; is that
7 correct?

8 A Yes, I was.

9 Q Did she testify to the effect that
10 certain documents that you were seeking had been
11 sent to storage?

12 A I believe that was her testimony, yes.

13 Q Is it common for a utility to send
14 documents to storage related to projects that have
15 not been recognized in rates yet?

16 A I don't believe so. And I found that
17 troubling as well. Knowing that it was submitting
18 costs for recovery, the utility, I don't know
19 why it would have archived that information,
20 knowing that it was still subject to the Commission
21 review.

22 Q And when it's archived does it take
23 longer to retrieve? Does it require additional
24 time?

25 A Yes. Yes, it does.

1 Q Do you happen to recall how long it
2 took to get the information that was archived, or
3 do you know?

4 A I don't know exactly what was archived
5 and what wasn't. I can't delineate that out.

6 Q In the case of the ASD proceeding -
7 and I'll just circle back to this once more - did
8 NVEnergy have one or more executives testify in the
9 direct case related to, at the time cost recovery
10 was sought for those investments?

11 A Yes, it did.

12 COMMISSIONER PONGRACZ: You know, we
13 seem to be getting some interesting sound --

14 MR. McDONNELL: They're cutting the
15 grass outside --

16 COMMISSIONER PONGRACZ: I see. Okay.
17 Not much we could do with that.

18 MR. McDONNELL: -- and I wait for the
19 lawn mower to pass by, and then I come up with my
20 next -- you know, after it's out of range, I come
21 up with a question.

22 COMMISSIONER PONGRACZ: It's not a
23 problem that our capable IT Staff could remedy.

24 Thank you.

25

1 BY MR. McDONNELL:

2 Q Okay. With respect to your on-site
3 audit, when was the date you terminated that audit?
4 Which date?

5 A The on-site itself?

6 Q Yes.

7 A After I completed the second day, I
8 felt that it -- I came back to the office to
9 discuss with my co-workers the best way to proceed,
10 and at that point I believe it was determined that
11 I should request the information to be provided
12 instead of having to go on-site and manually
13 acquire that information. So probably sometime the
14 week after.

15 Q Was your decision to terminate the
16 on-site audit related to time management?

17 A Yes. Having the process that was given
18 by Southwest Gas, I had no idea how long it would
19 take to get through the documentation, it could
20 have been weeks or months on-site to gather that
21 data, and that's why I determined it would be more
22 efficient to put that requirement on Southwest Gas
23 to provide it electronically to Staff as, you know,
24 they're more familiar with their procedures, their
25 software, their records management system, that

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1 maybe they could come up with a more streamlined
2 or get their IT guys involved and try to gather
3 that data more efficiently than I could, not
4 knowing the system.

5 Q One last question. In your testimony
6 you made reference to - and if I mischaracterize
7 this, please correct me - that you eventually
8 reached a point where Southwest was providing
9 information to you as it became available, and you
10 were working with that as it flowed in; is that
11 correct?

12 A No, I wouldn't say that that's correct.
13 That's the process I tried to lay out between my
14 counsel and Southwest Gas, to pretty much, you
15 know, batch documents and send them as they get
16 them. So if they combine, you know, four or
17 five documents in a week's time or two weeks'
18 time, that they send that as they compile it
19 to Staff so that I can review it as soon as they
20 have it. And what ultimately ended up was, is Staff
21 just -- or Southwest Gas waited until the entirety
22 of the document production was completed until it
23 sent those documents to me.

24 I had hoped that it would have been
25 more of a procedure put in place, and I tried to

1 coordinate that with the director of regulation and
2 energy efficiency to, as documents were gathered,
3 to go ahead and send them over. And that would
4 have been more helpful than waiting until all the
5 last documents were compiled before sending them
6 over to Staff.

7 Q Isn't that pretty much a typical Staff
8 practice, however, when you're dealing with large
9 volumes of data, that when it becomes available
10 the Company will release it and work on the next
11 batch?

12 A Correct.

13 MR. McDONNELL: Okay. Those are all my
14 questions. Thank you, Commissioner.

15 And thank you, Mr. Danise.

16 COMMISSIONER PONGRACZ: Thank you,
17 Mr. McDonnell.

18 Do we have questions from others on the
19 dais for this witness?

20 MR. VINSKI: Commissioner, I have a
21 follow-up.

22 COMMISSIONER PONGRACZ: Okay.
23 Mr. Vinski?

24

25

1 CLARIFICATION

2 QUESTIONS

3 BY MR. VINSKI:

4 Q Good morning, Mr. Danise.

5 A Good morning.

6 Q I just have a couple of follow-up
7 questions.

8 You had mentioned the information
9 reviewed as part of your audit of the Harry Allen
10 project for NVEnergy, and you mentioned that the
11 size of that project was 800 million.

12 You also discussed the smart meter
13 project or the ASD project. What was the
14 approximate size of that project; do you recall?

15 A I believe it was around 350 million.
16 Towards the end, I believe it was 350; somewhere
17 around there.

18 Q Those are fairly sizable projects. In
19 your dealing with NVEnergy and the documentation
20 and organization of such that's provided in
21 conjunction with seeking, you know, prudence
22 reviews of costs placed into rate base, does the
23 type of information or how it's organized differ
24 with the size of the project?

25 For example, would a \$1 million

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1 project, you know, get the same type of response
2 in terms of documentation and organization as an
3 \$800 million project?

4 A No. And I believe that it's not
5 necessary to have that. But there has to be some
6 documentation of business decisions, or something
7 there, but not on the level of --

8 Q Right. So the information, the volume
9 of information is smaller, but all the same types
10 of information is provided.

11 A Correct.

12 Q And is it organized in a similar way,
13 like in a binder?

14 A Correct.

15 Q And that would apply to not just, you
16 know, a generation or a transmission project, it
17 would apply to system projects or general
18 administrative projects as well?

19 A Correct. I reviewed furniture
20 purchases, software, hardware, remodels,
21 everything.

22 MR. VINSKI: No further questions.

23 COMMISSIONER PONGRACZ: Thank you.

24 Any other questions from others on the
25 dais?

1 (No Response)

2 COMMISSION

3 QUESTIONS

4 BY COMMISSIONER PONGRACZ:

5 Q I do have a couple questions,
6 Mr. Danise.

7 I would like to start with your
8 testimony at page 3, and the answer to Question 6
9 where you state that: For each project selected
10 Staff reviews a utility business case or
11 justification for the capital project, budget, and
12 schedule, responses to RFPs, executed contracts,
13 any change orders, and major invoices.

14 Do you see that?

15 A Yes.

16 Q Now I want you to turn to
17 Miss Cunningham's Exhibit RLC-4. I'm looking at
18 sheets 2 -- well, beginning with sheet 2, the
19 spreadsheets that begin at sheet 2.

20 For which of the projects listed here
21 in Exhibit RLC-4, beginning with sheet 2, did you
22 receive the full set of the items that you listed
23 in Answer 6?

24 A I believe eventually I received
25 everything I requested, you know --

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1 Q Which is a different question.

2 Did you receive a business case for
3 each of the projects listed in RLC-4?

4 A To be honest, I don't believe I was
5 really provided a business case, or something to
6 actually justify decisions. I was provided the
7 project charters and documents, definition
8 documents, but given the lateness of what was
9 occurring I accepted those. It included some
10 information that I was looking for --

11 Q My question is for which of these
12 projects did you receive a complete set of items
13 that you list in Answer 6?

14 A What I was looking for, I probably
15 didn't receive any of that for -- you know, maybe
16 a handful I did.

17 I would say I probably, for the
18 Corporation's purchases, I received what I would
19 deem an actual business case. For --

20 Q Well, the complete set, looking at --
21 for which of these projects listed did you receive
22 a complete set of items that you identify in your
23 answer to 6? And let's look at the list.

24 A Okay. So starting from the list, I
25 would say No. 2. And I didn't ask for everything

1 on this list --

2 Q No, that is not the question.

3 A Okay. Yes.

4 Q My question is for which items on this
5 list did you receive a complete set of items that
6 you refer to in Answer 6?

7 A I would say item 2, item 9, item 22 --
8 I would say probably those.

9 Q So for those three, but not for the
10 others?

11 A Correct.

12 Q Okay. Thank you.

13 Now as a result of not receiving a
14 complete set of the items that you've listed in
15 Answer 6, did this interfere with your ability to
16 conduct the audit at the same level that you've
17 been able to complete the audits that you've
18 discussed with Mr. McDonnell and Mr. Vinski?

19 A Yes.

20 Q In what way did the Company's failure
21 to provide you with that information interfere with
22 your ability to conduct a complete audit?

23 A The timeliness, and the supporting of
24 decisions, not being able to evaluate decisions
25 that were made. And the timeliness of producing

1 those documents hindered on my ability to really
2 thoroughly vet the projects.

3 As the time winded down it -- I can
4 tell you I spent many nights and many weekends
5 working reviewing documentation that was eventually
6 provided. But that not getting the documents
7 timely is what was a big factor in not being able
8 to properly audit. And had I had more time, I
9 would have requested more documentation, requested
10 more support.

11 Q But apart from the timeliness, let's
12 look at the sufficiency of the information itself,
13 how did the Company's failure to provide you with a
14 complete set of the items you list in Answer 6 for
15 all but three of the items listed in RLC-4, inhibit
16 or interfere with your ability to provide an audit,
17 for example, of the same level as your audit of the
18 smart meter project or the Harry Allen project?

19 A Frankly, I couldn't --

20 Q What problems did that create for you?

21 A Frankly, I couldn't vet that the costs
22 were reasonable. That was a big hindrance.

23 I tried to give some weight that they
24 are projects that were needed, but because the
25 information was lacking I don't feel that I could

1 properly vet all of the charges that were incurred
2 on the projects.

3 Q You mentioned yesterday, and discussed
4 briefly with Mr. McDonnell today, the 30-day
5 meeting you participated in with the Company and
6 BCP.

7 And did you state that a suggestion was
8 made that Southwest Gas might benefit from
9 reviewing procedures followed by other utilities,
10 including NVEnergy, in the discovery preparedness?

11 A Correct. I believe we pointed to their
12 testimony that was filed in the last GRC of the
13 type of, you know, summary we were looking for, and
14 the proper witnesses. That would be my
15 understanding.

16 Q And did anyone from Southwest Gas in
17 that meeting disagree with that suggestion?

18 A No. In fact, I believe their response
19 was, that's our intent.

20 COMMISSIONER PONGRACZ: Thank you. I
21 have no further questions.

22 You are excused.

23 THE WITNESS: Thank you.

24 COMMISSIONER PONGRACZ: Thank you.

25 (The witness was excused.)

1 COMMISSIONER PONGRACZ: Staff, call
2 your next witness, please.

3 MS. CASSITY: Yes, Staff next calls
4 Jeff Landerfelt.

5 (One witness was sworn: Jeff Landerfelt.)

6 MS. CASSITY: May I have
7 Mr. Landerfelt's prepared direct testimony marked
8 next?

9 MS. HARRIS: The direct testimony of
10 Jeff Landerfelt, will be marked as Exhibit 70.

11 (Exhibit No. 70 was marked for identification.)

12 JEFF LANDERFELT

13 called as a witness on behalf of
14 THE PUCN REGULATORY OPERATIONS STAFF
15 having been first duly sworn
16 was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MS. CASSITY:

19 Q Mr. Landerfelt, could you please state
20 your name, spelling your last name for record,
21 please.

22 A Jeff Landerfelt, L-a-n-d-e-r-f-e-l-t.

23 Q And what is your position on Staff?

24 A I'm a Financial Analyst with Staff.

25 Q Do you have what has been marked as

SILVER STATE COURT REPORTERS (775) 329-6323

1 Exhibit 70 in front of you?

2 A I do.

3 Q And what is that?

4 A It is my prepared direct testimony.

5 Q And was that prepared by you or under
6 your supervision?

7 A It was prepared by me.

8 Q Do you have any revisions or
9 corrections to your testimony?

10 A I do not.

11 Q So if I were to ask you the questions
12 in your testimony today, would your answers be the
13 same?

14 A Yes.

15 MS. CASSITY: I tender Mr. Landerfelt
16 for cross.

17 COMMISSIONER PONGRACZ: Thank you.
18 Southwest Gas?

19 CROSS-EXAMINATION

20 BY MR. STEPHENS:

21 Q Good morning.

22 A Good morning.

23 Q Did you perform any -- I'm sorry. Did
24 you perform any analysis that demonstrates the
25 premiums for the D&O insurance are high or that

SILVER STATE COURT REPORTERS (775) 329-6323

1 coverage was excessive?

2 A No, I had no reason to believe they
3 were unreasonable.

4 Q Do you understand that California law
5 requires a corporation like Southwest Gas to be
6 governed by a board of directors?

7 A I was not aware of that, but that could
8 very well be the case.

9 Q Do you know if it is industry standard
10 for a utility like Southwest Gas to have officers
11 of the company and a board of directors?

12 A Yes.

13 Q Are you aware if it is also industry
14 standard for companies to provide indemnification
15 to directors and officers for certain third-party
16 claims?

17 A Yes, that's my understanding.

18 Q Do you know what D&O insurance covers?

19 A My understanding is D&O covers claims
20 against the Company resulting from misconduct or
21 breach of fiduciary duties.

22 Q So if there is a lawsuit where the D&O
23 insurance is utilized, that insurance covers the
24 costs of the lawsuit that the Company would incur
25 and would otherwise seek recovery through rates;

1 correct?

2 A That's correct. That's my
3 understanding, yes.

4 MR. STEPHENS: No further questions.
5 Thank you.

6 COMMISSIONER PONGRACZ: Thank you.

7 Mr. Stuhff?

8 MR. STUHFF: No questions. Thank you.

9 COMMISSIONER PONGRACZ: Staff Counsel,
10 any redirect?

11 MS. CASSITY: No, thank you.

12 COMMISSIONER PONGRACZ: Do we have any
13 questions from the dais for this witness in
14 Carson City?

15 MR. McDONNELL: I have no questions.
16 Thank you.

17 COMMISSIONER PONGRACZ: Are there any
18 questions from the dais in Las Vegas for this
19 witness?

20 MR. TRAXLER: No questions.

21 MR. VINSKI: No questions.

22 COMMISSIONER PONGRACZ: Thank you.

23 And I have no questions,

24 Mr. Landerfelt.

25 You are excused.

1 THE WITNESS: Thank you.

2 COMMISSIONER PONGRACZ: Thank you.

3 (The witness was excused.)

4 COMMISSIONER PONGRACZ: Miss Cassity?

5 MS. CASSITY: Thanks. Next Staff calls
6 Charles Whitman.

7 COMMISSIONER PONGRACZ: Thank you.

8 (One witness was sworn: Charles Whitman.)

9 MS. CASSITY: May I have Mr. Whitman's
10 prepared direct testimony marked next in order?

11 MS. HARRIS: The direct testimony of
12 Charles Whitman, will be marked Exhibit 71.

13 (Exhibit No. 71 was marked for identification.)

14 MS. CASSITY: Thank you.

15 CHARLES WHITMAN

16 called as a witness on behalf of
17 THE PUCN REGULATORY OPERATIONS STAFF
18 having been first duly sworn
19 was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MS. CASSITY:

22 Q Mr. Whitman, could you please state
23 your name, spelling your last name for the record.

24 A Charles Whitman, W-h-i-t-m-a-n.

25 Q What is your position on Staff?

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1 A I'm the Senior Financial Analyst for
2 the Regulatory Operations Staff.

3 Q Do you have what has been marked as
4 Exhibit 71 in front of you?

5 A Yes, I do.

6 Q And what is that?

7 A It's my prepared direct testimony in
8 this case.

9 Q Was that prepared by you or under your
10 supervision?

11 A It was.

12 Q Do you have any revisions or
13 corrections to your testimony?

14 A I do not.

15 Q So if I were to ask you the questions
16 in your testimony today, would your answers be the
17 same?

18 A They would.

19 MS. CASSITY: I tender Mr. Whitman for
20 cross.

21 COMMISSIONER PONGRACZ: Thank you.

22 Southwest Gas?

23 MR. STEPHENS: Yes, just briefly.

24

25

1 DIRECT EXAMINATION

2 BY MR. STEPHENS:

3 Q Your testimony only provides the
4 mathematical calculations for the recommendations
5 made by other Staff witnesses; correct?

6 A Generally. And the journalization of
7 which journal entries would go to in the revenue
8 requirement model, yes.

9 Q But no other opinions; just the
10 mathematical or accounting treatment of the
11 recommendations for the other witnesses?

12 A I believe that's the case, yes.

13 MR. STEPHENS: No further questions.

14 Thank you.

15 COMMISSIONER PONGRACZ: Thank you.

16 Mr. Stuhff?

17 MR. STUHFF: No questions.

18 COMMISSIONER PONGRACZ: Miss Cassity?

19 MS. CASSITY: No redirect.

20 COMMISSIONER PONGRACZ: Mr. McDonnell,
21 any questions for this witness?

22 MR. McDONNELL: No questions. Thank
23 you.

24 COMMISSIONER PONGRACZ: Any questions
25 from the dais in Las Vegas for this witness?

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1 (No Response)

2 COMMISSIONER PONGRACZ: And I have no
3 questions. Thank you very much, Mr. Whitman.

4 You are excused.

5 (The witness was excused.)

6 COMMISSIONER PONGRACZ: Miss Cassity?

7 MS. CASSITY: Thank you.

8 Staff calls Kimberly Burakowski.

9 (One witness was sworn: Kimberly Burakowski.)

10 MS. CASSITY: May I have Miss
11 Burakowski's prepared direct testimony marked next
12 in order?

13 MS. HARRIS: The direct testimony of
14 Kimberly Burakowski, will be marked Exhibit 72.

15 (Exhibit No. 72 was marked for identification.)

16 KIMBERLY BURAKOWSKI

17 called as a witness on behalf of

18 PUCN REGULATORY OPERATIONS STAFF

19 having been first duly sworn

20 was examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MS. CASSITY:

23 Q Miss Burakowski, could you please state
24 your name, spelling your last name for the record?

25 A Kimberly Burakowski,

SILVER STATE COURT REPORTERS (775) 329-6323

1 B-u-r-a-k-o-w-s-k-i.

2 Q And what is your position on Staff?

3 A Financial Analyst.

4 Q Do you have what has been marked as
5 Exhibit 72 in front of you?

6 A Yes.

7 Q And what is that?

8 A My direct testimony.

9 Q Was that prepared by you or under your
10 supervision?

11 A Yes.

12 Q Do you have any revisions or
13 corrections to your testimony?

14 A No.

15 Q So if I were to ask you the questions
16 in your testimony today, would your answers be the
17 same?

18 A Yes, they would.

19 MS. CASSITY: I tender Miss Burakowski
20 for cross.

21 COMMISSIONER PONGRACZ: Thank you.

22 Southwest Gas?

23 MS. KOLEBUCK: Thank you.

24 COMMISSIONER PONGRACZ: Oh, Miss
25 Kolebuck.

1 MS. KOLEBUCK: I'm still here.

2 DIRECT EXAMINATION

3 BY MS. KOLEBUCK:

4 Q Good afternoon, Miss Burakowski. Is
5 that the correct pronunciation?

6 A Yes.

7 Q Have you had an opportunity to review
8 Mr. Williams' direct and rebuttal testimony in this
9 case?

10 A No.

11 Q Mr. Byron Williams' testimony?

12 A I don't have it with me. I'm sure at
13 one point I read it.

14 Q An attachment to Mr. Williams'
15 testimony is referenced as BCW-1. If you might
16 recall, it's a letter dated July 1st of 2015 from
17 Southwest Gas that was filed with the Commission
18 referencing Commission order 00-1028.

19 Do you recall that particular exhibit?

20 A Not the specifics of it.

21 Q Do you remember there being a letter
22 that was provided with his testimony, filed with
23 the Commission with respect to the commerce tax?

24 MS. CASSITY: Commissioner, I would ask
25 that maybe the Company provide Miss Burakowski with

SILVER STATE COURT REPORTERS (775) 329-6323

1 a copy so that she's not guessing as to what's
2 included in his testimony.

3 COMMISSIONER PONGRACZ: Is that
4 possible, Miss Kolebuck?

5 MS. KOLEBUCK: We could, if we take
6 a --

7 MS. CASSITY: If we take a break, we
8 can probably get her a copy, if that would be
9 helpful.

10 MR. STEPHENS: We have a book of it
11 over there of all the testimony.

12 COMMISSIONER PONGRACZ: Let's go off
13 the record for a moment to discuss logistics here.

14 (Off the record.)

15 COMMISSIONER PONGRACZ: You know, why
16 don't we treat this as a five-minute health break,
17 and we'll come back in five minutes.

18 (At 11:44 a.m. a recess was taken.)

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1 CARSON CITY AND LAS VEGAS, NEVADA

2 THURSDAY, OCTOBER 25, 2018

3 11:49 A.M.

4 -oOo-

5 COMMISSIONER PONGRACZ: We'll go back
6 on the record.

7 During a brief period off-the-record
8 the witness received the document that
9 Miss Kolebuck wishes to refer to in her
10 cross-examination.

11 Miss Kolebuck, please proceed.

12 MS. KOLEBUCK: Thank you.

13 CROSS-EXAMINATION

14 (Resumed)

15 BY MS. KOLEBUCK:

16 Q Miss Burakowski, I was referring you to
17 Mr. Williams' document BCW-1.

18 A Yes.

19 Q Do you have that?

20 A Yes.

21 Q And is that a letter dated July 1st,
22 2015 from Southwest Gas, filed with the Commission,
23 that references Commission order 00-1028?

24 A Yes, I believe it was part of an
25 informational filing.

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1 Q And doesn't that letter provide notice
2 to the Commission of a new tax assessment
3 associated with the Legislature's passage of the
4 commerce tax, as is required by that order 00-1028?

5 A Yes.

6 Q Would you agree that that letter also
7 includes an attachment that's a tax sheet that's
8 titled, Taxes and Assessments Not Included in
9 Rates?

10 A Yes. What we commonly refer to as a
11 green sheet.

12 Q And does that tax sheet or green sheet
13 show the Company's implementation of the commerce
14 tax reflecting a specific tax rate percentage of
15 .136 percent per statute to be addressed - or
16 excuse me - to be assessed on gross revenues for
17 Nevada utilities?

18 A Yes, it does.

19 Q And isn't it true that that 2015 letter
20 indicates that Staff and BCP received copies?

21 A I believe it does, if Eric - I'm sorry,
22 I can't say his last name - Witkoski, if he is with
23 BCP.

24 Q And so your understanding would be that
25 Staff received a copy of that as well?

1 A The Commission received it. I wasn't
2 with Staff at the time, so. Or it was just after I
3 started.

4 Q So is Anne-Marie Cuneo --

5 A Yes.

6 Q -- with Staff or was with Staff?

7 And is she copied on that letter?

8 A Yes, she is.

9 Q Did Staff ever notify Southwest Gas, to
10 your knowledge, that there was any concern or issue
11 with the Company's treatment of the commerce tax in
12 this fashion, as represented in the 2015 letter?

13 A I'm not aware if they did or not.

14 Q And would you agree that the Company's
15 tariffs are approved by the Commission?

16 A Generally, yes, but this was --

17 Q Then I'd like to --

18 A -- done in an informational filing, so
19 I did not know if it received specific approval.

20 Q And can I refer you to Mr. Williams'
21 BCW-2, a copy of sheet 87 of Southwest Gas' Tariff
22 No. 7. And if I could just read a portion of that,
23 where it states as follows: Rate schedules of the
24 Company do not include any regulatory assessment,
25 business license, franchise taxes, or taxes based

1 on revenues or volumes of gas.

2 Is that correct?

3 A And where are you referring to?

4 Q BCW-2.

5 A I don't have that.

6 Q It's the second attachment to

7 Mr. Williams' rebuttal testimony.

8 A I was only provided BCW-1.

9 Q All right. Well, we'll proceed. Thank
10 you.

11 Would you agree that the commerce tax
12 is a tax that's imposed by the State, computed upon
13 revenues of a business in Nevada?

14 A Prior year annual fiscal revenues. Not
15 monthly, but annual revenues.

16 Q But they are based upon revenues of a
17 business --

18 A Correct.

19 Q -- correct?

20 Would you agree that the commerce tax
21 is payable by businesses each year in August, and
22 is calculated on revenues from July 1 through June
23 30th of that current year, or the same taxable
24 period?

25 A Prior year, due August 15th.

1 Q Which ends June --

2 A Prior fiscal year, which is July
3 through June.

4 Q But you're paying in August for
5 revenues based on July, that most recent July;
6 correct? Or excuse me, June.

7 A July 1st through June 30th, yes.

8 Q And in your testimony you referenced
9 the mill assessment.

10 A Correct.

11 Q And you believe that it should be, the
12 commerce tax should be treated similarly to the
13 mill assessment; is that correct?

14 A In that it should be included in rate
15 base, yes.

16 Q Isn't the mill assessment an annual
17 assessment determined by the Commission to fund
18 its operations and those of the BCP?

19 A Yes, it is a tax applied by the
20 Commission, but it is based on filings from the
21 Company based on their revenues.

22 Q And isn't it true that the mill
23 assessment is calculated annually as a one-time
24 fixed charge based on revenues from a prior year?

25 A Yes, similar to the commerce tax.

1 Q So the Company knows the amount of the
2 assessment for the mill assessment, for the fiscal
3 year 2019 they know that amount in 2018; correct?
4 You know that amount in advance for the mill
5 assessment.

6 A I don't specifically work on the mill
7 tax calculation, but it's from a prior period.

8 Q So when the mill assessment is charged,
9 it is a known set amount and does not vary based
10 upon the current year revenue; is that correct?

11 A Correct. It's based on a prior period.

12 Q And this is not like the franchise fee,
13 however, which you state is based on revenues
14 billed each month for the relevant taxable period;
15 is that correct?

16 A Correct.

17 Q Wouldn't you agree that franchise fees
18 levied by cities or counties are calculated based
19 on a percentage of dollar revenues that are derived
20 from the utility's customers within that city or
21 county?

22 A I'm sorry, I've never worked on the
23 calculations for franchise tax. I know you
24 currently bill them as a pass-through to the
25 customers.

1 Q And I believe you indicate in your
2 testimony that those franchise fees fluctuate based
3 upon sales volumes; is that correct?

4 A Yes.

5 Q And can I refer you to your testimony,
6 Q&A 9.

7 A Yes.

8 Q You state that: The utility remits to
9 the taxing authority whatever amount it bills and
10 collects from its customers.

11 Would you agree that that remittance
12 would occur immediately following the taxable
13 period for the relevant franchise fee?

14 A Yes, I believe those are paid out
15 monthly.

16 Q Or they could -- franchise fees,
17 actually are they always paid monthly, or are they
18 paid quarterly?

19 A I may be confusing business tax with
20 the franchise fees, but according to your schedules
21 that were provided, there was monthly payments.

22 Q So they may be calculated monthly based
23 upon customer billing, would that be --

24 (CROSS-TALK)

25 A Based on the volume --

1 Q Correct.

2 A -- not revenue, but volume.

3 Payments are based on volume not
4 revenue, such as therms.

5 Q The commerce tax is also a tax, isn't
6 it, based on the statutory prescribed rate,
7 multiplied by the current taxable period revenue?

8 A Yes, less a \$4 million floor, and other
9 deductions such as bad debt expense, plus the
10 addition of non-utility revenues.

11 Q Aren't franchise fees, bad debt is
12 excluded from that as well?

13 A I have not been involved in that
14 calculation.

15 Q Wouldn't you say it's correct that the
16 commerce tax fluctuates based upon the percentage
17 of dollar revenues derived from customers? For
18 example, if a customer bill goes down, the commerce
19 tax liability would also decrease?

20 A Subject to other adjustments, yes.

21 Q And isn't it true that similar to the
22 franchise fees, remittance of the commerce tax
23 happens immediately following the relevant taxable
24 period for the commerce tax?

25 A I'm sorry, could you repeat that

1 question?

2 Q Of course.

3 Wouldn't it be true that, similar to
4 the franchise fee, the remittance of the commerce
5 tax happens immediately following the relevant
6 taxable period, say, for instance for the franchise
7 fee the quarter, for the commerce tax, so that they
8 are remitting in consistent periods immediately
9 following the taxable period.

10 A I wouldn't say they're similar in the
11 fact that they're paid out in different increments.
12 The commerce tax is paid annually following the
13 fiscal year, the end of the fiscal year, and the
14 others are paid quarterly or monthly, depending
15 on the tax.

16 Q Isn't it true, by collecting the
17 commerce tax through a surcharge on customers'
18 bills, as is Southwest Gas' current treatment, that
19 each customer only bears their relevant portion of
20 the tax for which it is responsible?

21 A No, I disagree with that, because the
22 commerce tax has a \$4 million floor that has to be
23 adjusted out, but customers are being billed the
24 full amount. So feasibly the customers could be
25 over-billed, because that \$4 million is not taken

1 into account, nor are some of the other adjustments
2 that could be made.

3 In addition to bad debt, there's a
4 myriad number of other adjustments that are
5 potentially available.

6 Q And isn't it true that -- let me strike
7 that.

8 If the Commission would determine that
9 the commerce tax would be embedded in rates, would
10 Staff be supportive of the establishment of a
11 tracking mechanism to track any under or
12 overcollections?

13 A No, I don't believe that would be
14 necessary. It is not -- as far as I know, it is
15 not done with any of the other utilities. We would
16 like to ensure consistency in the process between
17 the major utilities in this State.

18 Q Doesn't the commerce tax, though,
19 fluctuate each year so that --

20 A As do most other expenses that the
21 utility has.

22 Q So if the amount that's embedded,
23 assuming that the commerce tax was embedded in
24 rates, if the amount that was embedded was a number
25 that was higher than in future years, wouldn't

1 customers be overcollected from?

2 A But it could also fluctuate from
3 year-to-year. So I think it would be more
4 appropriate to use maybe a normalization over a
5 number of years, when you come in for a rate case,
6 to determine the commerce tax to be included in
7 rates. But just like any other expense, it does
8 fluctuate.

9 MS. KOLEBUCK: No further questions.

10 Thank you.

11 COMMISSIONER PONGRACZ: Thank you.

12 Mr. Stuhff?

13 MR. STUHFF: Just briefly.

14 CROSS-EXAMINATION

15 BY MR. STUHFF:

16 Q Counsel for Southwest Gas referred to
17 Exhibit BCW-1 in Mr. Williams' rebuttal testimony,
18 a letter dated July 1st, 2015.

19 That letter was never approved by the
20 Commission and never resulted in an order of the
21 Commission; is that correct?

22 A As far as I know, yes.

23 MR. STUHFF: No further questions.

24 THE WITNESS: It was an informational
25 filing.

1 MR. STUHFF: Thank you.

2 COMMISSIONER PONGRACZ: Thank you.

3 Miss Cassity, is there redirect?

4 MS. CASSITY: Just briefly.

5 REDIRECT EXAMINATION

6 BY MS. CASSITY:

7 Q Miss Burakowski, I believe during the
8 cross from Miss Kolebuck there might have been some
9 confusion between the commerce tax and franchise
10 fees.

11 Could you just please run through your
12 recommendations for each, and why.

13 A For the commerce tax we are
14 recommending that it be rolled into rates instead
15 of billed as a pass-through directly on each
16 customer's bill.

17 Franchise fees, I don't believe she
18 touched on my other recommendation at all for
19 franchise fees, and that was just simply an
20 adjustment to one month that was erroneously
21 included in rates instead of being done as a
22 pass-through to customers.

23 MS. CASSITY: No further questions.

24 COMMISSIONER PONGRACZ: Thank you.

25 Any recross on the redirect?

1 MS. KOLEBUCK: No, thank you.

2 COMMISSIONER PONGRACZ: Thank you.

3 Any questions for this witness from the
4 dais in Carson City?

5 MR. McDONNELL: No questions. Thank
6 you.

7 COMMISSIONER PONGRACZ: Any questions
8 from this witness from others on the dais in
9 Las Vegas?

10 MR. TRAXLER: No questions.

11 COMMISSIONER PONGRACZ: And I have no
12 questions.

13 Thank you, Miss Burakowski. You are
14 excused.

15 THE WITNESS: Thank you.

16 (The witness was excused.)

17 MS. CASSITY: And Commissioner, that
18 concludes Staff's revenue requirement case.

19 COMMISSIONER PONGRACZ: Let's go off
20 the record for a moment.

21 (Off the record.)

22 COMMISSIONER PONGRACZ: We'll be back
23 on the record.

24 We will take our lunch break now until
25 1:10.

1 And during that lunch period we'll ask
2 the parties to get together and address how best to
3 approach the next two sets of witnesses.

4 We're off the record.

5 Thank you.

6 (At 12:07 p.m. the lunch recess was taken.)

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1 CARSON CITY AND LAS VEGAS, NEVADA

2 THURSDAY, OCTOBER 25, 2018

3 1:14 P.M.

4 -oOo-

5 COMMISSIONER PONGRACZ: We'll be back
6 on the record.

7 Miss Terwilliger, would you like to
8 summarize what we just talked about off the record
9 in terms of the next procedural steps?

10 MS. TERWILLIGER: Sure, Commissioner.

11 The plan for now is to keep a date
12 certain of Staff's witnesses for Monday, although I
13 think that can slip until Tuesday since they're
14 here until Tuesday evening. Those are Staff's rate
15 design witnesses.

16 So the hope is that we can finish
17 revenue requirement rebuttal by the end of the day
18 today, and proceed to rate design. And if we
19 could, we maybe could get direct on rate design
20 today, and then proceed with Staff, BCP's, and the
21 Company's rebuttal case on rate design on Monday
22 and Tuesday.

23 And I believe, while BCP had requested
24 a date certain for Mr. Robinson, and since it's
25 Mr. Chairez now, that's no longer needed. Is that

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1 right?

2 MR. STUHFF: That's correct.

3 COMMISSIONER PONGRACZ: And that's
4 acceptable to Southwest Gas and BCP?

5 MR. STEPHENS: Yes.

6 COMMISSIONER PONGRACZ: Thank you.
7 Thank you.

8 Mr. Stephens --

9 MR. STEPHENS: Yes.

10 COMMISSIONER PONGRACZ: -- could you
11 proceed, please.

12 MR. STEPHENS: Southwest Gas calls
13 Tom Cardin.

14 (One witness was sworn: Thomas Cardin.)

15 THOMAS CARDIN

16 called as a rebuttal witness on behalf of

17 SOUTHWEST GAS CORPORATION

18 having been first duly sworn

19 was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. STEPHENS:

22 Q Please state your name, and spell your
23 last name for the record, please.

24 A My name is Thomas Cardin, last name
25 C-a-r-d-i-n.

SILVER STATE COURT REPORTERS (775) 329-6323

1 Q And where do you work?

2 A I'm Director of Gas Operations for
3 Southwest Gas.

4 Q Have you prepared written prefiled
5 rebuttal testimony with exhibits in this case?

6 A Yes, I have.

7 Q Was your rebuttal testimony and
8 exhibits prepared by you or at your direction?

9 A Yes.

10 MR. STEPHENS: At this point we request
11 to mark Mr. Cardin's rebuttal testimony and
12 exhibits as the next exhibit in order.

13 I will also indicate that there is a
14 page in his testimony that has some redaction
15 that's been asserted confidential, and also that he
16 has a confidential exhibit, which is Confidential
17 Exhibit No. TWC-2.

18 MS. HARRIS: The rebuttal testimony of
19 Thomas Cardin, will be marked Exhibit 73.

20 (Exhibit No. 73 was marked for identification.)

21 MS. HARRIS: The confidential portion
22 of the rebuttal testimony of Thomas Cardin, will be
23 marked Exhibit C-5.

24 (Confidential Exhibit No. C-5
25 was marked for identification.)

1 MS. HARRIS: And the confidential
2 attachments to the rebuttal testimony of
3 Thomas Cardin, will be marked Exhibit C-6.

4 (Confidential Exhibit No. C-6
5 was marked for identification.)

6 BY MR. STEPHENS:

7 Q Do you have any changes to your
8 prepared written rebuttal testimony or exhibits?

9 A No, I do not.

10 Q If I were to ask you the same questions
11 that you answered in your written rebuttal
12 testimony today, would your answers be the same?

13 A Yes.

14 MR. STEPHENS: Mr. Cardin is available
15 for cross-examination.

16 COMMISSIONER PONGRACZ: Thank you.

17 Miss Terwilliger?

18 Oh. I'm sorry. Miss Cassity?

19 MS. CASSITY: No questions.

20 COMMISSIONER PONGRACZ: Thank you.

21 Mr. Stuhff?

22 MR. STUHFF: No questions.

23 COMMISSIONER PONGRACZ: Anything
24 further from this witness, Mr. Stephens?

25 MR. STEPHENS: No.

1 COMMISSIONER PONGRACZ: Any questions
2 from the dais in Carson City?

3 MR. McDONNELL: No questions.

4 COMMISSIONER PONGRACZ: Are there any
5 questions from the dais for this witness from Las
6 Vegas?

7 MR. VINSKI: No questions.

8 COMMISSIONER PONGRACZ: And I have no
9 questions.

10 Thank you very much, Mr. Cardin.
11 You're excused.

12 (The witness was excused.)

13 COMMISSIONER PONGRACZ: Miss Kolebuck?

14 MS. KOLEBUCK: Southwest Gas calls
15 Chris Thomas to the stand.

16 (One witness was sworn: Chris Thomas.)

17 CHRIS THOMAS
18 called as a rebuttal witness on behalf of
19 SOUTHWEST GAS CORPORATION
20 having been first duly sworn
21 was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MS. KOLEBUCK:

24 Q Please state your name, and spell your
25 last name for the record.

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1 A Chris Thomas.

2 Q Where are you employed?

3 A (No verbal response.)

4 Q Where are you employed?

5 A Southwest Gas.

6 Q What is your position at Southwest Gas?

7 A Director of Compensation and Benefits.

8 Q Have you prepared written prefiled

9 rebuttal testimony in this case?

10 A Yes.

11 Q Was your testimony prepared by you or
12 at your direction?

13 A Yes.

14 MS. KOLEBUCK: I request to mark
15 Mr. Thomas' rebuttal testimony as the next exhibit
16 in order.

17 MS. HARRIS: The rebuttal testimony of
18 Chris Thomas, will be marked Exhibit 74.

19 (Exhibit No. 74 was marked for identification.)

20 BY MS. KOLEBUCK:

21 Q Mr. Thomas, do you have any changes to
22 your prepared rebuttal testimony or exhibits?

23 A No.

24 Q If I were to ask you the same questions
25 you answered in your written rebuttal testimony

1 today, would your answers be the same?

2 A Yes.

3 MS. KOLEBUCK: With that, Mr. Thomas is
4 available for cross.

5 COMMISSIONER PONGRACZ: Thank you.
6 Staff Counsel?

7 MS. CASSITY: No questions.

8 COMMISSIONER PONGRACZ: Thank you.
9 Mr. Stuhff?

10 MR. STUHFF: No questions.

11 COMMISSIONER PONGRACZ: Thank you.
12 Is there anything further from the
13 Company for this witness?

14 MS. KOLEBUCK: No, thank you.

15 COMMISSIONER PONGRACZ: Are there any
16 questions from the dais in Carson City for this
17 witness?

18 MR. McDONNELL: No questions. Thank
19 you.

20 COMMISSIONER PONGRACZ: Thank you.
21 Are there any questions from others on
22 the dais in Las Vegas for this witness?

23 MR. TRAXLER: I have one.

24 COMMISSIONER PONGRACZ: Mr. Traxler.

25

1 CLARIFICATION

2 QUESTIONS

3 BY MR. TRAXLER:

4 Q In your position with Southwest Gas,
5 are you involved with the way the metrics is set
6 for the management incentive plan on an annual
7 basis?

8 A The annual incentives?

9 Q The metrics, including the plan.

10 A No, I'm not.

11 Q And who would -- with what positions in
12 the Company does that responsibility lie?

13 A Those come from the CFO.

14 Q The CFO. And I'm assuming we're not
15 going to have an opportunity to talk to the CFO
16 this afternoon, are we?

17 A No.

18 MR. TRAXLER: That's all the questions
19 I have.

20 Thank you.

21 COMMISSIONER PONGRACZ: Thank you.

22 And I have no questions.

23 Thank you very much, Mr. Thomas.

24 You're excused.

25 (The witness was excused.)

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1 MR. STEPHENS: For its next witness
2 Southwest Gas calls, recalls Brian Holmen.

3 BRIAN HOLMEN
4 called as a rebuttal witness on behalf of
5 SOUTHWEST GAS CORPORATION
6 having been first previously duly sworn
7 was examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. STEPHENS:

10 Q Mr. Holmen, you understand you're still
11 under oath?

12 A Yes.

13 Q Please re-state your name for the
14 record.

15 A Brian Holmen.

16 Q Have you prepared written prefilled
17 rebuttal testimony with exhibits in this case?

18 A Yes.

19 Q Was your rebuttal testimony and
20 exhibits prepared by you or at your direction?

21 A Yes.

22 MR. STEPHENS: We would request to mark
23 Mr. Holmen's rebuttal testimony and exhibits as the
24 next exhibit in order.

25 MS. HARRIS: The rebuttal testimony of

1 Brian Holmen, will be marked Exhibit 75.

2 (Exhibit No. 75 was marked for identification.)

3 BY MR. STEPHENS:

4 Q Do you have any changes to your
5 prepared written rebuttal testimony or exhibits?

6 A One change, yes.

7 Q Could you please identify on the record
8 what that change is.

9 A On page 8, Q&A 12, line 14, it starts:
10 As a threshold issue, I note that the Company's
11 performance with respect to its Nevada operations
12 was included in the current MIP design and the MIP
13 payout with respect to this metric was lower than
14 it otherwise would have been if Nevada were
15 excluded.

16 The Company hit maximum payout on that,
17 so on line 16 I would change "payout" to
18 "performance." So the metric reflected lower
19 performance, but not lower payout.

20 Q Other than that one correction, you
21 indicated on the record, if I were to ask you the
22 questions you answered in your written rebuttal
23 testimony today, would your answers be the same?

24 A Yes.

25 MR. STEPHENS: Mr. Holmen is available

1 for cross-examination.

2 COMMISSIONER PONGRACZ: Thank you.

3 Staff Counsel?

4 MS. CASSITY: No questions.

5 COMMISSIONER PONGRACZ: BCP?

6 MR. STUHFF: Thank you.

7 CROSS-EXAMINATION

8 BY MR. STUHFF:

9 Q Good afternoon, Mr. Holmen.

10 Let's see. Directing your attention to
11 your rebuttal testimony, which has been marked as
12 Exhibit 75, you made a correction on page 8.

13 What was the -- what would the full
14 sentence read there, as you corrected it?

15 A As a threshold issue, I note that the
16 Company's performance with respect to its Nevada
17 operations was included in the current MIP design
18 and the MIP performance with respect to this MIP
19 metric was lower than it would otherwise would have
20 been if Nevada were excluded.

21 Q Thank you.

22 Let's see. Did you review Mr. Mark
23 Garrett's testimony in preparing your rebuttal
24 testimony?

25 A Yes.

1 Q And did you turn to page 44 of 70 of
2 his testimony and note that he discusses several
3 other states there, and he has included an
4 incentive survey?

5 A I remember that in his testimony, yes.

6 Q In the incentive survey did you find
7 that, for instance in Arizona, short-term
8 incentives are routinely shared 50-50 between
9 shareholders and ratepayers?

10 A I would have to see his testimony.
11 I don't remember that expressly.

12 Q Okay. And you don't recall in Oklahoma
13 that short-term incentives are routinely shared
14 50-50 between shareholders and ratepayers?

15 A I will stipulate that in any state that
16 he has covered in his testimony, that I don't right
17 now exactly remember what percentage of STIP payout
18 is shared between customers and shareholders.

19 Q And did you note that he surveyed
20 24 western states in his survey?

21 A I do recall that, yes.

22 Q Okay. A reason you provide for
23 disapproving the treatment recommended by
24 Mr. Garrett for the MIP plan is that if the Company
25 missed an annual earnings budget by more than

1 20 percent, it is reasonable for the Company to
2 conserve cash for operations in lieu of paying
3 bonuses.

4 And did you say that in your rebuttal
5 testimony at page 14, lines 2 through 6?

6 A Yes.

7 Q In that case the Company would be
8 retaining for itself cash that the Commission
9 included in pay rates - or excuse me - in rates to
10 pay incentives; isn't that correct?

11 A I think that's a theoretical argument,
12 but I think it's a hypothetical that wouldn't
13 happen.

14 And I would like to expand on that, if
15 I could. In --

16 Q Your counsel can ask you about that.

17 A Can he? Is that okay?

18 Q At page 5, lines 4 through 9, you point
19 out that the Arizona Commission in a water case
20 said that the important thing about incentives is
21 whether overall compensation is reasonable; is that
22 correct?

23 A Yes. I'm quoting them here, yes.

24 Q However, in that case the Commission
25 allowed only 90 percent of the incentives because

1 10 percent of the incentive was tied to financial
2 performance; is that correct?

3 A I think that mischaracterizes it. As
4 I recall the opinion in EPCOR, the company only
5 requested 90 percent, it did not ask for the 100
6 percent, and the Commission approved the 90.

7 And the other question I would have, I
8 think earlier you said in the survey that
9 Mr. Garrett concluded that Arizona was 50-50 in
10 splitting the incentive expenses, and yet EPCOR
11 gave 90.

12 Q In that case; is that correct?

13 A Correct.

14 Q And isn't it true that the utility
15 voluntarily excluded 10 percent related to
16 financial performance in that case?

17 A That's my recollection in that
18 particular case, yes.

19 Q In this case, has Southwest Gas
20 voluntarily removed 40 percent of its MIP incentive
21 costs?

22 A No. But I would say I don't know what
23 the financial metric in the EPCOR case was because
24 it did not list it in the opinion, so I don't know
25 what was excluded. But in this case, Southwest Gas

1 has not excluded any of the metrics from its
2 request.

3 Q Let's see. You also speak to LTIP.
4 And what is LTIP?

5 A Long-term incentive plan.

6 Q And likewise, Mr. Garrett addresses
7 that in his testimony as well; isn't that correct?

8 A Yes.

9 Q Okay. At page 58 of Mr. Garrett's
10 testimony, did you notice that he quotes an order
11 of the Nevada Commission in his testimony?

12 A I don't have a copy of it. May I have
13 a copy of his testimony?

14 Q Okay.

15 COMMISSIONER PONGRACZ: Excuse me.
16 Would counsel prefer that the witness be provided a
17 copy?

18 MR. STEPHENS: Yes. And I was just
19 going to ask Paul if there is one already over
20 there. I think --

21 THE WITNESS: There is a lot of
22 documents here.

23 MR. STEPHENS: -- Staff and Southwest
24 Gas' testimony is over there.

25 THE WITNESS: I don't want to dig

1 through binders, in case this is important to
2 someone.

3 MR. STUHFF: May we approach? We've
4 got an unmarked copy, as far as page 58 of Mr. Mark
5 Garrett's testimony.

6 COMMISSIONER PONGRACZ: Is that
7 acceptable?

8 MR. STEPHENS: Yes.

9 COMMISSIONER PONGRACZ: Thank you,
10 Mr. Stephens.

11 THE WITNESS: Thank you.

12 Okay. I have it in front of me.

13 BY MR. STUHFF:

14 Q Okay. And page 58, line 7, there is a
15 quotation there, and doesn't it indicate:
16 Therefore, the Commission accepts BCP's and
17 SNHG's - which I believe is Southern Nevada Hotel
18 Group's - recommendations to disallow recovery of
19 expenses associated with LTIP.

20 Do you see that?

21 A At line 12?

22 Q Yes.

23 A Yes.

24 Q Do you see where it continues: Both
25 parties provide a valid argument that this type of

1 incentive plan is mainly for the benefit of
2 shareholders?

3 A Yes.

4 Q And then it goes on to say: Further,
5 both BCP and SNHG provide examples of numerous
6 other jurisdictions that do not allow the recovery
7 of these costs, and therefore disallowance in this
8 instance would not place NPC in a competitive
9 disadvantage.

10 Do you see that?

11 A I do.

12 Q Thank you.

13 Now going back to Arizona, do you
14 recall what portion of the Company's incentive plan
15 was disallowed by the Arizona Commission in
16 Southwest Gas' last rate case?

17 A It was settled, so I don't know off the
18 top of my head what percentage.

19 Q Do you recall in the last litigated
20 case what the amount was?

21 A Not off the top of my head.

22 Q Would it surprise you if it was
23 50 percent?

24 A On an annual incentive plan?

25 Q Yes, on the --

1 A Which portion are you asking me? The
2 MIP?

3 Q Yes.

4 A Would it surprise me? I'll take it as
5 a fact, if it's in the record it would not surprise
6 me that that's accurate.

7 Q Okay. Turning to page 16 of your
8 rebuttal testimony regarding long-term incentive
9 plan accounting, you indicate that Mr. Garrett is
10 incorrect when he says that stock awards are not
11 cash awards, and the awards do not change the
12 financial position of the Company.

13 Is that correct?

14 A I challenge his assertion that it does
15 not change the financial circumstances of the
16 Company, correct.

17 Q Let's see. You're not an accountant,
18 nor are you a CPA; is that correct?

19 A No, but I work with accounting for
20 public company awards with multiple clients all the
21 time.

22 Q Are you aware what the journal entries
23 are that would be made when a company issues its
24 reserve stock unit awards?

25 A I'm sorry. Can you ask that again?

1 Q What accounting journal entries would
2 be made when a company issues its reserved stock
3 unit award?

4 A So an RSUP versus a performance stock
5 unit. Is that what you're asking me?

6 Q Yes.

7 A The Company would take -- it would
8 determine the expense at grant, and it would
9 account for that expense ratably over the vesting
10 period. And it would be a fixed accounting so that
11 the amount from a grant would be fixed, and the
12 accounting for it would not be updated throughout
13 the performance period.

14 Q Yes, I think we're talking past each
15 other. I'm asking about the journal entry rather
16 than where the money would go.

17 But let me move on here.

18 A I'm sorry. When you say, "money would
19 go," I was talking about the expense from an
20 accounting perspective. That's not where the money
21 goes. I just want to be clear in terms of what I
22 was saying.

23 Q Okay. Let's see. You also address
24 SERP. What is SERP?

25 A Supplemental executive retirement plan.

1 Q Is restoration SERP still considered a
2 non-qualified benefit?

3 A Yes.

4 Q And are restoration SERP payments made
5 to employees making in excess of \$270,000?

6 A I don't know the income limit off the
7 top of my head, but yes, for highly compensated
8 employees, yes, under the IRS limits.

9 MR. STUHFF: Okay. Those are all my
10 questions.

11 Thank you.

12 COMMISSIONER PONGRACZ: Thank you.

13 Is there redirect?

14 MR. STEPHENS: Yes.

15 REDIRECT EXAMINATION

16 BY MR. STEPHENS:

17 Q You fielded a question from BCP's
18 counsel in which it appeared that you wanted to
19 expand on that answer. What were you going to
20 say?

21 A If possible, I would like to have a
22 copy of the proxy, which I do believe is in the
23 record, at least through Miss Olesky's testimony.
24 It was a footnote. I think it's important to talk
25 about that 80 percent threshold level, and the

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1 significance of that. And I think the proxy would
2 help me elaborate on that point briefly, if
3 possible.

4 COMMISSIONER STEPHENS: So the proxy is
5 a public document. We do have a copy here to share
6 with people so they can follow along or, like I
7 said, it's a public document, and we can take
8 administrative notice of it as well.

9 COMMISSIONER PONGRACZ: Let's take a
10 look at it.

11 MR. STEPHENS: Sure. And in fact,
12 the version that is being distributed was produced
13 pursuant to the response to MDR No. 7 in this case.

14 If the Commission would entertain it,
15 we would offer it as the next exhibit in order.

16 Miss Harris, I can help you out with a
17 description, if you would like.

18 MS. HARRIS: Sure.

19 MR. STEPHENS: Okay. It is a response
20 to MDR 107. It doesn't contain all of the
21 attachments. However, it does contain the proxy
22 statement for the Company that was Attachment 3 to
23 that MDR.

24 COMMISSIONER PONGRACZ: And were you
25 asking for this to be marked as an exhibit, or you

1 had also discussed the possibility of an
2 administrative notice. Do you have a preference?

3 MR. STEPHENS: No, I asked for it to be
4 marked as the next exhibit.

5 COMMISSIONER PONGRACZ: Okay.

6 MS. HARRIS: Southwest Gas' partial
7 response to MDR 01-007, will be marked Exhibit 76.
8 (Exhibit No. 76 was marked for identification.)

9 BY MR. STEPHENS:

10 Q So you've been handed a copy of Exhibit
11 76. What is it?

12 A That's the Company's annual proxy filed
13 in 2018.

14 Q And you referenced that you wanted to
15 discuss certain information contained in the proxy
16 statement. What was that?

17 A I want to talk about the Company's
18 target for 2018 under the MIP. So if you go to,
19 it says sheet 36 of "30" at the top and 28 at the
20 bottom.

21 Q Yes. I'm there. Thank you.

22 COMMISSIONER PONGRACZ: 36 of 60?

23 THE WITNESS: Yes. Okay. All right.

24 So can I elaborate on the point?

25

1 BY MR. STEPHENS:

2 Q Yes, please.

3 A So one of the arguments that
4 Mr. Garrett makes in his testimony, with which I
5 disagree, is that the 80 percent threshold on net
6 income is a funding mechanism, and essentially
7 turns the entire plan into being indirectly subject
8 to a financial metric.

9 And I think - sorry, in Carson, for not
10 talking into the mike - I think there is an
11 important point here. So when companies set annual
12 metrics, now remember a MIP is an annual plan, so
13 they're budgeting annually, and so a net income MIP
14 budget is set annually. We already know rates.
15 The variables that can wildly change net income
16 aren't that many. We already know CapEx coming in
17 as depreciation, for example. There's, you know,
18 net income in a one-year budget, to have a
19 20 percent swing is huge.

20 And here's what I wanted to point out
21 here. If you look at the adjusted net income for
22 the targets set for both consolidated, so the
23 executives who are subject to the consolidated, and
24 then look at the utility, you'll see target for the
25 utility is \$123 million. Now if you look at

1 threshold, 114.390. If you do the math, that's 93
2 percent of target.

3 Now when I design incentive plans and
4 I work with companies, the way you set thresholds,
5 you want to miss a threshold maybe one in 10 at
6 most. And essentially when you miss a metric
7 completely, and there is no payout, that should be
8 a pretty significant event to have no payout. You
9 want it to go up, down based on performance, but
10 missing it completely, that can lead to a lot of
11 motivational issues, and you want it to happen when
12 something really dramatic has happened.

13 Now we set thresholds here at 93
14 percent. This safety valve is at 80 percent of net
15 target. So we're talking about revenue is already
16 fixed, we know most of our expenses that are going
17 to be coming in year-to-year, because CapEx is
18 already set, some of our big depreciation,
19 et cetera, so for us to have a drop of 20 percent
20 in a single year we would have to be almost three
21 times worse than the Company's threshold target in
22 its plan.

23 So what I'm saying in my testimony is
24 this is a black swan event. 80 percent, something
25 really significant had to happen here, at which

1 case I don't think it's unreasonable to save cash
2 for operations, given the miss of a budget by that
3 badly, in lieu of paying executives. If they miss
4 by that much, the executives don't deserve an
5 incentive plan.

6 But this shouldn't be -- I would be
7 flabbergasted if the utility has ever missed by
8 that much, and this should be a very rare event.

9 And so that's where I disagree with
10 Mr. Garrett, that this indirectly turns this into
11 a financial metric -- or a financial plan, the
12 entire MIP.

13 And so that's the point I wanted to
14 make through the proxy.

15 MR. STEPHENS: No further questions.

16 Thank you.

17 COMMISSIONER PONGRACZ: Thank you.

18 Is there recross within the scope of
19 redirect?

20 MR. STUHFF: Sure. Yes.

21 RECROSS-EXAMINATION

22 BY MR. STUHFF:

23 Q When you conserve cash for operations,
24 essentially the Company is retaining that cash;
25 isn't that correct?

1 A Well, if it's using it for operations,
2 it's expending it on operations, so it's retaining
3 it for that purpose.

4 Q But it ultimately can go to
5 shareholders; isn't that correct?

6 A In what? In a dividend? I mean, what
7 are you asking?

8 Q Yes.

9 A So the Company missed its net income by
10 20 percent, and then paid a dividend, is that a --
11 hypothetically could that happen? Yes. Would it?
12 I don't think so.

13 MR. STUHFF: All right. No further
14 questions.

15 COMMISSIONER PONGRACZ: Is there any
16 redirect on the recross?

17 MR. STEPHENS: No.

18 COMMISSIONER PONGRACZ: Are there any
19 questions for this witness from the dais in
20 Carson City?

21 MR. McDONNELL: No questions. Thank
22 you.

23 COMMISSIONER PONGRACZ: Are there
24 questions -- I can see there are questions from the
25 dais here in Las Vegas.

1 Mr. Traxler?

2 CLARIFICATION

3 QUESTIONS

4 BY MR. TRAXLER:

5 Q Mr. Holmen, to what extent do you have,
6 or someone in your firm have, with the design of
7 the metrics for the MIP for Southwest Gas?

8 A The board of directors sets those. And
9 it's in the proxy, by the way, but the board of
10 directors sets those. I know the CFO may have
11 input to the board, but the board of directors sets
12 those. I do not.

13 Q And you don't make recommendations?

14 A Their independent compensation
15 consultant helps them with that. I am not their
16 compensation consultant.

17 Q Okay. Let me -- I'm not sure I
18 understand. You said you don't make
19 recommendations, but somebody at your firm might
20 make recommendations?

21 A A different firm.

22 Q A different firm.

23 A It's called Pay Governance, which is
24 the independent compensation consultant for the
25 compensation committee.

1 Q So I would expect that if we look
2 around the room, again we don't have anybody from
3 this Company that can talk about how those metrics
4 are set.

5 A That's determined in the compensation
6 committee, so that would be a board of director
7 that would have to do that for someone who actually
8 set them.

9 Q Well, upper level management would
10 have a -- and you're still talking about upper
11 level management of Southwest Gas, an employee.

12 A It's possible. So in my experience,
13 I work with numerous public company compensation
14 committees. They go into executive session when
15 they are going to be talking about things that
16 impact the compensation of executives. There are
17 not always employees in the room. So I would say
18 you would need a member of the compensation --
19 potentially need a member of the compensation
20 committee to discuss, you know, what went into a
21 particular decision. The management may not have
22 been in the room.

23 Q Well, let me ask you this. You have a
24 general opinion, as an expert in this subject
25 matter, in terms of how those metrics should be set

1 in order to have a reasonable expectation of a real
2 increase in productivity and/or efficiency.

3 A Yes.

4 Q Well, what is that opinion?

5 A In my opinion, pay should be aligned
6 with performance. And so if there are going to be
7 above target payouts, we should have above target
8 or above average performance. A big part of pay is
9 aligning pay with performance.

10 Q Well, should a metrics be set high
11 enough, in your personal opinion, so that it
12 represents a real challenge, a real additional
13 commitment by the employees to meet those targets?

14 A I would say it's a balancing act. So
15 may I give you an example?

16 If you, again turning you to the proxy,
17 one of the things that I would note for you in this
18 proxy - and let me see if I can find it here
19 quickly - if you look on page 27 of the proxy, sir,
20 and you'll see in here there's where they walk
21 through the thinking on the metrics as -- and by
22 the way, right above there you'll see the committee
23 derived the target, so the compensation committee
24 set these. This is by the board. If you look at
25 safety, if you look at the second sentence: The

1 Company's 2017 target for damage per 1,000 tickets
2 is 1.80, a higher level of achievement than the
3 American Gas Association peer median.

4 So what I would say is, if you've got
5 a -- and I believe the actual performance here was
6 1.37. The target was set higher than the peer
7 median. So what I would say is if we have a high
8 performing team that's outperforming a peer median
9 by that much, they should be paid to reflect that
10 performance.

11 There's two ways that you can address
12 this in an incentive plan design. You can set
13 the -- where I'm headed with this is, you don't
14 want to penalize a high performing team for
15 performing well. So if you set targets too high
16 and basically say, because you're a top quartile
17 performer, you're now going to have to perform
18 top quartile just to get an average payout, that
19 is de-motivating.

20 What happens in the market is one of
21 two things. You have this, where you have above
22 target performance, which to me, based on the
23 American Gas Association, we had, for example, with
24 the damages per 1,000 ticket metric, or - and this
25 would not happen in a utility, because of the rate

1 case - but in public companies outside of that
2 context, to your point, you would raise the target
3 to make it more challenging. But if you have a
4 high performing team, what many companies will do
5 is also raise the amount of the target. So we're
6 going to make it harder for you to get there, but
7 we're going to put more dollars on that.

8 That really doesn't happen in a utility
9 scenario because of the rate scenario and median,
10 it's hard to get above median.

11 But to answer your question, it's a
12 balancing act. You can't just say one lever or
13 another.

14 Q And you understand that with regard to
15 a regulated utility the Commission has a balancing
16 act.

17 A I absolutely do, yes.

18 Q Let's refer to this proxy page that you
19 referred to earlier --

20 A Okay.

21 Q -- sheet 136 where we're showing the
22 payout for the executive MIP.

23 A Okay.

24 MR. STEPHENS: I'm sorry, just to make
25 sure, sheet 136?

1 THE WITNESS: Do you mean 28 of 36 --

2 MR. TRAXLER: Sheet 36 of 60.

3 MR. STEPHENS: Oh, okay.

4 THE WITNESS: Yes, I'm there.

5 BY MR. TRAXLER:

6 Q Do you see that 129 percent payout?

7 A Yes, I do.

8 Q Now do understand that -- that's the
9 most current level that we have. Do you understand
10 that if the Commission sets executive MIP at 129
11 percent, because it's the most current information,
12 and it's the recommendation by the Company, that
13 regardless - and this Company comes in about once
14 every six years historically - regardless of what
15 the performance is for the next six years, that
16 ratepayers are going to be paying this thing at
17 129 percent a year.

18 Do you think that's a reasonable
19 expectation?

20 A No, and that's why I think the
21 averaging out over multiple years makes sense.

22 Q Okay.

23 A Yes, I agree with the averaging that's
24 happened in the past.

25 Q Okay. With regard to the regular MIP,

1 you're correct in your understanding that the
2 Company is recommending a three-year average on the
3 MIP, and that three-year average, just historically
4 from 2013 to 2017, according to Miss Olesky's
5 testimony, this Company's average payout for that
6 entire six-year time frame - where is it - has been
7 115 percent every year. The three-year average
8 that they're recommending to be included in this
9 case for rate recovery is based on the most current
10 three-year time frame. And that's 113 percent.

11 In other words, their recommendation
12 here is that the Commission allow 113 percent
13 payout, and assume that this Company is going to
14 meet, perform at 113 percent for the next six
15 years.

16 Now what kind of a plan metric is
17 difficult if in every year, every single year for
18 the last six years, these people have been paid at
19 114 percent? That doesn't suggest there is
20 something wrong with the metrics to you? That
21 there is some adjustment, for a regulated utility,
22 before we put that kind of assumption in rates?

23 A So two things that I would say to that.
24 1, based on the proxies, and also
25 Miss Olesky's testimony, they have been adjusting

1 the targets and increasing them.

2 And the other thing I would tell you
3 is, if I have a company that's a high performing
4 company, okay, that doesn't bother me that it's
5 above target, because that tells me I'm paying for
6 performance.

7 Let me give an example. This year --
8 are you familiar with the say on pay requirement
9 for public companies?

10 Q No.

11 A Okay. So every public company in the
12 U.S. has an annual say -- well, the majority have
13 annual; the shareholders choose how frequent - but
14 let's just say, for our purposes, every year they
15 have to go to their shareholders and request
16 approval of the named executive officers, the top
17 five that are in the proxy, approve their
18 compensation. Now this year, in Southwest Gas'
19 annual meeting, Southwest Gas' compensation for the
20 executives went before the shareholders, in the
21 proxy, 129 percent, 121 -- everything here.
22 38 million shares voted for the program; 205,000
23 shares voted against the program.

24 And if you have above 129 percent, I
25 don't know exactly what the current recovery rate

1 is, but I know it's not 129 percent, so in there
2 is shareholder expense, and the shareholders
3 concluded in that vote that there was -- the vote
4 is clear. I mean, it's over 99-and-a-half percent
5 in terms of the -- I'll be candid with you, there
6 were abstentions of maybe 600,000 that didn't vote.
7 So let's just put them in and say 38 million out of
8 39 million, 97-and-a-half percent of shares voted
9 approved that program, which tells me they saw pay
10 for performance alignment.

11 So again, to your point, if I didn't
12 have a high performing team, if I wasn't getting
13 the output, I 100 percent agree with you. But if
14 I have performance, I don't have a problem with
15 corresponding payments.

16 Q A few more questions, and then I'll be
17 finished.

18 Let me refer you again to the
19 compensation study that was attached to your
20 testimony.

21 A I'm sorry. Can you say that again?

22 Q The compensation study --

23 A Yes, sir.

24 Q -- executive?

25 A Yes.

1 Q And if I can refer you to page 15 of
2 108.

3 A Just to make sure I'm on the right
4 page, and I'm sorry, sir, is this the one where we
5 list current target compensation for everyone?
6 That's what I have --

7 Q This is the one with the top five
8 executives --

9 A Yes.

10 Q -- for Southwest Gas compensation.

11 Okay. Line 1, President and CEO. Base
12 salary of 750,000; target cash bonus, 750,000.
13 That 750, how much of that is made up of the
14 executive MIP?

15 A Of the target, well, when it says
16 target bonus cash, that is the MIP. So the MIP for
17 the CEO is equal to 100 percent of his base salary
18 at target.

19 Q So if he meets the target, these top
20 level executives, they're not all at 150 percent,
21 but they're extremely high, but for the president
22 and CEO, he can increase his salary 100 percent
23 based on the performance of the MIP.

24 And in fact, if we set this thing at
25 129 percent, we're talking about whatever 750 is

1 times 129 percent for purposes of setting rates; is
2 that correct?

3 A Yes, sir, I believe -- yes, that is
4 correct, if you were to use 129 percent.

5 MR. TRAXLER: That's all the questions
6 I have.

7 Thanks.

8 COMMISSION

9 QUESTIONS

10 BY COMMISSIONER PONGRACZ:

11 Q And I have just a few questions,
12 Mr. Holmen.

13 Do you know -- you've indicated that
14 you are not a witness who can speak to the
15 Company's decisionmaking about the MIP metrics; is
16 that correct?

17 A Yes, ma'am.

18 Q Do you know if Southwest Gas has
19 presented any witness who can -- to present
20 testimony and respond to cross-examination
21 questions regarding the planning strategy and
22 decisionmaking regarding the MIP metrics?

23 A I'm not aware of one.

24 Q And the shareholder vote example you
25 just used in your discussion with Mr. Traxler --

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1 A Yes, ma'am.

2 Q -- was that Company Southwest Gas?

3 A It was Southwest Gas Holdings.

4 Q Southwest Gas Holdings.

5 COMMISSIONER PONGRACZ: Thank you. I
6 have no further questions.

7 THE WITNESS: Okay. Thank you.

8 COMMISSIONER PONGRACZ: You are
9 excused.

10 (The witness was excused.)

11 MR. STEPHENS: All right. So next on
12 our list we had Miss Potokar, but she was taken out
13 of turn yesterday, so we'll move on to
14 Christy Berger. And this is her revenue
15 requirement rebuttal testimony.

16 And Debbie, you've already sworn her
17 in.

18 MS. BARTGIS: Thank you, Mr. Stephens.

19 CHRISTY BERGER
20 called as a rebuttal witness on behalf of
21 SOUTHWEST GAS CORPORATION
22 having been previously duly sworn
23 was examined and testified as follows:

24

25

1 DIRECT EXAMINATION

2 BY MR. STEPHENS:

3 Q Please restate your name for the
4 record.

5 A Christy Berger.

6 Q Have you prepared written prefiled
7 rebuttal testimony on revenue requirement, with
8 exhibits, in this case?

9 A Yes.

10 Q Was your rebuttal testimony and
11 exhibits on revenue requirement prepared by you
12 or at your direction?

13 A Yes, they were.

14 MR. STEPHENS: At this point we would
15 request to mark Miss Berger's rebuttal testimony
16 and exhibits on revenue requirement as the next
17 exhibit in order.

18 MS. HARRIS: The rebuttal testimony on
19 revenue requirement of Christy Berger, will be
20 marked Exhibit 77.

21 (Exhibit No. 77 marked for identification.)

22 BY MR. STEPHENS:

23 Q Do you have any changes to your
24 prepared written rebuttal testimony or exhibits?

25 A I do not.

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1 Q If I were to ask you the questions you
2 answered in your written rebuttal testimony today,
3 would your answers be the same?

4 A Yes, they would.

5 MR. STEPHENS: Miss Berger is available
6 for cross-examination.

7 COMMISSIONER PONGRACZ: Thank you.

8 Miss Cassity?

9 MS. CASSITY: No questions.

10 COMMISSIONER PONGRACZ: Thank you.

11 Mr. Stuhff?

12 CROSS-EXAMINATION

13 BY MR. STUHFF:

14 Q Let's see. In the confidential
15 attachment to Staff's data request associated with
16 your testimony, there is a listing of the expenses
17 that were incurred regarding the investigation of
18 the Nevada Power Commerce Substation explosion
19 caused by a leak on PVC pipe owned by Southwest
20 Gas. Is that correct?

21 A Yes, there is the response to a data
22 request contained in my testimony.

23 Q Okay. Why wasn't this information
24 provided in your direct testimony?

25 A The information was provided at a

1 summary level regarding the regulatory
2 amortization, but the detail of that particular
3 expense was not provided at that time.

4 MR. STUHFF: No further questions.
5 Thank you.

6 COMMISSIONER PONGRACZ: Thank you.
7 Is there redirect?

8 MR. STEPHENS: No, but just for
9 clarification of the record, did we mark her
10 confidential exhibit as a confidential exhibit? I
11 forgot to mention that in my notation.

12 Okay. Never mind. Thank you.

13 No questions.

14 COMMISSIONER PONGRACZ: Do we have
15 questions for this witness from the dais in
16 Carson City?

17 MR. McDONNELL: No questions. Thank
18 you.

19 COMMISSIONER PONGRACZ: Do we have
20 questions for this witness from the dais here in
21 Las Vegas?

22 MR. VINSKI: Yes, Commissioner. Just a
23 couple of questions.

24 COMMISSIONER PONGRACZ: Mr. Vinski.
25

1 CLARIFICATION

2 QUESTIONS

3 BY MR. VINSKI:

4 Q Good afternoon, Miss Berger.

5 A Good afternoon, Mr. Vinski.

6 Q I just have a couple questions for you
7 regarding the pension costs --

8 A Okay.

9 Q -- submitted with your direct
10 testimony, your discussion of, you know, the
11 factors that impact pension costs, and some of the
12 assumptions that go into, you know, determining
13 what that cost is --

14 A Okay.

15 Q -- as part of the actuarial updates,
16 specifically the discount rate.

17 A Okay.

18 Q Now the discount rate is one of the
19 assumptions provided by management to the actuary
20 for purposes of, you know, computing that pension
21 valuation and calculating the expense that would
22 be recorded on a go-forward basis. And, you know,
23 as that discount rate changes, it changes the
24 amount of pension expense that might be reflected
25 in the next year.

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1 A That's right.

2 Q Now lowering of that discount rate

3 increases the expense --

4 A Right.

5 Q -- and an increase of the discount rate

6 lowers the expense.

7 A It's an inverse --

8 Q It's an inverse relationship.

9 A Right.

10 Q If you have it handy, can you turn to

11 your Exhibit CNB-3?

12 A And this is in my direct testimony?

13 Q In your direct testimony, yes.

14 A Just one moment, please.

15 I'm there.

16 Q Thank you.

17 And I apologize, I'm going to be

18 speaking to you, but I won't be able to see you now

19 that I have these glasses on.

20 A That's okay.

21 Q In the 2018 column, line 11, your

22 schedule reflects an \$11.7 million total?

23 A Correct.

24 Q And that total represents the increase

25 to 2018 pension expense total, total

1 Company-wide --

2 A Yes.

3 Q -- as a result of a decrease in the
4 discount rate used to -- as the discount rate.

5 A Right.

6 Q Yes, used in the actuarial valuation.

7 To the left of 2018 are the prior year
8 discounts rates used in the actuarial valuation;
9 correct?

10 A Right.

11 Q Picking, you know, any period, 2014
12 through 2017, or 2012 through 2017, at no point was
13 that rate, you know, below 4 percent, or actually
14 below 4.25 percent, correct, based on the
15 information that's on this schedule?

16 A That's correct.

17 Q And, but in 2018 that discount rate was
18 reduced 75 basis points to 3.75 percent; correct?

19 A That's correct.

20 Q Correct.

21 A These amounts are illustrative,
22 however. The purpose of this schedule was to
23 provide an illustrative example of what changes in
24 the discount rate, how those affect it.

25 Q But for purposes of allocating, you

1 know, to the Southwest Gas Nevada divisions, in
2 2018 the pension cost total amount was in that
3 \$46 million range --

4 A Correct.

5 Q -- based on a discount rate that was
6 3.75 percent.

7 A Yes.

8 Q In the actuarial valuation.

9 A Correct.

10 Q Okay. Now do you know who -- how
11 management determines what that discount rate is,
12 or who makes that decision? Is it a pension
13 committee? Is it your chief financial officer?
14 Do you know how that decision gets made?

15 A That decision is made in conjunction
16 with our actuary. Management, I believe, has some
17 input on that, but it is not deciding -- they do
18 not control that completely.

19 Q But the actuary is not telling
20 management what discount rate to use, is it --

21 A They make recommendations.

22 Q And do you know if they provide a
23 range?

24 A That I'm not aware of, if they provide
25 a range or not.

1 Q And, but the person who would be aware
2 of that, you know, hasn't provided testimony in the
3 case or, to your knowledge, or is here today?

4 A That's not me, no.

5 Q Okay.

6 A I don't believe there is another
7 witness that can speak directly to that.

8 Q And have you been, you know, attending
9 these hearings, you know, throughout the week?

10 A Yes.

11 Q Have you reviewed, you know, the
12 testimony filed in other parts of the case,
13 particularly the cost of capital?

14 A Yes --

15 Q Okay.

16 A -- of a more limited nature.

17 Q More limited. But, you know, would --
18 you know, I'm going to ask you, and I'm going to
19 assume the answer is no, but I don't think it --

20 A It's worth a shot.

21 Q -- I don't think it could be anyone
22 else might be able to answer it. But, you know, is
23 there an explanation for why, in a zero interest
24 rate environment that existed in 2013 and -- 2012
25 through 2014, but the discount rate used to value

1 that pension obligation was in the 4 and 5 percent
2 range, and remained there effectively through 2017,
3 and in 2018 was adjusted down 75 basis points
4 despite, you know, increases in interest rates that
5 have occurred, you know, currently, as represented
6 by your witnesses in the cost of capital
7 proceedings. Do you know how that reconciles,
8 or --

9 A I know that the discount rate that's
10 included here is from our actuarial studies that is
11 based on information that is in conjunction with
12 our senior management and the actuary. What goes
13 into their recommendations for the discount rate
14 that's appropriate for each year, I'm not aware of
15 what that discussion is.

16 Q So the details of what, you know, is
17 producing that --

18 A I have not seen that calculation --

19 Q Right.

20 A -- no, sir.

21 Q Okay. And no one else here would be
22 able to answer that?

23 A I don't believe so.

24 MR. VINSKI: Okay. No further
25 questions.

1 Thank you.

2 COMMISSIONER PONGRACZ: Mr. Traxler?

3 CLARIFICATION

4 QUESTIONS

5 BY MR. TRAXLER:

6 Q Let me make sure I understand an answer
7 given to Mr. Vinski.

8 Okay. This calculation shows that --
9 the impact of the change in the discount rate from
10 4-and-a-half to 3.75 percent under 2017 and '18 of
11 \$11.7 million. Correct?

12 A Correct.

13 Q Now that is -- that's not a
14 hypothetical number, is it?

15 A The change is a hypothetical, the
16 discount rates there.

17 Q What do you mean by --

18 A Oh. No. I'm sorry. So you're looking
19 at 2017 the 4.5 percent, and in 2018 it's 3.75.

20 Q Are those actual?

21 A Yes, sir.

22 Q Those are actual numbers used in the
23 calculation of the pension costs?

24 A Those were from the actuarial studies,
25 yes.

1 Q Okay. And would that also be true of
2 the rates that are shown from all the other years
3 from 2012 forward?

4 A That's correct.

5 Q Okay. So the rates for a six-year
6 period, the discount rate for a six-year period
7 never fell below 4.25 percent, and was as high
8 as 5 percent for two of those years; correct?

9 A Yes. It was 5 percent in 2014 and
10 2012.

11 Q But in the year that we have, the
12 impact -- where the impact on the discount rate is
13 going to affect pension costs for the rate case,
14 for the first time in seven years we have a
15 significant reduction to 3.75. That's what the
16 schedule shows; correct?

17 A Correct.

18 Q And an \$11.7 million increase to
19 pension costs, and we don't have a witness that
20 can discuss this reduction worth \$11.7 million.

21 A I'm not able to discuss how the
22 discount rate is set.

23 Perhaps Mr. Wood would be --

24 MR. TRAXLER: That's all the questions
25 I have.

1 Thank you.

2 COMMISSION

3 QUESTIONS

4 BY COMMISSIONER PONGRACZ:

5 Q Good afternoon, Miss Berger.

6 A Good afternoon.

7 Q Were you involved, did you -- were you
8 in or did you attend the meeting that was discussed
9 earlier today, and also yesterday, the so-called
10 30-day meeting with Commission Staff prior to the
11 Company's filing of this case?

12 A No, ma'am, I was not a part of that
13 meeting.

14 Q Okay. Do you know who amongst the
15 Company's witnesses was in attendance at that
16 meeting?

17 A No, I do not. Mr. Stephens may be able
18 to provide that information.

19 COMMISSIONER PONGRACZ: Thank you very
20 much. I have no further questions.

21 You are excused.

22 THE WITNESS: Thank you.

23 (The witness was excused.)

24 COMMISSIONER PONGRACZ: Miss Kolebuck?

25 MS. KOLEBUCK: We call back to the

1 stand Mr. Byron Williams, please.

2 BYRON WILLIAMS

3 called as a rebuttal witness on behalf of

4 SOUTHWEST GAS CORPORATION

5 having been first previously duly sworn

6 was examined and testified as follows:

7 DIRECT EXAMINATION

8 BY MS. KOLEBUCK:

9 Q And you've been sworn in already.

10 Please restate your name for the
11 record.

12 A My name is Byron Williams.

13 Q Have you prepared written prefiled
14 rebuttal testimony in this case?

15 A Yes.

16 Q And was your testimony prepared by you
17 or at your direction?

18 A Yes.

19 MS. KOLEBUCK: I would request to mark
20 Mr. Williams' rebuttal testimony as the next
21 exhibit in order.

22 MS. HARRIS: The rebuttal testimony of
23 Bryon Williams, will be marked Exhibit 78.

24 (Exhibit No. 78 was marked for identification.)

25

1 BY MS. KOLEBUCK:

2 Q Do you have any changes to your
3 prepared written rebuttal testimony or exhibits?

4 A No, I do not.

5 Q If I were to ask you the questions you
6 answered in your written rebuttal testimony today,
7 would your answers be the same?

8 A Yes.

9 MS. KOLEBUCK: Mr. Williams is
10 available for cross.

11 COMMISSIONER PONGRACZ: Thank you.
12 Miss Cassity?

13 MS. CASSITY: No questions.

14 COMMISSIONER PONGRACZ: Thank you.
15 Mr. Stuhff?

16 MR. STUHFF: Thank you.

17 CROSS-EXAMINATION

18 BY MR. STUHFF:

19 Q Good afternoon, Mr. Williams.

20 In your rebuttal testimony, let's see,
21 you go into the State commerce tax and whether it
22 should be surcharged or embedded in rates; is that
23 correct?

24 A Correct.

25 Q In Docket No. 12-04005, the last

1 general rate case for the Company before this
2 Commission, would you agree that the Commission
3 directed Southwest Gas to stop surcharging the two
4 State taxes that were surcharged at that time, and
5 to embed those two State taxes in general rates?

6 A They ordered that the modified business
7 tax and the mill assessment, by this Commission,
8 should be embedded in rates; I would agree with
9 that.

10 Q But you disagree with respect to the
11 State commerce tax?

12 A The State commerce tax was not in
13 existence at 2012. The Legislature created it in
14 the 2015 session.

15 Q Right. Okay. And you cite an order in
16 Docket No. 00-1028 as the authority to surcharge
17 the State commerce tax; is that correct?

18 A As part of the authority, yes.

19 Q However, you did not attach a copy of
20 that order cited to your rebuttal testimony;
21 correct?

22 A Correct.

23 MR. STUHFF: At this time I believe we
24 have a copy of that order, and we would like to
25 have it marked as an exhibit.

1 MS. HARRIS: The Commission's order in
2 Docket No. 00-1028, will be marked Exhibit 79.

3 (Exhibit No. 79 was marked for identification.)

4 BY MR. STUHFF:

5 Q The order cited in your testimony,
6 isn't this an order lifting suspension?

7 A I'm not sure. The information that I
8 have reviewed included more information than this,
9 so.

10 Q Okay. Do you think you perhaps
11 intended to cite a different order than this order?

12 A I am not sure right now.

13 Q All right. This order lifting
14 suspension, it doesn't speak to a surcharge, does
15 it?

16 A No. If you refer to my rebuttal,
17 Exhibit No. 1, BCW-1, my understanding was that as
18 part of this docket the Company removed the rates
19 from its tariff for those taxes that were not
20 embedded in rates, and that's why this docket was
21 referenced in the communications that we give to
22 the Commission, to Staff, and to the BCP.

23 Q Okay. Let's see. Turning to Question
24 and Answer 10 of your rebuttal testimony, it's on
25 page 5, you state that neither the Commission,

1 Staff, nor BCP raised concerns about the proposed
2 treatment of the commerce tax in 2015. However,
3 back in July of 2015 you made an informational
4 filing, correct?

5 A Yes. Again, referring to Exhibit 1,
6 after the Company did, you know, an analysis of
7 determining what the appropriate treatment was -
8 because it's not every session that there is a
9 new Statewide tax - we performed that analysis,
10 and then we went under this mechanism to make sure
11 that the Commission received that, clearly stating
12 what the proposed treatment was. And you'll see
13 that both BCP and Commission Staff were copied on
14 that letter.

15 In addition to that, just as you were
16 talking about notice, the Company also updated its
17 green sheet, we updated the Company's Website, and
18 then we also revised the customers' bills so that
19 it would be very clear that it now included State
20 and local taxes.

21 Q Okay. Turning to Question and
22 Answer 11 of your rebuttal testimony, you cite the
23 Commission Tariff Sheet No. 87 as an additional
24 authority to surcharge State taxes, and in fact you
25 include that in your testimony as rebuttal Exhibit

1 BCW-2; correct?

2 A That is correct.

3 Q And under general there, in Sheet No.
4 87, attached to your testimony, does it read: Rate
5 schedules of the Company do not include any
6 regulatory assessment, business license, franchise
7 taxes, or taxes based upon revenues or volumes of
8 gas delivered in the cities throughout the
9 certificated area of the Company's Nevada service
10 areas?

11 A That's correct. And I think that's
12 also consistent with this Commission's decision in
13 the last rate case.

14 Q Now notably, doesn't that tariff sheet
15 just include the word "cities" and does not include
16 "counties" or "municipalities"?

17 A It does say "cities," yes.

18 Q Would the Company consider perhaps
19 changing that to cities or counties or
20 municipalities?

21 A I would have to defer to management,
22 but that would be something that the Company would
23 look at, I would anticipate.

24 Q In fact, does this tariff sheet provide
25 authority for Southwest Gas to surcharge county

1 franchise taxes?

2 A As you noted, it says "cities." But I
3 think that authority -- it has been consistent with
4 the previous Commission decisions.

5 Q Are you aware that NRS 354.59887(2)(b)
6 gives cities and counties the authority to collect
7 franchise taxes directly from the utility's
8 customers if it is impracticable to collect them
9 from the utility?

10 A I'm not sure of the specific reference,
11 but I believe the general sentiment that you
12 stated, I believe that's correct.

13 Q Thank you.

14 And in fact, the utility acts as a tax
15 collector for the city or county, if it collects a
16 franchise tax; isn't that correct?

17 A Well, and that's something that I'm
18 glad you brought up, because my understanding is a
19 little bit different.

20 If the Company has a franchise
21 agreement with a city, I believe that is a contract
22 that is between the Company and the city. And the
23 liability that is there for the franchise fee is
24 based on revenue, it's not based on terms, or
25 anything, it's revenue that we then remit to the

1 city. And it's either done on a monthly or a
2 quarterly, or whatever the taxable period is.

3 But my understanding is that it's the
4 Company that does pay that. If the Company did not
5 collect that amount from our customers, I believe
6 that we are still responsible for that. But it's
7 this Commission that determines, and this relevant
8 authority, that determines how we recover those
9 amounts from our customer.

10 So my understanding is a little bit
11 different than what you just stated.

12 Q Okay. And to compare and contrast a
13 franchise tax to another sort of tax, like a
14 commerce tax or a mill tax, that's a different sort
15 of tax; isn't it?

16 A And so I'm glad you brought that up as
17 well.

18 So the commerce tax I think functions
19 very similarly to the franchise fee. The mill
20 assessment is, first of all, it's an assessment by
21 this regulatory body, it's not a tax, and that was
22 discussed in the previous Commission's decision.
23 But the mill assessment operates very differently,
24 as was discussed earlier today.

25 And if you will look at my Exhibit

1 BCW-3, this is a letter that we received from the
2 Commission to inform us of the amount of mill
3 assessment that we have to pay.

4 Now we actually receive that prior to
5 the taxable period. If you look at it, you'll see
6 that this letter is dated June 1st, and if you read
7 the second paragraph it says that the annual
8 regulatory assessment rate for fiscal year 2019,
9 so that would be July 1st, 2018 through June 30th,
10 2019, it goes on and tells you what the rate is.

11 It then says that: This rate is based
12 on the total gross operating revenue, as defined in
13 NRS 704.033, for the period commencing January 1st,
14 2017 and ending December 31st, 2017.

15 And so the revenues are all -- they are
16 not associated with the taxable period. So even
17 before the fiscal year begins, we know what that
18 tax liability is.

19 And unlike the franchise fee and the
20 commerce tax, those amounts are based on the
21 current revenues. And so we don't know what the
22 commerce tax or the franchise fees are until after
23 we bill our customers and recognize the revenues
24 there.

25 So I do think there are clear

1 distinctions between the mill assessment and how
2 a tax based on revenue operates between those two
3 distinctions.

4 Q The State commerce tax is levied based
5 upon gross revenues received by the Company; is
6 that not correct?

7 A It is based on gross revenues. It's a
8 revenue tax; it's not an income tax.

9 MR. STUHFF: Thank you.

10 No further questions.

11 COMMISSIONER PONGRACZ: Thank you.

12 Are there -- let's see. Is there
13 redirect?

14 MS. KOLEBUCK: Yes, just one.

15 COMMISSIONER PONGRACZ: Please proceed.

16 MS. KOLEBUCK: Thank you.

17 REDIRECT EXAMINATION

18 BY MS. KOLEBUCK:

19 Q Just to follow up on Mr. Stuhff's
20 exhibit, the order, isn't this order that he
21 provided a proposed tariff filing, so it doesn't
22 include the Company's proposal, which was a request
23 to remove a percentage of State and local taxes of
24 taxing authorities and collect those as a
25 surcharge, was a proposed tariff filing that then

1 was approved through this order?

2 A Based on what I have, I don't see any
3 of that as part of this.

4 Q But this order, this order is the
5 approval of the Company's requested tariff
6 submission?

7 A That's my understanding. And I believe
8 that's why, you know, in my Exhibit 1 we do --
9 every time there is a tax rate change, we do notify
10 the Commission, the Commission Staff, BCP, update
11 the Website, and I believe that's why we referenced
12 that docket is because it is relevant with those
13 items.

14 MS. KOLEBUCK: Thank you.

15 COMMISSIONER PONGRACZ: Thank you.

16 Is there recross, within the scope of
17 redirect?

18 MR. STUHFF: No, thank you.

19 COMMISSIONER PONGRACZ: Are there
20 questions for this witness from the dais in
21 Carson City?

22 MR. McDONNELL: No questions.

23 COMMISSIONER PONGRACZ: Are there
24 questions for this witness from others on the dais
25 here in Las Vegas?

1 MR. TRAXLER: No questions.

2 COMMISSIONER PONGRACZ: And I have no
3 questions. Thank you very much, Mr. Williams.

4 You are excused.

5 THE WITNESS: Thank you.

6 (The witness was excused.)

7 MR. STEPHENS: For it next witness,
8 Southwest Gas calls Ngoni Murandu.

9 And Debbie, you will need to swear him
10 in.

11 (One witness was sworn: Ngoni Murandu.)

12 NGONI MURANDU

13 called as a rebuttal witness on behalf of

14 SOUTHWEST GAS CORPORATION

15 having been first duly sworn

16 was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. STEPHENS:

19 Q Please state your name, and spell your
20 last name for the record.

21 A Sure. My name is Ngoni Murandu. Last
22 name is M-u-r-a-n-d-u, Murandu.

23 Q Where do you work?

24 A Southwest Gas.

25 Q And what is your position at Southwest

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1 Gas?

2 A My position is Vice President of
3 Information Services/CIO.

4 Q Have you prepared written prefiled
5 rebuttal testimony with exhibits in this case?

6 A I have.

7 Q Was your rebuttal testimony and
8 exhibits prepared by you or at your direction?

9 A Yes.

10 MR. STEPHENS: At this point we request
11 to mark Mr. Murandu's rebuttal testimony and
12 exhibits as the next exhibit in order.

13 MS. HARRIS: The rebuttal testimony of
14 Ngoni Murandu, will be marked Exhibit 80.

15 (Exhibit No. 80 was marked for identification.)

16 BY MR. STEPHENS:

17 Q Do you have any changes to your
18 prepared written rebuttal testimony or exhibits?

19 A Not at this time.

20 Q If I were to ask you the questions you
21 answered in your written rebuttal testimony today,
22 would your answers be the same?

23 A Yes.

24 MR. STEPHENS: Mr. Murandu is available
25 for cross-examination.

1 COMMISSIONER PONGRACZ: Thank you.

2 MS. CASSITY: Commissioner?

3 COMMISSIONER PONGRACZ: Miss Cassity?

4 MS. CASSITY: I just have one
5 clarification. What was marked as Exhibit 79?

6 MS. HARRIS: That is the Commission
7 order in Docket No. 00-1028, offered by BCP.

8 MS. CASSITY: Oh, okay. I apologize.
9 I thought we were just taking administrative notice
10 of that. Okay.

11 MS. HARRIS: I believe he asked to have
12 it marked.

13 Is that correct, Mr. Stuhff?

14 MR. STUHFF: That is correct.

15 MS. CASSITY: Great. Thank you.

16 COMMISSIONER PONGRACZ: Let us take our
17 next break until 2:40.

18 (At 2:30 p.m. a recess was taken.)

19 -oOo-

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1 CARSON CITY AND LAS VEGAS, NEVADA

2 THURSDAY, OCTOBER 25, 2018

3 2:46 P.M.

4 -oOo-

5 COMMISSIONER PONGRACZ: We'll go back
6 on the record.

7 Miss Cassity?

8 MS. CASSITY: Thank you.

9 CROSS-EXAMINATION

10 BY MS. CASSITY:

11 Q Good afternoon, Mr. Murandu.

12 A Good afternoon.

13 Q If I could have you turn to your table
14 of contents in your rebuttal testimony.

15 A Yes.

16 Q In your table of contents you list
17 several work order projects for which the Company
18 is seeking recovery; correct?

19 A Yes.

20 Q And all of these projects closed to
21 plant sometime between 2012 and 2016; is that
22 right?

23 A That is correct.

24 Q And I believe you started working for
25 Southwest Gas in May 2017; is that correct?

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1 A That is correct.

2 Q So all of the projects, these projects
3 closed to plant prior to your employment with
4 Southwest Gas; is that right?

5 A That is correct.

6 And I just want to explain for the
7 record, though, that because of my role as incoming
8 CIO, in order for me to faithfully execute my job
9 I had to become aware with all of these projects,
10 because essentially all of these projects below
11 here are the portfolio that I inherited as CIO.
12 So in order to do that job effectively, I had to
13 go through all the records and all the documents
14 associated with these projects so I could ascertain
15 the health of the projects, the genesis of the
16 projects, the expenditures that had been spent to
17 date on the projects, and the future direction and
18 roadmap for these projects.

19 Because I had to do so, so recently in
20 my tenure joining the Company, that made me
21 probably the most knowledgeable person in terms of
22 the technology aspects of these projects at this
23 point in time.

24 Q Okay. So you were not involved in the
25 execution of any of those projects; is that right?

1 A I am not involved in the execution of
2 the projects, but intimately aware of the details
3 of the projects.

4 MS. CASSITY: I have no further
5 questions.

6 Thank you.

7 COMMISSIONER PONGRACZ: Mr. Stuhff?

8 MR. STUHFF: No questions. Thank you.

9 COMMISSIONER PONGRACZ: Any redirect?

10 MR. STEPHENS: Yes.

11 REDIRECT EXAMINATION

12 BY MR. STEPHENS:

13 Q You indicated in response to questions
14 from Staff Counsel that you're intimately aware of
15 the details with respect to each of the programs
16 listed in your table of contents for the prepared
17 rebuttal testimony; correct?

18 A That is correct.

19 Q What is your understanding with respect
20 to the FSM program?

21 MS. CASSITY: I'll object. It's
22 outside the scope of cross.

23 MR. STEPHENS: She asked him if he had
24 knowledge. He responded he did. I'm simply
25 eliciting what knowledge he has.

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1 COMMISSIONER PONGRACZ: I'll allow it.

2 THE WITNESS: Thank you. I'm glad you
3 asked that question.

4 So specifically to the FSM project, one
5 of the things that I had to understand with the FSM
6 is why did we pick the particular path that we went
7 down. It was actually very good to hear
8 Miss Cassity earlier in cross ask the question, why
9 did Southwest Gas pick Oracle, for example, as a
10 solution that we went to. And that was a question
11 that I had, because I think it's a very valid
12 question to ask. I think it was also a valid
13 question for Mr. Danise to ask that question.

14 And what I found is that in the
15 documents that Mr. Danise actually received, the
16 answers were there as to why Southwest Gas elected
17 to go and pick the Oracle financial system
18 organization. Oracle was picked mainly because,
19 if you refer to Exhibit No. 66, and in Exhibit
20 No. 66 in the financial systems organization
21 supplemental document it speaks about the
22 influencing factors that went into it. And in
23 those influence factors, it talks about the
24 significant investment that Southwest Gas had
25 already made in investing in a supply chain

1 management system built on the Oracle platform,
2 database inventory based on the Oracle platform,
3 and an HR payroll system based on the Oracle
4 platform.

5 Now I want to be empathic to one thing
6 Mr. Danise also said. Mr. Danise said that, you
7 know, from his position as an auditor it was
8 difficult for him to be able to look at this from
9 an IT professional's point of view, from an
10 information systems' professional point of view,
11 and I think I completely understand that, and I'm
12 empathetic to his position. And in fact, I want to
13 state because, simply because I am the first, I
14 believe I am the first officer level representative
15 that has sat in this chair so far in this hearing,
16 that the frustration that Staff feels and the
17 challenges that we've had in the provision of
18 records and deliverables during the course of this
19 hearing process, Southwest Gas and the management
20 team are equally feeling that frustration, and I
21 certainly feel that it is regrettable that we have
22 this.

23 But given that is the case, I do
24 believe that we have to really look at the core
25 fundamental issues here. And the core fundamental

1 issues are whether or not a project like the Oracle
2 project was given the right level of governance,
3 the right level of review in the investment, and I
4 believe that without --

5 COMMISSIONER PONGRACZ: Now we're going
6 far beyond the question of what do you personally
7 know about the Oracle project, and into the area of
8 philosophy and --

9 THE WITNESS: My apologies,
10 Commissioner.

11 COMMISSIONER PONGRACZ: -- general
12 management.

13 THE WITNESS: Let me be very specific
14 about what I know about the project. My apologies.

15 So what I do know about the project
16 was, specific to the fact that there was an
17 analysis on whether or not the Oracle solution
18 itself was the right solution, based on a
19 comparison of other utilities and what other
20 utilities were using.

21 There was also a comparison on that
22 particular solution on whether or not this
23 particular solution made sense in light of the
24 investment that the utility had made in solutions,
25 built and already pre-aligned for this particular

1 investment.

2 I am also aware of the fact that the
3 staffing resources that were already invested in
4 that particular set of architecture made it a lot
5 more cost-effective for Southwest Gas customers
6 to be able to invest in a solution that does not
7 require additional customers to be invested in.

8 I'm also familiar with the fact that
9 the hours that were invested in the project were
10 absolutely appropriate, based on my experience
11 having implemented similar ERP projects before
12 in my career, and also expecting looking at the
13 timeline that was associated to the project.

14 I am also familiar and intimate with
15 the travel costs and the expenses that were booked
16 to the project.

17 And I'm familiar with the fact that the
18 error rate on this particular project, an
19 \$18.1 million project, the error rate on this, as I
20 understood it, was less than 1 percent. Which
21 means in order to do a project like this, I was
22 able to understand that you are looking at almost
23 6,000 vouchers, 6,000 individual pieces of work
24 that had to be reviewed and corrected.

25 So I am also familiar with the fact

1 that 16 of those, a total of 16 of those were
2 identified out of those 6,000, as having issues.
3 I'm familiar with those issues, and I think those
4 issues were admittedly, in some cases, certainly
5 ones that had to be addressed as clear
6 misclassifications.

7 However, I am familiar with the fact
8 that Southwest Gas made those adjustments, and
9 regrets that out of 100 percent only 95.5
10 percent -- 99.5 percent of those transactions
11 were executed clearly without the bounds of
12 misclassifications.

13 BY MR. STEPHENS:

14 Q With respect to certain of the
15 information you referenced in that response, you
16 said that was available in which exhibit?

17 A Thank you. If we look through, a lot
18 of this data is in, I believe, Exhibit No. 66, and
19 there are three distinct documents within Exhibit
20 66 that reference this with respect to the
21 financial systems organization, the charter, the
22 roadmap, and the key decisions documents.

23 Q Is there any -- the information that
24 you discussed in that response, where can they find
25 that within those documents?

1 A Very good. So if we were going to look
2 at the, first of all the supplemental document, on
3 page 4 it specifically talks about the influencing
4 factors behind the Oracle decision.

5 If we are also going to look at the
6 roadmap section entitled Industry, utility industry
7 application trends I believe goes through about
8 five slides; utility business application landscape
9 looks at what the other utilities were using in
10 terms of solutions; utility business application
11 landscape talks about solutions such as PeopleSoft,
12 Oracle, JDE, SAP, and Lawson being available.

13 And this was part of the commission
14 studied by PricewaterhouseCoopers, which was
15 commissioned to evaluate what path and roadmap
16 Southwest Gas would execute before commissioning
17 their enterprise resource planning replacement.

18 In addition to that, in the same
19 document there is an important document labeled,
20 Key Business Decisions Detailed. And the Key
21 Business Decisions Detailed talks about the
22 business benefits in proceeding with an Oracle
23 GL in light of the fact that the other Oracle
24 solutions existed, primarily in the benefits
25 allowing us to redesign a common charts of accounts

1 across those applications.

2 Q What about with respect to the FOMs
3 Phase 1 project?

4 MS. CASSITY: I'm going to renew my
5 objection that it's outside the scope of cross.

6 COMMISSIONER PONGRACZ: Can you
7 summarize your cross-examination question for me,
8 Miss Cassity?

9 MS. CASSITY: Yes. I simply asked if
10 all of the projects had been closed to plant prior
11 to his working for the Company, and that he only
12 started working for the Company after all these
13 projects were completed, so he has no direct
14 knowledge as to the oversight and project
15 management of these projects.

16 COMMISSIONER PONGRACZ: And it's clear
17 that the witness has availed himself of the
18 opportunity to learn about the projects
19 after-the-fact, from his prior response. What we
20 were looking for was information regarding
21 management decisions made at that time. And I
22 don't believe we've heard anything in the first
23 response, and necessarily could not have, because
24 the witness only arrived in 2017.

25 At most, Mr. Stephens, I would allow

1 some questioning, within the scope of what
2 Miss Cassity asked, regarding decisions that the
3 Company made after he arrived, to the extent that
4 any of those are at issue here.

5 BY MR. STEPHENS:

6 Q You're familiar with the Company's
7 structure for oversight of projects; correct?

8 A That is correct. And in fact, you
9 know, as my responsibilities at Southwest Gas
10 entail not only the information systems realm, but
11 I am also the officer accountable and responsible
12 for enterprise project management at Southwest Gas.

13 The reason I want to bring this
14 relevant is the governance standards and the
15 governance structure that proceeded my arrival
16 at Southwest Gas is what I sought to continue at
17 Southwest Gas. And the basis by which I sought to
18 continue this governance standard, was based on my
19 review and investigation of how that governance
20 standard was structured, and how I felt that
21 governance standard is still appropriate.

22 I feel that governance standard has not
23 been appropriately looked at indepth at this point
24 in the hearing, and I think it would be great for
25 the Commission and Staff to have some familiarity

1 with the actual way in which these governance
2 projects were governed.

3 COMMISSIONER PONGRACZ: Well, and
4 indeed it would have been excellent had the Company
5 chosen to present that information in its direct
6 case, as it's required to do. To try to shoehorn
7 it into the rebuttal is very awkward --

8 THE WITNESS: I totally agree with you,
9 Commissioner.

10 COMMISSIONER PONGRACZ: -- and I cannot
11 allow the Company to attempt to expand the scope of
12 rebuttal beyond its proper function here.

13 THE WITNESS: Thank you, Commissioner.
14 Respectfully, I agree with that.

15 The only context I was going to speak
16 to were the governance documents that are attached
17 in the original documents supplied in the data
18 request to Mr. Danise, and responding to his
19 testimony.

20 COMMISSION

21 QUESTIONS

22 BY COMMISSIONER PONGRACZ:

23 Q And what were the dates of those
24 governance dockets?

25 A Thank you very much. So --

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1 Q Were those dated prior to your arrival?

2 A Yes, ma'am, they are.

3 Q Then as I've already said to
4 Mr. Stephens, we need to limit your testimony to
5 areas where you have personal knowledge, which
6 would only have been acquired since you arrived
7 with the Company.

8 A That is correct, Commissioner.

9 And I will only say that my continuance
10 of those same governance standards persists today
11 because of the robustness and the efficacy of said
12 standards.

13 COMMISSIONER PONGRACZ: Should the
14 Company choose to file another rate case, it might
15 be very interesting to hear your presentation
16 regarding the Company's current and ongoing
17 standards in that context.

18 With those limitations, Mr. Stephens,
19 are there additional areas you feel you need to
20 pursue with this witness?

21 MR. STEPHENS: No questions. No more
22 questions.

23 COMMISSIONER PONGRACZ: Thank you.

24 Do we have questions from the dais in
25 Carson City for this witness?

1 MR. McDONNELL: No questions.

2 COMMISSIONER PONGRACZ: Do we have
3 questions from others on the dais here in Las Vegas
4 for this witness?

5 MR. TRAXLER: No questions.

6 COMMISSIONER PONGRACZ: And I have no
7 questions. Thank you.

8 You are excused.

9 (The witness was excused.)

10 MR. STEPHENS: For its next witness,
11 Southwest Gas' recalls Randi Cunningham.

12 And Miss Cunningham has a confidential
13 page -- where did Miss Harris go?

14 COMMISSIONER PONGRACZ: Let's take
15 a moment off the record until Miss Harris returns.

16 (Off the record.)

17 COMMISSIONER PONGRACZ: Let's go back
18 on the record.

19 Thank you.

20 RANDI CUNNINGHAM
21 called as a rebuttal witness on behalf of
22 SOUTHWEST GAS CORPORATION
23 having been previously duly sworn
24 was examined and testified as follows:
25

1 DIRECT EXAMINATION

2 BY MR. STEPHENS:

3 Q Please restate your name for record.

4 A Randi Cunningham.

5 Q Have you prepared written prefiled
6 rebuttal testimony with exhibits in this case?

7 A Yes, I have.

8 Q Was your rebuttal testimony and
9 exhibits prepared by you or at your direction?

10 A Yes.

11 MR. STEPHENS: At this point we would
12 request to mark the rebuttal testimony and exhibits
13 of Miss Cunningham as the next exhibit in order.

14 And there was one page in her testimony
15 that contained a confidential bit of information,
16 so you should have that up there as well.

17 MS. HARRIS: The rebuttal testimony
18 of Randi Cunningham, will be marked Exhibit 81.

19 (Exhibit No. 81 was marked for identification.)

20 MS. HARRIS: The confidential portion
21 of the rebuttal testimony of Randi Cunningham, will
22 be marked Exhibit C-7.

23 (Confidential Exhibit No. C-7
24 was marked for identification.)

25 MR. STEPHENS: We also have --

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1 yesterday there was a request for a late-filed
2 exhibit with respect to the Battle Mountain. We
3 have that available. We'll mark that, because if
4 there are questions about it Miss Cunningham can
5 address those questions.

6 And we need to supplement up North with
7 this exhibit, but we wanted to present it so the
8 parties had an opportunity to discuss it with
9 Miss Cunningham.

10 Yes, the late-filed exhibit.

11 MS. HARRIS: We reserved the late-filed
12 exhibit yesterday. I believe it's already been
13 sufficiently marked for the record.

14 MR. STEPHENS: Okay.

15 BY MR. STEPHENS:

16 Q Do you have any changes to your
17 prepared written rebuttal testimony or exhibits?

18 A Yes, I do have a few.

19 Q Please identify on the record what
20 parts of your testimony requires modification.

21 A Please turn to page 15, Q&A 32, line
22 23. The last word of the sentence should be
23 "disallowance," and please delete the remaining
24 words starting with, "because" and ending in
25 "review."

1 COMMISSIONER PONGRACZ: Could you
2 repeat that, Miss Cunningham? We're on page 15?

3 THE WITNESS: Right. So on line 23,
4 the sentence should read: Accordingly, it is not
5 appropriate to use a projected disallowance - and
6 then we're deleting words until the word, on the
7 next line, on line 24, the first word should be
8 "and." So "subject to the review" should be
9 deleted. And "because all the expenses were"
10 should be deleted.

11 So the end of line 23, and the
12 beginning of line 24 are deleted.

13 BY MR. STEPHENS:

14 Q Do you have any other changes to your
15 prepared written testimony?

16 A Yes. Yes, I do.

17 Page 17, line 20, the last word should
18 be "disallowance," and the rest of that sentence
19 should be deleted.

20 On page 23, line 14, there are two
21 commas after the word "expenses." There should
22 only be one.

23 On page 31, line 13, where it reads,
24 "The Company is headquartered in," the word "in"
25 is duplicated. The duplicate should be moved.

1 And on line 17, the word "solely"
2 should be replaced by "primarily."

3 And those are all of my changes.

4 MS. HARRIS: Miss Cunningham, could you
5 please walk through just the first two changes
6 again?

7 THE WITNESS: I can.

8 MS. HARRIS: Thank you.

9 THE WITNESS: So on page 15, starting
10 at -- I'll start with the sentence on page - I'm
11 sorry - on line 22, and it should read -- would it
12 be easier to say what it should read, or what
13 should be deleted?

14 It should read: "Accordingly, it is
15 not appropriate to use a projected disallowance,
16 and in his testimony Mr. Danise only referenced
17 one-half of 1 percent, as noted in Mr. Murandu's
18 rebuttal testimony." And I'll stop there.

19 And did you want me to walk through the
20 one on 17?

21 So that sentence simply reads:
22 "Accordingly, it is not appropriate to use a
23 projected disallowance."

24 MS. HARRIS: And then the remaining
25 pages -- changes were on page 31; is that correct?

1 THE WITNESS: On page 23 I deleted an
2 extra comma on line 14.

3 And yes, the other two changes were on
4 page 31.

5 MS. HARRIS: Thank you.

6 THE WITNESS: Your welcome.

7 BY MR. STEPHENS:

8 Q Other than modifications that you just
9 addressed, if I were to ask you the questions you
10 answered in your written rebuttal testimony today,
11 would your answers be the same?

12 A Yes, they would.

13 MR. STEPHENS: Miss Cunningham is
14 available for cross-examination.

15 COMMISSIONER PONGRACZ: Thank you.

16 Miss Cassity?

17 MS. CASSITY: Yes. Thank you.

18 CROSS-EXAMINATION

19 BY MS. CASSITY:

20 Q Miss Cunningham, could you please turn
21 to Late-Filed Exhibit 61.

22 A Is it up here? I'm not sure that I
23 have it handy.

24 MR. STEPHENS: I think --

25 THE WITNESS: I'm sorry, what -- oh,

1 sorry. Yes, I have it.

2 BY MS. CASSITY:

3 Q And can you just walk us through what
4 each of these documents -- what each of these pages
5 are, and what they're telling us?

6 A I can. I ran two different reports on
7 the Battle Mountain lateral work order. They're
8 each two pages. The first report is a cost
9 repository query because Mr. Maguire wanted us to
10 show that -- and I'm going to reference his
11 exhibit, which is the last page of PRM-7. He
12 provided an invoice in the amount of \$200,398.03,
13 so he wanted a report that showed when it was
14 booked.

15 So if we can go back to the first page
16 of the cost repository report, that very last item
17 for Q&D Construction shows it was paid, and the
18 month number is that first column, it says 2018/08,
19 so that shows that it hit our books in August.

20 And then the purpose of the second
21 report was to -- it's basically another cost
22 repository report by source in our general ledger,
23 because if there happened to be any accruals made
24 in a prior month it would show here. This just
25 shows that there were no prior accruals that would

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1 have impacted the expense that was included in the
2 GIR portion of this rate case.

3 So this is just to show we paid the
4 amount in August, and that was it. That was all
5 the activity on our books related to that charge.

6 Q So this document doesn't show how much
7 for this project or work order was closed to plant
8 on or before the certification date, so that we can
9 then compare with what was booked to this work
10 order to show that the costs were not included in
11 the certification filing; correct?

12 I mean, I can see, I can see that it's
13 dated August 8th, but that doesn't tell me that it
14 wasn't included.

15 A Well, what was included through the
16 certification period, if it had a date of 2017/01
17 or sooner it would have been included, because
18 there is a month lag between when we have a cost
19 and when we book deferrals on it. And since our
20 certification period ended in July, anything paid
21 after July would not be included.

22 Q Okay. And is there somewhere in the
23 filing that Staff can verify that, that it's not
24 included in the certification filing? Is there
25 somewhere in the certification filing that Staff

1 can look?

2 A I thought that was the purpose of this
3 exhibit, was to show that it was paid in August and
4 therefore would not be included.

5 So are you looking for a report that
6 supports what was included in July? I thought we
7 were only focused on this one line item.

8 Q I think in order to show that -- or I
9 guess I should ask.

10 Wouldn't you agree that in order to
11 show that something wasn't included in
12 certification, you would have to show what was
13 provided in certification, and then what was added
14 afterwards, to show that it wasn't included?

15 A I guess we can have another, an
16 addendum to the late-filed exhibit. I'm at a bit
17 of a disadvantage because this was Miss Potokar's
18 issue, and she's out, so I was just trying to fill
19 in and provide the information.

20 And since we don't have a subtotal
21 through July, and -- dispersed is only AP entries;
22 it's not all the entries to the work order. And
23 off the top of my head, I don't know what we
24 included. I would have to go find it. So we would
25 be happy to supplement.

1 MS. CASSITY: Commissioner, I guess I
2 would leave it up to the Commission to decide if
3 they just want to -- you know, without this
4 information Staff can't verify it. I don't know if
5 the Commission just wants to take the Company's
6 word for it and leave it at that, we'll leave it
7 alone, but I don't think this documentation shows
8 that the costs were removed.

9 COMMISSIONER PONGRACZ: I'm reluctant
10 to open the door to supplementation at this point.
11 I think we need to let the case rest on the
12 documentation that we will be receiving during
13 these hearings, as well as what's been received
14 earlier.

15 MS. CASSITY: Thank you.

16 BY MS. CASSITY:

17 Q Miss Cunningham, can you please turn to
18 page 4 of your testimony.

19 A I'm there.

20 Q And at lines 4 to 7 you state: The
21 Company complied with what the two parties had
22 agreed upon.

23 And this is in response to what should
24 be provided in response to MDR 106; is that right?

25 A Yes.

1 Q So the Company complied with what the
2 two parties had agreed upon, which was to identify
3 and provide a summary of those projects. And it
4 looks like you've capitalized, bolded, and
5 underlined the term "summary." And I believe
6 during our discussions on direct you did not
7 provide the summaries in your direct testimony or
8 in the application; correct?

9 A At the time I wrote this rebuttal, I
10 was not aware that those exhibits had not been
11 filed.

12 Q Okay. So between the time that you
13 filed your direct testimony and you filed your
14 rebuttal, you didn't go back to check, before you
15 put this in your testimony, that you actually did
16 provide those summaries?

17 A I did not check the PDF version. I was
18 working from my Excel version.

19 Q And if you could turn to page 6.

20 And at lines 5 to 9 you state that:
21 Southwest Gas provided complete listings of project
22 costs and voucher numbers and provided the contract
23 information, believing Mr. Danise would employ some
24 kind of sampling technique.

25 And then on line 9: Instead, it

1 appeared he wanted to review all of them.

2 Do you see that?

3 A Yes.

4 Q And then on page 7, lines 7 to 11 you
5 state that: The Company could have objected to
6 this request, citing that it was excessive and
7 burdensome, and that Staff should have resumed its
8 on-site audit, but in the interests of cooperation
9 the Company diverted resources from other projects
10 in order to satiate Mr. Danise's request.

11 Do you see that?

12 A Yes.

13 Q When you state that Southwest Gas could
14 have objected to the request, are you suggesting
15 that it was inappropriate for Staff to review all
16 of Southwest Gas' documentation supporting the work
17 order projects?

18 A No, because he could have done that
19 on-site. And as I said in my rebuttal, we wanted
20 to cooperate with Mr. Danise, and so that's why we
21 didn't pose an objection at that time. We really
22 feel that working relationships with the Staff is
23 important, so we did our best to accommodate his
24 on-site audit requests.

25 Q If you could turn to page 22 of your

1 testimony, your rebuttal.

2 A I'm there.

3 Q Starting at line 22 you state: More
4 importantly, no different than any other docket --
5 and this is in reference to Mr. Danise's
6 recommendation that the Company present certain
7 witnesses to support certain costs; is that right?

8 A Correct.

9 Q Okay. So: No different than any other
10 docket that is opened at the Commission, parties to
11 a case have recourse if the applicant did not
12 adequately support its request. And in parentheses
13 you said, motions to dismiss, for example.

14 Do you see that?

15 A Yes.

16 Q Do you know what the legal standard for
17 filing a motion to dismiss in the State of Nevada
18 is?

19 A I'm not an attorney.

20 Q And so you don't know?

21 A No.

22 Q And because you don't know the legal
23 standard for filing a motion to dismiss, you don't
24 know that the motion to dismiss was in fact a
25 recourse option for the parties; correct?

1 A I was advised by counsel that it was.

2 Q Okay. So you personally don't know
3 what legal standard must be met in order to file
4 a motion to dismiss in Nevada.

5 A Right.

6 Q Miss Cunningham, it appears, based on
7 your rebuttal testimony, that you were aware prior
8 to filing the rate application that Southwest Gas
9 had signed a stipulation with Staff in Docket
10 17-08020 regarding the Anasazi Federal reportable
11 incident; is that correct?

12 A Yes.

13 Q And the Commission approved that
14 stipulation; right?

15 A It did.

16 MS. CASSITY: Commissioner, at this
17 time I would just like to take administrative
18 notice of the order and the stipulation in Docket
19 17-08020.

20 COMMISSIONER PONGRACZ: Do you have a
21 date on that, Counsel?

22 MS. CASSITY: I believe I do. The
23 order was issued on October 18th, 2017.

24 COMMISSIONER PONGRACZ: We will take
25 administrative notice of the Commission order

1 issued on October 18th, 2017 regarding the Anasazi
2 reportable incident in Docket 17-08020.

3 (Administrative Notice Taken.)

4 MS. CASSITY: Thank you.

5 BY MS. CASSITY:

6 Q Miss Cunningham, in that stipulation
7 Southwest Gas agreed that it would not seek cost
8 recovery for the costs associated with replacing
9 the backhoe; is that correct?

10 A Yes, that's correct.

11 Q So even though you knew Southwest Gas
12 had signed a stipulation with Staff to not seek
13 cost recovery for those costs, and that the
14 Commission ordered such costs not be included for
15 cost recovery, you still included those costs in
16 the application for cost recovery; isn't that
17 correct?

18 A That was inadvertent.

19 Q So regardless of whether it was
20 inadvertent, the fact is that the costs were
21 included in Southwest Gas' application for cost
22 recovery; is that correct?

23 A They were inadvertently included in the
24 initial application; removed by the certification
25 application.

1 Q And are you aware that Staff issued a
2 data request to the Company asking if the Company
3 had made an adjustment in its GRC filing for the
4 costs related to the backhoe? Do you recall that?

5 A I recall a data request related to the
6 backhoe. I don't recall the exact wording of it.

7 Q Are you aware of whether Southwest --
8 that Southwest Gas responded that it would make an
9 adjustment in July 2018 for these costs?

10 A We did. And we have a journal entry to
11 support it.

12 Q And do you know when those costs were
13 removed?

14 A They were removed in July.

15 Q Do you know the date?

16 A Well, typically when we have journal
17 entries they are for a monthly period. They can be
18 made any time until the books close for July, so
19 it's possible it could have been made the first
20 week of August, but I don't know the exact date it
21 was made.

22 Q Okay.

23 A I would have to see it.

24 Q No problem.

25 So from November 2016 -- or excuse me.

1 Do you know when the backhoe was included in the
2 project costs?

3 A I don't know when it closed to plant.

4 Q Would November 2016 sound accurate?

5 A I think so. I do know it should have
6 been written off at that time.

7 Q So from the date it closed to plant,
8 which was around November 2016, the date it was
9 placed into service, until approximately July,
10 possibly August 2018 when Staff issued the DR
11 raising the issue, Southwest Gas made no attempt
12 to remove the backhoe costs from the filing; is
13 that correct?

14 A As I said, it was inadvertent. I had
15 believed it had been removed at the time it was in
16 service. When I found that it hadn't, we
17 immediately corrected it.

18 And I have to credit Staff to alert us
19 to the issue. I mean, it's embarrassing, but we
20 did correct it as soon as we were made aware.

21 Q In your testimony on page 24 --

22 A I'm there.

23 Q -- or excuse me, let's go to page 32.
24 I'm sorry.

25 A Okay. I'm there.

1 Q Line 24, well, actually it starts on
2 line 23, you state the amounts should be 6,608,299
3 as it relates to the MIP; correct?

4 A That's correct.

5 Q In parentheses the sums of line 7 and 8
6 on Schedule I-19.

7 Do you have Schedule I-19 up there?

8 A I do have H-19, but it's unchanged,
9 so --

10 Q Okay.

11 A -- it should be the same numbers.

12 Q All right. Let's take a look at that.

13 Can you explain for me what the value
14 found in line 8 of Schedule -- well, I-18 is what
15 Staff was looking at - what that represents?

16 A And you're looking at a negative
17 426,901 --

18 Q Yes.

19 A -- just so we're talking about the same
20 number?

21 Yes, I can tell you what that is. So I
22 know it's been discussed before, our MIP plan has
23 two separate measures for certain upper level
24 management, there's certain measures at the HoldCo
25 level, there's certain measures for everyone else,

1 and there's about four or five individuals who
2 are at the HoldCo level, depending on the time.
3 So as those executives have responsibility at the
4 HoldCo level, which serves both of our groups, the
5 construction group and the utility group, we
6 allocate some of those costs to the construction
7 group, and that's what this credit represents.

8 And that's why we call it a non-utility
9 measure.

10 Q So is that value specific only to the
11 MIP and does not include any of the values related
12 to the incentive plans found in lines 1 through 5
13 of that schedule?

14 A It's the MIP.

15 Q Just the MIP.

16 A Yes.

17 Q So in your direct testimony, if you
18 could turn -- do you have your direct testimony in
19 front of you? I think there's a binder up there.

20 A I have it. I have it, it's just in
21 small print.

22 Q On page 16.

23 And if you'll look at lines -- are you
24 there?

25 A Yes.

1 Q If you're looking at lines 16 to 17 you
2 state: Finally, the Company removed the amount
3 related to the non-utility measure applicable to
4 certain executives within these plans.

5 Did you mean "plan" --

6 A I probably did.

7 Q -- MIP?

8 Okay. I just wanted to clarify. Thank
9 you.

10 Miss Cunningham, in your rebuttal
11 testimony at pages 23 to 24, related to the cost
12 recovery for the Cyanco MSA/regulator station,
13 you're responding to Mr. Danise's recommendation
14 to disallow \$223,306 in rate base; is that correct?

15 A Yes.

16 Q And do you have Mr. Danise's
17 testimony -- well, let me ask the question, and if
18 you need a reference to his testimony, please do.

19 As referenced in Mr. Danise's testimony
20 at page 31, this concerns work order number 0026W.
21 Do you want to look?

22 A I don't mind taking your word for it.

23 Q Okay. So the work order --

24 A There are a lot of work orders in that
25 district.

1 Q So the work order number is
2 0026W1423077.

3 And Cyanco is a contract customer of
4 Southwest Gas; correct?

5 A Right.

6 Q And so in other words, it's not a full
7 margin customer.

8 A Right.

9 Q On page 24 of of your rebuttal, Q&A 60,
10 lines 11 to 12, you state that: This project was
11 done in conjunction with Cyanco's request for a gas
12 delivery capacity and contractual increase.

13 Do you see that?

14 A Yes.

15 Q And when you reference the capacity and
16 contractual increase, I assume - so please correct
17 me if I'm wrong - you mean an increase to Cyanco's
18 delivered gas capacity and a corresponding increase
19 in its contractual rates; is that right?

20 A An increase in its contractual rates?

21 Q Because you state, contractual
22 increase.

23 A Oh, okay. Yes.

24 Q So that was yes in response to my
25 question?

1 A That's my understanding of why the
2 project was done.

3 Q Okay. Thank you.

4 Do you know when the work was completed
5 for the Cyanco MSA/regulator station?

6 If it's helpful, I can refer you to
7 Adam Danise's testimony.

8 A It should be in one of my exhibits as
9 well.

10 I believe it was in 2012.

11 Q Does April 30th, 2012 sound about
12 right?

13 A That sounds a little early, because
14 that would have been in our certification period in
15 our last rate case. I think it was July or August.

16 Q Okay. Let's turn to Adam Danise's
17 testimony, AED 39.

18 A I have July 2012 on RLC-4, sheet 4.

19 Q Okay. Thank you.

20 Is that the closed to plant date, or is
21 that when --

22 A That's the date transferred -- the date
23 first transferred to plant. So it would have been
24 in CWIP prior to that date.

25 Q Okay. Thank you.

1 Do you know when the new contract for
2 Cyanco was executed that supported the gas delivery
3 capacity and contractual increase?

4 A I don't recall that date.

5 Q Does June 2016 sound about right?

6 A I know we renegotiated the contract
7 after this was completed; that sounds reasonable.

8 Q Were you aware of the Company filing an
9 update to its Cyanco contract in Docket 18-06016?

10 A I think our rebuttal witness, probably
11 either Randy Gabe or Brooks Congdon, has more
12 knowledge of that. My testimony is focused on just
13 the rate recovery of this item.

14 Q So the capacity increase and
15 contractual increase that you are referencing in
16 your Q&A 60, those were four years apart; correct?

17 A That sounds about right.

18 Q So can you tell me how, with that
19 four-year gap, the project was done in conjunction
20 with Cyanco's contractual increase?

21 A It's my understanding that there are
22 operational efficiencies as well involved with
23 that, so we needed to get it ready before their
24 load increased.

25 Q And if you look at Adam's AED-39, there

1 is a total amount for this project on page 1 of 2
2 at the bottom, that has an amount of 137,689.41.

3 Do you see that?

4 A Yes.

5 Q But Southwest Gas is asking for 223,306
6 in rate base; is that correct?

7 A Could I take a minute to review this
8 exhibit, please?

9 Q Absolutely.

10 A Oh, this is the cost estimate. It's
11 not what we spent.

12 Q So do you know what the difference
13 would be?

14 A No, I don't know.

15 Q Also, at page 24, Q&A 60, you reference
16 Southwest Gas' response to Staff's DR 371. Do you
17 see that? Line 14 of page 24?

18 A Yes.

19 Q And you state that the project costs
20 were justified by the additional margin forecasted
21 gas usage at Cyanco's current gas service.

22 Do you see that?

23 A Yes.

24 MS. CASSITY: Now Commissioner, at this
25 time is where I would want to break to go into

1 confidential session.

2 COMMISSIONER PONGRACZ: That's fine.

3 MR. STEPHENS: And I guess, Debbie, do
4 you need me to provide what you need me to say on
5 this part of the record, or on the next part of the
6 record.

7 MS. BARTGIS: It's your choice; just as
8 long as it gets on the record somewhere.

9 Thank you.

10 MR. STEPHENS: Okay. Well, let's put
11 it on here.

12 Staff, both Staff and BCP have executed
13 protective agreements with Southwest Gas with
14 respect to this case, and so Southwest Gas' is fine
15 with a copy of the transcript being provided to
16 both Staff and BCP; and Southwest Gas would also
17 like a copy.

18 MS. BARTGIS: Thank you, Mr. Stephens.

19 MR. STEPHENS: Does that give you
20 everything you need?

21 MS. BARTGIS: It does. Thank you.

22 MR. STEPHENS: Thank you.

23 MS. CASSITY: And Commissioner?

24 COMMISSIONER PONGRACZ: Yes,
25 Miss Cassity?

1 MS. CASSITY: If I could just ask one
2 clarifying question, just so we don't go into a
3 confidential session and then immediately have to
4 come back out.

5 COMMISSIONER PONGRACZ: Please go
6 ahead.

7 BY MS. CASSITY:

8 Q Miss Cunningham, are you familiar with
9 the documentation that was provided related to the
10 Cyanco project in Docket 18-06016?

11 A I'm somewhat familiar, probably most
12 familiar with the attachments in Mr. Danise's
13 testimony, but I know there is other discovery on
14 Cyanco. I'm not as familiar with those.

15 Q So would you be able to compare the
16 response to DR Staff 371 with the information that
17 was provided in the Cyanco Docket 18-06016?

18 A No. I don't know what was provided in
19 that other docket.

20 Q Which witness would?

21 A It's either Mr. Gabe or Mr. Congdon.
22 Probably Mr. Gabe.

23 MS. CASSITY: Commissioner, I guess my
24 concern is just if we get to Mr. Gabe and he can't
25 answer the questions, then we're kind of stuck.

1 COMMISSIONER PONGRACZ: I understand.

2 Can counsel for Southwest Gas respond
3 to the question that was asked by Staff Counsel
4 regarding which of his witnesses can answer those
5 questions?

6 MR. STEPHENS: Well, no, because I
7 don't know which document she's referring to, and
8 which documents are being compared.

9 COMMISSIONER PONGRACZ: Could you
10 provide some additional detail, please,
11 Miss Cassity?

12 MS. CASSITY: Yes. So the response to
13 DR Staff 371, and the information that was just
14 filed in the 18-06016 docket. I don't want to call
15 it a contract because, I don't know that it is a
16 contract, but there were pages regarding the
17 contract.

18 COMMISSIONER PONGRACZ: And these pages
19 were filed by Southwest Gas?

20 MS. CASSITY: Yes.

21 COMMISSIONER PONGRACZ: Is that
22 sufficient information for you to be able to
23 respond, Mr. Stephens?

24 MR. STEPHENS: Not really. I would
25 rather like to -- I would prefer to look at the

1 documents to see exactly what's entailed in them.

2 COMMISSIONER PONGRACZ: Is it possible
3 to provide counsel with a copy of the two
4 documents?

5 MS. CASSITY: Yes.

6 MR. STEPHENS: May I confer for a few
7 minutes and we go off the record?

8 COMMISSIONER PONGRACZ: Certainly.

9 MR. STEPHENS: Okay. Thank.

10 COMMISSIONER PONGRACZ: Would five
11 minutes --

12 MR. STEPHENS: I think that would be
13 sufficient.

14 COMMISSIONER PONGRACZ: Thank you.

15 We'll be off the record for five
16 minutes.

17 (At 3:42 p.m. a recess was taken.)

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1 CARSON CITY AND LAS VEGAS, NEVADA

2 THURSDAY, OCTOBER 25, 2018

3 3:48 P.M.

4 -oOo-

5 COMMISSIONER PONGRACZ: We'll go back
6 on the record.

7 Could counsel for Staff and Southwest
8 Gas summarize the off-the-record conversation about
9 the witnesses' responsibility for the Cyanco
10 issues?

11 MS. CASSITY: Yes, Commissioner. The
12 parties agreed that we will go ahead and ask these
13 questions of Mr. Gabe when he comes up, and to the
14 extent he is unable to answer the questions that we
15 have to ask, we reserve the right to recall
16 Miss Cunningham to ask those questions.

17 COMMISSIONER PONGRACZ: Thank you.

18 And Mr. Stephens, is that satisfactory
19 to Southwest Gas?

20 MR. STEPHENS: Yes.

21 COMMISSIONER PONGRACZ: Thank you.

22 Miss Cassity, please proceed.

23 MS. CASSITY: I have no further
24 questions.

25 Thank you.

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1 COMMISSIONER PONGRACZ: Thank you.

2 Mr. Stuhff?

3 MR. STUHFF: Thank you.

4 CROSS-EXAMINATION

5 BY MR. STUHFF:

6 Q Good afternoon, Miss Cunningham.

7 Turning to your rebuttal testimony at
8 page 30 here, at lines 7 through 11 you say that
9 you don't give the incentive survey provided by
10 Mr. Garrett much weight because it appears to be
11 an incomplete collection of carefully selected
12 cases or unsupported statements.

13 Do you remember that?

14 A Yes.

15 Q Did you review Mr. Garrett's actual
16 survey, or just the summary provided in his
17 testimony?

18 A I reviewed the summary provided in
19 testimony, and I heard his testimony, his direct
20 testimony, while he was here.

21 Q Okay. Did you ask for a copy of the
22 actual survey?

23 A No.

24 Q Were you aware that the survey is a
25 phone survey of Commission Staff personnel in the

1 24 states?

2 A Yes, I heard Mr. Garrett testify to
3 that effect.

4 Q Now turning your attention to pages 38
5 through 41, you assert that the BCP's adjustment to
6 amortize the Tax Cuts and Jobs Act savings from
7 January 1st through the date new rates go into
8 effect is retroactive ratemaking.

9 Do you see that?

10 A Yes.

11 Q Specifically at page 39, lines 16
12 through 17 you state that: The 2018 tax expense
13 difference due to TCJA is no different than any
14 other regulatory lag difference between rate cases.

15 Do you see that?

16 A Yes.

17 Q When is the last time the Company
18 experienced a 40 percent reduction in its Federal
19 income tax rates, if ever?

20 A There was a big reduction in the 80's,
21 but it's not an event that occurs frequently.

22 Q As a matter of fact, it could be
23 categorized as an extraordinary event, couldn't it?

24 A It could.

25 Q And the Tax Reform Act from 1986

1 lowered corporate rates from roughly 50 percent to
2 35 percent; correct?

3 A Yes, it was a large reduction.

4 Q Perhaps a 30 percent reduction, and the
5 TCJA is a 40 percent reduction.

6 A I trust your math.

7 Q Thank you.

8 Let's see. Now turning to the meaning
9 of -- what would the Company have done differently
10 if the TCJA had been a 40 percent tax rate increase
11 rather than a reduction?

12 A We should be consistent in our absence
13 of a request for a change in rates.

14 Q Wouldn't you have come in and asked and
15 made a filing requesting additional revenues for a
16 tax increase?

17 A That's kind of speculative, but as I
18 said, we should be consistent.

19 Q Well, wouldn't that be consistent?

20 A We didn't ask for a change due to the
21 decrease, nor do I believe we would request a
22 change in rates for an increase until our next rate
23 case.

24 Q Are you familiar with the Commerce
25 substation disaster?

1 A That's not within the scope of my
2 testimony.

3 Q Well, would you agree that the Commerce
4 substation disaster was an extraordinary event?

5 MR. STEPHENS: Objection. Outside the
6 scope of her testimony.

7 MR. STUHFF: What I'm trying to show is
8 that the Company should treat extraordinary events
9 consistently. She doesn't have to have an
10 incredibly high familiarity with the Commerce
11 substation event to know that from an accounting
12 perspective she should be required to treat
13 extraordinary events consistently.

14 That's the point I'm trying to make
15 here. I'm not going to get too deep into the
16 Commerce substation; I'm just trying to provide a
17 parallel here.

18 COMMISSIONER PONGRACZ: Mr. Stuhff, the
19 witness has -- well, did you state that you're --
20 can you lay a foundation, Mr. Stuhff, regarding the
21 extent of the witness' knowledge in this area?

22 MR. STUHFF: Sure.

23 BY MR. STUHFF:

24 Q Did you testify in the 2012 general
25 rate case for Southwest Gas Corporation?

1 A Yes.

2 Q In the 2012 general rate case did you
3 testify regarding a Commerce substation
4 extraordinary adjustment?

5 A I believe I can answer his question.
6 I testified to a self-insured retention
7 normalization, which we typically do over a 10-year
8 period.

9 Q Okay. So you do have some familiarity
10 with the Commerce substation disaster?

11 COMMISSIONER PONGRACZ: Now,
12 Mr. Stuhff, I will allow you to ask a question
13 regarding a principle being discussed in her
14 testimony. Perhaps you could be mindful of that
15 in how you phrase the question, rather than getting
16 into the facts that are outside the scope of her
17 testimony.

18 MR. STUHFF: Okay. I will do that.

19 BY MR. STUHFF:

20 Q From an accounting perspective it's
21 important to be consistent; isn't that correct?

22 A I think it depends. We, in our last
23 rate case, we requested a normalization of costs,
24 and within that normalization period --

25 Q That's not my question. Is it

1 important to be consistent?

2 A I guess my point is these two events
3 are very different. The Commerce substation
4 incident is part of our normal course of business,
5 and therefore is, you know, our self-insured
6 retention expense is a normal course, and we didn't
7 request to change our rates for that incident until
8 the next rate case. We did not ask for any kind of
9 tracking mechanism for it. Outside of a rate case.

10 Q Didn't you ask for a regulatory asset
11 while you deferred the costs?

12 A We did, because the expense was
13 incurred during the test period. However, the
14 Commission ruled that since it was ongoing, to wait
15 until the next rate case.

16 Q So to be consistent, shouldn't you ask
17 for a regulatory liability in this case if you have
18 a extraordinary event that results in a gain rather
19 than a loss?

20 A No, because the regulatory asset
21 established in the last rate case was for a cost
22 that had already been incurred during the test
23 year. The change in income tax rates, while it
24 occurred during our test year, our rates from this
25 case are not effective until January 2019, so

1 that's when it would be reflected as a result of
2 this rate case.

3 MR. STUHFF: No further questions.

4 COMMISSIONER PONGRACZ: Thank you.

5 Is there redirect?

6 MR. STEPHENS: Yes. Just briefly.

7 REDIRECT EXAMINATION

8 BY MR. STEPHENS:

9 Q Staff Counsel, Miss Cassity, asked you
10 some questions with respect to Q&A 8 in your
11 rebuttal testimony, specifically with respect to
12 the summaries for MDR 106.

13 I just want to provide clarification.
14 I believe you testified in your direct that some
15 summaries were provided, it's just when you were on
16 the stand you realized that there were certain
17 summaries that were not included in the exhibit; is
18 that correct?

19 A That's correct. The Southern Nevada
20 summaries were in there.

21 MR. STEPHENS: No further questions.

22 Thank you.

23 COMMISSIONER PONGRACZ: Thank you.

24 Are there questions from the dais in
25 Carson City for this witness?

1 MR. McDONNELL: I have no questions.

2 Thank you.

3 MS. LIGHTHART: And I have no
4 questions. Thank you.

5 COMMISSIONER PONGRACZ: Thank you.

6 And do others on the dais here in
7 Las Vegas have questions for this witness?

8 Mr. Traxler?

9 MR. TRAXLER: Just a couple,
10 Commissioner. Thank you.

11 CLARIFICATION

12 QUESTIONS

13 BY MR. TRAXLER:

14 Q Miss Cunningham, I need a clarification
15 of your direct testimony.

16 On page 16 --

17 A You said page 16?

18 Q 16.

19 A Okay.

20 Q When you're talking about the
21 recommendation for the MIP expense in this case,
22 you indicate that the three-year average is being
23 recommended for the MIP. And my question -- I'm
24 sure that applies specifically to the normal
25 employee MIP; correct?

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1 A In this case, we're applying it to the
2 total expense. We didn't try and bifurcate the two
3 plans in that regard. I know that the -- or it's
4 not two plans but, you know, the two different
5 measures, sets of measures. This was based on the
6 measure that applies to the most individuals.

7 Q Well, the MIP for the executives has
8 only been in effect for two years; right?

9 A The plan changed, I believe, two years
10 ago, so I wouldn't say it's a new plan, it's just a
11 different plan. And I thought it was -- yes, with
12 the formation of our Holding Company I think there
13 were some changes made two years ago; I think
14 you're right in that regard.

15 Q Well, I know that Miss Olesky's
16 testimony has a value for two different plans
17 beginning in 2016.

18 A Yes. Yes.

19 Q Okay. So that's where my confusion is.
20 Do we have, are we recommending a
21 three-year average for the executive plan and a
22 normal employee plan?

23 A Yes.

24 Q And you --

25 A And I think the way I calculated it was

1 based on the three-year average of the plan that
2 applied to all but those four or five individuals.

3 Q Okay. The metrics for the executive
4 plan, how did the metrics in the normal plan
5 compare to the metrics for simply the executive
6 plan?

7 A It's my understanding that the net
8 income measure is different within those two plans,
9 so one is at the Holding Company level and one is
10 for Southwest Gas only.

11 Q And with regard to the other metrics,
12 do they still apply --

13 A Yes.

14 Q -- to the executive plan?

15 A Yes.

16 MR. TRAXLER: Okay. I think that's all
17 the questions I have.

18 Thank you.

19 COMMISSIONER PONGRACZ: Thank you.

20 Miss Harris?

21 CLARIFICATION

22 QUESTIONS

23 BY MS. HARRIS:

24 Q I just have one clarifying
25 administrative question.

1 You made an edit to your testimony, and
2 I just wanted to make sure that I have it correct,
3 on page 17, line 20, deleting everything after
4 "allowance"; is that correct?

5 A The word is "disallowance" --

6 Q I'm sorry --

7 A -- yes. Yes.

8 Q -- after "disallowance."

9 A Yes, that's the last word in that
10 sentence. Everything subsequent to that should be
11 removed.

12 Q And did you make a similar edit on page
13 19, line 13?

14 A I should have. It looks like my Sticky
15 fell off.

16 Q Would you like to make that edit?

17 A I would, yes, please.

18 Q Would you go ahead and just describe it
19 for me?

20 A So on page 19, line 13, the last word
21 in that full sentence in that line should end at
22 the word "disallowance," and "because" on line 13
23 and all of line 14 should be deleted.

24 MS. HARRIS: Thank you.

25 THE WITNESS: Thank you.

1 COMMISSIONER PONGRACZ: And I have no
2 questions for you at this time.

3 You do understand that you may be
4 recalled later?

5 THE WITNESS: Yes. Thank you.

6 COMMISSIONER PONGRACZ: Thank you so
7 much.

8 (The witness was excused.)

9 MS. CASSITY: Commissioner?

10 COMMISSIONER PONGRACZ: Yes,
11 Miss Cassity?

12 MS. CASSITY: Just one administration
13 clarification. I don't know that we marked
14 Miss Berger's confidential, or did we and I missed
15 it?

16 MR. STEPHENS: No, we are bringing it
17 on pink sheets to supplement the, what is it,
18 70-which?

19 MS. HARRIS: The revenue requirement
20 rebuttal testimony of Christy Berger was marked
21 Exhibit 77.

22 MR. STEPHENS: So 77. So we didn't
23 have the pink sheets with us, and we're bringing
24 the pink sheets, too.

25 MS. CASSITY: Okay. Can we just

1 reserve a late-filed exhibit or something to
2 reserve that confidential exhibit, to reserve
3 that?

4 COMMISSIONER PONGRACZ: Would it be
5 provided on Monday, the pink sheets?

6 (Inaudible from the Audience.)

7 COMMISSIONER PONGRACZ: Ah. Thank
8 you.

9 MS. HARRIS: And I don't think we'll
10 have to mark them as late-filed, but once we get
11 there we'll mark it the next confidential exhibit
12 in order.

13 COMMISSIONER PONGRACZ: Thank you for
14 bringing this to our attention.

15 MR. STUHFF: At this time are we going
16 into rate design, I believe, or are we --

17 COMMISSIONER PONGRACZ: Take just a
18 brief moment on the record, take a deep breath, as
19 we transition into rate design.

20 MR. STUHFF: I would just, as a
21 housekeeping matter, like to note that Mr. Saunders
22 I believe, will be handling most, if not all the
23 rate design here, so let me just go and fetch him,
24 if I might.

25 MR. STEPHENS: Well, should we just

1 take a quick breather?

2 COMMISSIONER PONGRACZ: Let's take five
3 minutes. Yes.

4 So we will be off the record until
5 4:05.

6 (At 4:04 p.m. a recess was taken.)

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1 CARSON CITY AND LAS VEGAS, NEVADA

2 THURSDAY, OCTOBER 25, 2018

3 4:12 P.M.

4 -oOo-

5 COMMISSIONER PONGRACZ: We will be back
6 on the record. And we will begin the rate design
7 phase with Southwest Gas direct.

8 MR. STEPHENS: Ms. Harris, do we need
9 to put that on the record with respect to C - oh,
10 goodness - the confidential exhibits?

11 MS. HARRIS: We need to mark them.

12 MR. STEPHENS: Okay. We request to
13 mark the confidential exhibits with respect to
14 Miss Berger's rebuttal testimony on revenue
15 requirement.

16 MS. HARRIS: Confidential Attachment 1
17 to the rebuttal testimony of Christy Berger, will
18 be marked Exhibit C-8.

19 (Confidential Exhibit No. C-8
20 was marked for identification.)

21 MS. HARRIS: Confidential Attachment 2
22 to the rebuttal testimony of Christy Berger, will
23 be marked Exhibit C-9.

24 (Confidential Exhibit No. C-9
25 was marked for identification.)

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1 COMMISSIONER PONGRACZ: Thank you.

2 PHASE 3

3 RATE DESIGN

4 -o0o-

5 Miss Kolebuck?

6 MS. KOLEBUCK: The Company calls Carla.

7 Ayala to the stand, please.

8 (One witness was sworn: Carla Ayala.)

9 CARLA AYALA

10 called as a witness on behalf of

11 SOUTHWEST GAS CORPORATION

12 having been first duly sworn

13 was examined and testified as follows:

14 DIRECT EXAMINATION

15 BY MS. KOLEBUCK:

16 Q Please state your name, and spell your
17 last name for the record.

18 A Carla Ayala, A-y-a-l-a.

19 Q And where are you employed?

20 A At Southwest Gas.

21 Q And what is your position at Southwest
22 Gas?

23 A I'm an Economist in the Demand Planning
24 Department.

25 Q Have you prepared written prefilled

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1 direct and certification testimony, with exhibits,
2 in this case?

3 A Yes, I have.

4 Q Was your testimony and exhibits
5 prepared by you or at your direction?

6 A Yes.

7 MS. KOLEBUCK: I would request to mark
8 Miss Ayala's direct and certification testimony as
9 the next exhibits in order.

10 MS. HARRIS: The direct testimony of
11 Carla Ayala, will be marked Exhibit 82.

12 (Exhibit No. 82 was marked for identification.)

13 MS. HARRIS: The certification
14 testimony of Carla Ayala, will be marked Exhibit
15 83.

16 (Exhibit No. 83 was marked for identification.)

17 BY MS. KOLEBUCK:

18 Q Miss Ayala, do you have any changes to
19 your direct or prepared certification testimony or
20 exhibits?

21 A No, I do not.

22 Q If I were to ask you the questions you
23 answered in your written testimony today, would
24 your answers be the same?

25 A Yes, they would.

1 MS. KOLEBUCK: Miss Ayala is available
2 for cross.
3 COMMISSIONER PONGRACZ: Thank you.
4 Is it Miss Cassity?
5 MS. CASSITY: No questions. Thank you.
6 COMMISSIONER PONGRACZ: Mr. Saunders?
7 MR. SAUNDERS: No questions.
8 COMMISSIONER PONGRACZ: Do we have --
9 no redirect.
10 Do we have questions from the dais in
11 Carson City for this witness?
12 MR. McDONNELL: No questions.
13 MS. LIGHTHART: No questions. Thank
14 you.
15 COMMISSIONER PONGRACZ: Thank you.
16 Do we have questions from the dais here
17 in Las Vegas for this witness?
18 MR. VINSKI: No questions.
19 COMMISSIONER PONGRACZ: And I have no
20 questions. Thank you very much.
21 You are excused.
22 THE WITNESS: Thank you.
23 (The witness was excused.)
24 MS. KOLEBUCK: The Company calls
25 Kristien Tary to the stand, please.

1 (One witness was sworn: Kristien Tary.)

2 KRISTIEN TARY

3 called as a witness on behalf of

4 SOUTHWEST GAS CORPORATION

5 having been first duly sworn

6 was examined and testified as follows:

7 DIRECT EXAMINATION

8 BY MS. KOLEBUCK:

9 Q Please state your name, and spell your
10 last name for the record.

11 A Kristien Tary, T-a-r-y.

12 Q And where are you employed?

13 A Southwest Gas.

14 Q And what is your position at Southwest
15 Gas?

16 A Senior Analyst in the Regulation and
17 Energy Efficiency Department.

18 Q Have you prepared written prefilled
19 direct and certification testimony, with exhibits,
20 in this case?

21 A Yes, I have.

22 Q Was your testimony and exhibits
23 prepared by you or at your direction?

24 A Yes, they were.

25 MS. KOLEBUCK: I would request that

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1 Miss Tary's direct and certification testimony
2 and exhibits be marked as the next exhibits in
3 order.

4 MS. HARRIS: The direct testimony of
5 Kristien Tary, will be marked Exhibit 84.

6 (Exhibit No. 84 was marked for identification.)

7 MS. HARRIS: The certification
8 testimony of Kristien Tary, will be marked Exhibit
9 85.

10 (Exhibit No. 85 was marked for identification.)

11 BY MS. KOLEBUCK:

12 Q Do you have any changes to your
13 prepared direct or certification testimony or
14 exhibits?

15 A I have one change to my direct
16 testimony. Page 1, line 12. The department states
17 "Rates and Regulatory Analysis." It needs to be
18 "Regulation and Energy Efficiency."

19 Q Do you have any other changes to your
20 prepared written testimony or exhibits?

21 A No, I do not.

22 Q If I were to ask you the questions you
23 answered in your written testimony today, would
24 your answers be the same?

25 A Yes, they would.

1 MS. KOLEBUCK: Miss Tary is available
2 for cross.

3 COMMISSIONER PONGRACZ: Thank you.
4 Staff Counsel?

5 MS. TERWILLIGER: Thank you,
6 Commissioner.

7 CROSS-EXAMINATION

8 BY MS. TERWILLIGER:

9 Q Good afternoon, or good evening,
10 Miss Tary.

11 A Good evening.

12 Q In your direct testimony, which is
13 Exhibit 84, if you could turn to your KTM-1,
14 please, page 38 of 108.

15 A Can you repeat the page number?

16 Q Sure. 38 of 108.

17 A I'm there.

18 Q And in column (k) regarding negotiated
19 contracts, for the total direct net plant, do you
20 see that \$49 million figure?

21 A Yes.

22 Q And that figure is based on the
23 allocators using Southwest Gas' cost of service
24 model; is that right?

25 A That's correct.

1 Q And does the figure represent the
2 amount of total investments by Southwest Gas as
3 allocated to this particular customer class?

4 A Yes, when we designed this
5 informational class cost of service we tried to
6 keep the same integrity as we do the class cost
7 of service to design rates. So we didn't make the
8 major modifications when we incorporated the
9 negotiated rate customers as a class, so we didn't
10 directly assign any costs.

11 Q So they're not customer specific costs
12 that are allocated through this class cost of
13 service study to these negotiated contract
14 customers; is that right?

15 A Right. We didn't separate the
16 negotiated rate customers out and directly assign
17 costs to each customer. We lumped them together.

18 Q Okay. And then if you just look down
19 on that same column, column (k) for depreciation
20 expenses, I think it's line 15, there's
21 1.944 million. Do you see that there?

22 A Yes.

23 Q And that figure is also based on the
24 overall allocators used in the class cost of
25 service study?

1 A Correct. The majority of them are
2 approved allocators that have been used in previous
3 rate cases.

4 Q And that doesn't represent the
5 depreciation expense associated with the specific
6 facilities that serve any of those negotiated rate
7 customers; is that right?

8 A There are depreciation expenses
9 involved, because we did look at the net book value
10 of each of the negotiated rate customer classes and
11 factor those in as well.

12 Q So as part of -- so you did assign
13 specific plant to specific negotiated rate
14 customers as part of your allocation?

15 A We didn't directly assign costs, no, as
16 I previously stated.

17 Q Miss Tary, how did -- you've worked at
18 Southwest Gas in the entirety of your career;
19 right?

20 A Yes.

21 Q And you didn't work at another utility?

22 A No.

23 Q Okay. Are you familiar with the
24 National Association of Regulatory Utility
25 Commissioners?

1 A Yes. NARUC?

2 Q NARUC, right.

3 And how did you get your training
4 regarding rate design and cost allocation?

5 A I've been in the regulation department
6 for about nine years, and I went to NARUC, and I've
7 been to the New Mexico training, and learned and
8 absorbed and read cases --

9 Q Great.

10 A -- educating myself.

11 Q So at page 3 and 4 of your direct
12 testimony, that's Exhibit 84, you describe the
13 functionalization, classification, and allocation
14 process that goes on as part of rate design; is
15 that right?

16 A That's correct.

17 Q And are you familiar with NARUC's cost
18 allocation manual?

19 A I'm aware of it.

20 Q Okay.

21 MS. TERWILLIGER: I would like to mark
22 as the next exhibit in order, I have an excerpt of
23 the Electric Utility Cost Allocation Manual by
24 NARUC, dated January 1992. I have an excerpt, but
25 for the witness I've brought the full copy.

1 And I will say, just for the record,
2 this is a copy of my manual, you have to pay for
3 this, and I have asked permission from NARUC in the
4 past to make it an exhibit, but it does have a few
5 markings, because it's not free, it's something you
6 actually have to pay for.

7 MR. STEPHENS: Are there copyright
8 concerns that we are --

9 MS. TERWILLIGER: Miss Cassity
10 clarified you were asking if, Mr. Stephens, you
11 were asking if it was okay for me to have this as
12 an exhibit? I didn't pick up on that.

13 MR. STEPHENS: Yes. You said you had
14 asked permission from NARUC; I just didn't know if
15 there were any copyright concerns --

16 MS. TERWILLIGER: I've asked permission
17 in the past, and they said you could use it in
18 Commission proceedings, yes.

19 BY MS. TERWILLIGER:

20 Q So I want to direct your attention,
21 Miss Tary, to pages 20 and 21.

22 MS. TERWILLIGER: Oh, I'm sorry. Can
23 we mark that as the next exhibit in order? I'm
24 jumping ahead.

25 MS. HARRIS: Pages 20 and 21 of NARUC

1 Electric Utility Allocation Cost Manual, will be
2 marked Exhibit 86.

3 (Exhibit No. 86 was marked for identification.)

4 BY MS. TERWILLIGER:

5 Q So you have seen this manual before?
6 Have you looked at it?

7 A Not recently.

8 Q If you could turn to page 20 and 21.
9 Well, really we're focusing on page 20. And there
10 you can see that the manual is talking about the
11 classification of costs?

12 A Yes.

13 Q Okay. And it states there in that
14 second paragraph: After costs are functionalized
15 into the primary functions, some can be identified
16 as logically incurred to serve a particular
17 customer or customer class.

18 Do you see that?

19 A Correct, yes.

20 Q And I'll just read on: For example,
21 a radial distribution line that serves only a
22 particular customer may be assigned directly to
23 that customer.

24 Do you see that?

25 A Yes.

1 Q So Southwest Gas, as a starting point,
2 after it functionalized costs and was moving onto
3 the classification of costs, did not directly
4 assign facilities used only to serve the negotiated
5 rate customers to those customers; is that right?

6 A We looked at their net book value and
7 what plant they had, and we combined those
8 together.

9 But what I was trying to say is we
10 didn't separate each customer as a class of their
11 own for the negotiated rate customers and directly
12 assign costs to each of those customers. They were
13 lumped together as a class when we looked at their
14 net book value.

15 And the purpose of the informational
16 class cost of service, as directed in the '12
17 order, was to ensure that the negotiated rate
18 customers were earning the system average rate of
19 return. We weren't designing rates using that
20 class cost of service. That was just to ensure
21 that those customers were using -- or were earning
22 the system rate of return. And we tried to keep
23 all of the allocations and treat the class, the
24 negotiated rate customers as a class, like we do
25 all of the other classes, without deviating a whole

1 lot.

2 Q Okay. Just because I wasn't sure I got
3 an answer to my question, so let me try to ask it
4 another way.

5 So when you -- after you functionalized
6 costs for all the customer classes, when you got to
7 the negotiated rate customer class, you did not
8 assign to that class all of the specific costs
9 related to the facility that served that customer
10 class, even - let's not talk about one customer;
11 let's talk about the class - you didn't assign
12 specific costs that are associated with those
13 customers, with serving those customers that don't
14 serve any other customers, to that customer class;
15 is that right?

16 A We did, to the best of our ability. We
17 looked at their net book value, and we added what
18 plant, and combined that together as a class, and
19 then we also did a weighted meter and service
20 allocation as well.

21 Q Are you sure you didn't look at the net
22 book value as a comparison function to make sure
23 that the allocations covered those costs, or did
24 you actually, in the classification process, assign
25 that plant to that customer class, or those

1 customers?

2 A Can you rephrase that?

3 Q Sure. Let me try it again.

4 Did you compare the net book value
5 associated with those, the plant that serves those
6 customers, to what was the allocation, the class
7 cost of service study kind of spit out for the net
8 investment, or the net plant? Did you compare
9 those, or did you actually assign dollars -- let me
10 do this. Let me take an example.

11 Are you aware of the Nevada
12 Cogeneration Associates? Are you aware of that
13 contract customer?

14 A NCA 1 and NCA 2?

15 Q Yes. And that there is pipe used to
16 serve just them?

17 A To my knowledge, yes.

18 Q Did you take the costs associated with
19 that pipe and classify it to either that customer
20 class or to that customer specifically as part of
21 the class cost of service study?

22 A It was, the net book value was added
23 together for it, because we're portraying all of
24 the negotiated customers as a class, so.

25

1 COMMISSION

2 QUESTIONS

3 BY COMMISSIONER PONGRACZ:

4 Q Could I ask a question?

5 So how did you initially identify the
6 net book value of the costs of service for each of
7 these customers individually, the cost of the
8 facilities utilized to provide the service to them?
9 How did you, in the beginning, how did you know how
10 much cost was incurred to serve each customer
11 before you, as you said, lumped them together?

12 A I worked with out property accounting
13 department, and they provided me with the
14 information of what the plant, what the plant we
15 have to -- that they have to serve them.

16 Q And what did that plant include for
17 each of them?

18 A And I believe it was in one of my
19 workpapers.

20 Q Could you find that, and just walk us
21 through it?

22 COMMISSIONER PONGRACZ: And after my
23 simplistic question, I'll hand it back to you,
24 Miss Terwilliger.

25 MS. TERWILLIGER: Thank you.

1 BY COMMISSIONER PONGRACZ:

2 Q And without providing us with any
3 confidential information regarding any specific
4 customer, but just pick one and then tell me how --
5 what the categories were, please.

6 A If I can find the sheet.

7 MS. KOLEBUCK: May I help with a
8 reference?

9 COMMISSIONER PONGRACZ: Sure.

10 MS. KOLEBUCK: I believe sheet 183 in
11 the South, and 326 in the North. Does that sound
12 right?

13 THE WITNESS: Are you on the --

14 MS. KOLEBUCK: The workpapers.

15 THE WITNESS: The workpapers that were
16 provided, or the workpapers that were filed as an
17 exhibit?

18 MS. KOLEBUCK: Yes, it's the workpapers
19 KMT-1.

20 THE WITNESS: You said 178?

21 MS. KOLEBUCK: 183, I believe.

22 THE WITNESS: This just goes to 108.

23 MS. KOLEBUCK: May I?

24 COMMISSIONER PONGRACZ: Certainly.

25 MS. TERWILLIGER: Could we see the

1 copy, Miss Kolebuck? We're not sure what you're
2 referencing.

3 (Inaudible Conversation)

4 COMMISSIONER PONGRACZ: Right now the
5 witness is searching for a page in her workpapers,
6 and we're currently on the record.

7 MR. SAUNDERS: Commissioner, we have an
8 extra copy, if Miss Tary would like to reference
9 that.

10 COMMISSIONER PONGRACZ: Of her
11 workpapers?

12 MR. SAUNDERS: Yes.

13 COMMISSIONER PONGRACZ: Oh. Do you not
14 have a copy of your workpapers, Miss Tary?

15 THE WITNESS: I have a copy of the
16 workpapers in my exhibit, but unfortunately I can't
17 find it, what I'm looking for.

18 COMMISSIONER PONGRACZ: Let's take a
19 moment off the record, and perhaps some information
20 can be shared amongst parties under the supervision
21 of counsel, to facilitate this response.

22 We're off the record.

23 (At 4:35 p.m. a recess was taken.)

24 -oOo-

25

1 CARSON CITY AND LAS VEGAS, NEVADA

2 THURSDAY, OCTOBER 25, 2018

3 4:44 P.M.

4 -oOo-

5 COMMISSIONER PONGRACZ: We will be back
6 on the record.

7 Would you like to proceed?

8 MS. TERWILLIGER: Should I go ahead,
9 even though they don't have the document yet?

10 COMMISSIONER PONGRACZ: Sure.

11 MS. TERWILLIGER: All right. Okay.

12 CROSS-EXAMINATION

13 (Resumed)

14 BY MS. TERWILLIGER:

15 Q So these were the workpapers you were
16 looking for, and we're looking at KTM-1 workpaper,
17 sheet number 183.

18 A Correct.

19 Q And workpaper sheet number 326.

20 A Correct.

21 Q Why don't you tell me what these show?

22 A So this is the work orders that are
23 associated with each of the negotiated rate
24 customers, and it has all of the net plant that's
25 involved for each of the work orders, and then it

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1 even breaks it down by the FERC Account. And we
2 use this as a guide in the class cost of service
3 model to conservatively be -- to take more of a
4 conservative approach when we built the
5 informational class cost of service study. And
6 it came out, and we used it as a reasonableness
7 check.

8 Q Okay. So what time period do these
9 work orders represent?

10 A It's as of the test period, January
11 31st, 2018.

12 Q So are these just incremental costs of
13 serving these customers?

14 A Yes. I mean, some of these, as you
15 can see, go back to '92 as the in-service date and
16 the install date. And then some of these work
17 orders, some of these dollars are the plant could
18 have depreciated by that time.

19 Q So I just want to talk to you about a
20 few things you said.

21 You said you used these as a guide and
22 as a reasonableness check?

23 A Correct.

24 Q So can you point me to where these
25 numbers tie into your overall class cost of service

1 study?

2 A Well, when we put the negotiated rate
3 customers as a class and we flowed the dollars
4 through, we used this as a guide to see where their
5 allocations were falling for the specific amounts
6 such as, you know, transmission or distribution
7 main.

8 Q So if I can interpret what you're
9 saying, getting back to my original question, you
10 used it as a guide, these costs that are
11 represented in these workpaper sheets are not
12 classified specifically to that customer class,
13 the negotiated rate customer class; is that right?

14 A The dollar-for-dollar?

15 Q Yes.

16 A No, we used this as a guide, like I
17 said.

18 Q So when you did the class cost of
19 service study for the negotiated rate customers,
20 you just used the allocations that Southwest Gas
21 used for all the rest of its customer classes to
22 allocate costs through to that class.

23 A Correct.

24 Q Okay. And do you know, as part of that
25 process of the class cost of service study, these

1 costs that are representative in these workpapers,
2 for the other classes did you remove these costs
3 from the other rate classes for purposes of the
4 class cost of service study?

5 A Yes, because they're not going to be --
6 we took like all the dollars that were attributed
7 to, say, for instance, distribution mains, the
8 negotiated customers were allocated the appropriate
9 dollars based on using this as a guide for a
10 reasonableness check. So we added another class
11 for those dollars to be shifted.

12 Q Okay. Let me just ask the question
13 again, because I'm not sure.

14 Okay. Let me ask it this way. Can you
15 tie the numbers that are associated with this sheet
16 number 183 and sheet number 326 to where it came
17 out for the rest of the customer classes, where the
18 money came out and was not allocated to those other
19 customer classes? Can you point me to a place in
20 your workpapers that show that?

21 A I can't find it off the top of my --
22 readily available, but we took the dollars for
23 distribution mains, for example, and the dollars
24 that were there we just added a class and shifted
25 dollars to that negotiated rate customer class.

1 Q Okay. Let me try to use an example.
2 In Southern Nevada we have, on this sheet number
3 183 we have three mains listed here just under the
4 21023B and 21024B, it's listed as mains, and then
5 there is a tap, and then 78,948 8-inch ST - my eyes
6 are failing me - STI. So that's 1.2 million,
7 93,000, 1.698 million.

8 Do you see that?

9 A Yes, you're looking at the first two?
10 I'm sorry.

11 Q I'm looking at the first three, the
12 mains under the 21023B and 21024B row.

13 A Okay.

14 Q Do you see that?

15 A Yes.

16 Q Okay. Since these are mains, would
17 this have been allocated -- how would those have
18 been allocated?

19 A Like I said, we just used this as a
20 reasonableness check to conservatively allocate
21 to the negotiated rate customer class. We didn't
22 specifically take dollar-for-dollar off of here.

23 Q Okay. And the reason I'm asking you a
24 follow-up is because you answered a prior question
25 before that I think is inconsistent with what you

1 were saying here about the reasonableness check, so
2 let me, I'll ask the question again.

3 These costs that are reflected in these
4 sheets, did you remove them when you were
5 allocating costs to other rate classes?

6 A Costs were shifted from the other rate
7 classes to the negotiated rate class.

8 Q That's not the question I asked.

9 These specific costs, did you remove
10 them when you were allocating costs to the other
11 rate classes?

12 A So from the total amount that came over
13 from the revenue requirement side, did I subtract
14 that dollar out of the total?

15 Q Yes. That's what I'm asking.

16 A No.

17 MS. TERWILLIGER: Okay. That's all my
18 questions.

19 Thank you.

20 COMMISSIONER PONGRACZ: Thank you.

21 Mr. Saunders?

22 MR. SAUNDERS: I will save my
23 questions, or touch base with Miss Tary on
24 rebuttal.

25 Thank you.

1 COMMISSIONER PONGRACZ: Do we have
2 redirect?

3 REDIRECT EXAMINATION

4 BY MS. KOLEBUCK:

5 Q Just perhaps to clarify your last
6 response to Miss Terwilliger's question, the costs,
7 were you referring to the informational cost of
8 service study, or the class cost of service study
9 that would be determining rates?

10 A The questions were for the
11 informational class cost of service study. It was
12 not regarding the class cost of service study where
13 rates will be designed.

14 MS. KOLEBUCK: All right. Thank you.

15 COMMISSIONER PONGRACZ: Do we have
16 recross?

17 MS. TERWILLIGER: Unfortunately, yes.

18 COMMISSIONER PONGRACZ: Within the
19 scope of redirect?

20 MS. TERWILLIGER: Yes, actually right
21 within the scope.

22 RECROSS-EXAMINATION

23 BY MS. TERWILLIGER:

24 Q You were asked questions about, from
25 your counsel, about this total figure on these

1 sheets. When you were running the class cost of
2 service study, the primary one, not the
3 informational one --

4 A Oh.

5 Q -- did you subtract the total down here
6 from the revenue -- when it came over from revenue
7 requirement, before you did your functionalization,
8 classification, and allocation, did you subtract
9 those total dollars associated with these
10 negotiated rate customers?

11 A No.

12 MS. TERWILLIGER: Okay. That's all my
13 questions. Thanks.

14 COMMISSIONER PONGRACZ: Any redirect on
15 that recross?

16 MS. KOLEBUCK: No.

17 COMMISSIONER PONGRACZ: Thank you.

18 Do we have any questions from the dais
19 in Carson City for this witness at this time?

20 MR. McDONNELL: Yes, I do; and I
21 believe so does Ms. Lighthart.

22 CLARIFICATION

23 QUESTIONS

24 BY MR. McDONNELL:

25 Q If I can just start with two questions.

1 Miss Tary, just for clarification,
2 Southwest Gas is seeking in this order a finding
3 that it has complied with the Commission's order
4 in Dockets No. 12-12019 and "12-0045"; is that
5 correct?

6 A I believe so. That's the last rate
7 case that Southwest Gas was in.

8 Q Okay. And that's the requirement to
9 provide the illustrative class cost of service
10 study; is that correct?

11 A That's correct.

12 Q Is Southwest Gas in this proceeding
13 seeking approval of its class cost of service
14 study?

15 A Yes.

16 Q Okay.

17 A We provided two class costs of service
18 studies, one where rates would be designed from,
19 and the other was illustrative to show that the
20 negotiated rate customers as a class were earning
21 their system average rate of return.

22 Q Okay. So the second one you mentioned
23 is in compliance with -- is a compliance item from
24 the previous Commission order; is that correct?

25 A That's correct.

1 Q Okay. And you seek a finding that you
2 have complied; is that correct?

3 A That's correct.

4 Q And the first cost of service study,
5 the one that's going to be used for setting rates,
6 you're requesting that the Commission approve that
7 study; is that correct?

8 A That's correct.

9 MR. McDONNELL: Thank you. Those are
10 all my questions.

11 COMMISSIONER PONGRACZ: Thank you.

12 Miss Lighthart?

13 MS. LIGHTHART: Yes, thank you.

14 CLARIFICATION

15 QUESTIONS

16 BY MS. LIGHTHART:

17 Q I'm almost hesitant, but Miss Tary, you
18 wouldn't, by chance, have the sheet right after
19 that, which is sheet number 184, available?

20 A I do not.

21 MS. LIGHTHART: Okay. Is there any
22 way --

23 MS. CASSITY: Commissioner, Staff --

24 COMMISSIONER PONGRACZ: I believe
25 Staff -- Miss Cassity?

1 MS. CASSITY: We have an extra copy she
2 could -- or a copy she could look at.

3 COMMISSIONER PONGRACZ: Okay. It looks
4 like you have the entire book of her workpapers; is
5 that correct?

6 Counsel, is that acceptable?

7 MS. KOLEBUCK: Yes.

8 COMMISSIONER PONGRACZ: Yes,
9 Miss Cassity is approaching the witness with a copy
10 of her workpapers.

11 MS. LIGHTHART: Thank you.

12 COMMISSIONER PONGRACZ: Thank you,
13 Miss Cassity.

14 BY MS. LIGHTHART:

15 Q Miss Tary, are you familiar with this
16 sheet?

17 A Yes, I am.

18 Q Can you tell me what this is, and how
19 it relates to sheet 183?

20 A This is taking -- how it relates to
21 183, it's taking the meter service costs and
22 applying it to show the customers. The meter
23 in-service costs that are outlined on 184 are
24 also from page 183, and we used this as we use a
25 weighted dollar amount for the allocation for meter

1 and service lines. So these dollars are applied
2 in the model for the illustrative class cost of
3 service study.

4 Q Okay. Well, perhaps you could help me
5 just a little there. For example, the 21023B and
6 21024B line --

7 A Yes.

8 Q -- on sheet 184 --

9 A Yes.

10 Q -- is 3.6 million, approximately? And
11 the total --

12 A That's correct.

13 Q -- on sheet 183 is a different total of
14 3.581.

15 In just looking at it, it appears that
16 some of the numbers are bigger and some of the
17 numbers are smaller, and I wasn't quite sure how to
18 correlate those.

19 A I believe some adjustments were made.

20 Q Is there some place I could look to
21 find where those would be?

22 A I would have to go back and check.

23 MS. LIGHTHART: Commissioner, would it
24 be possible for perhaps Miss Tary on rebuttal to be
25 prepared to discuss that?

1 COMMISSIONER PONGRACZ: Miss Kolebuck?

2 MS. KOLEBUCK: Yes.

3 COMMISSIONER PONGRACZ: Miss Kolebuck,
4 Southwest Gas counsel, said that yes.

5 MS. LIGHTHART: Thank you.

6 I think that's all the questions I have
7 at this time. Thank you.

8 COMMISSIONER PONGRACZ: Thank you.

9 Any questions from the dais here in
10 Las Vegas?

11 (No Verbal Response)

12 COMMISSIONER PONGRACZ: And I have no
13 questions for the witness at this time. Thank you.

14 THE WITNESS: Thank you.

15 (The witness was excused.)

16 MR. STEPHENS: Southwest Gas recalls
17 Christy Berger.

18 COMMISSIONER PONGRACZ: Thank you.

19 MR. STEPHENS: Debbie, she's sworn in.

20 MS. BARTGIS: Thank you, Mr. Stephens.

21 CHRISTY BERGER

22 called as a witness on behalf of

23 SOUTHWEST GAS CORPORATION

24 having been previously duly sworn

25 was examined and testified as follows:

SILVER STATE COURT REPORTERS (775) 329-6323

1 DIRECT EXAMINATION

2 BY MR. STEPHENS:

3 Q Can you please restate your name for
4 the record.

5 A Christy Berger.

6 Q Have you prepared written prefiled
7 direct and certification testimony on rate design
8 in this case?

9 A I have.

10 MR. STEPHENS: And I believe both of
11 those have been already marked as exhibits?

12 MS. HARRIS: The direct testimony of
13 Christy Berger was marked as Exhibit 36. The
14 certification testimony of Christy Berger was
15 marked as Exhibit 37.

16 MR. STEPHENS: Well, I've already asked
17 all the other additional questions with respect to
18 that testimony, and so Miss Berger is available for
19 cross.

20 COMMISSIONER PONGRACZ: Thank you.

21 Do we have questions from Staff for
22 this witness?

23 CROSS-EXAMINATION

24 BY MS. TERWILLIGER:

25 Q Hi.

1 A Hi.

2 Q Good evening, Miss Berger.

3 A Good evening.

4 Q Are you supporting the new sheets 128
5 and 129, the proposed tariff sheets?

6 A I'm supporting, yes, the tariff sheets.
7 I'm sorry, what were the page
8 references again?

9 Q The PUCN Sheets No. 128, 129, 130, 131,
10 128 through --

11 MS. BARTGIS: I didn't hear the last
12 one. I' sorry.

13 MS. TERWILLIGER: I'm sorry, Debbie.
14 128 through 131.

15 MS. BARTGIS: Thank you.

16 MS. TERWILLIGER: I'm sorry. 132.
17 It's late for me, too.

18 MS. BARTGIS: Thank you.

19 THE WITNESS: It's late for everyone.

20 BY MS. TERWILLIGER:

21 Q So do you have those in front of you?

22 A I do.

23 Q And do you have the currently approved
24 tariff sheets in front of you?

25 A That I do not.

1 MS. TERWILLIGER: Okay. I don't know
2 that we need to mark it, but I have copies just for
3 reference, if that's okay.

4 Actually, Miss Harris, I changed my
5 mind, because we might just use this again next
6 week. Can we go ahead and mark the currently
7 approved Tariff Sheets 128 through 133, or take
8 administrative notice? Well, I think I would like
9 to mark them, just so I can refer to them. That
10 would be great.

11 MS. HARRIS: Southwest Gas Corporation
12 Tariff PUCN Sheet Nos. 128 through 132, will be
13 marked Exhibit 87.

14 MS. TERWILLIGER: It's 133 for the old
15 tariff.

16 MS. HARRIS: I apologize.

17 128 through 133, will be marked Exhibit
18 87.

19 (Exhibit No. 87 was marked for identification.)

20 BY MS. TERWILLIGER:

21 Q Okay. So you're supporting the tariff
22 changes that are reflected in the new Sheets 128 to
23 132; is that right?

24 A That's correct.

25 Q And you see the old Sheets 128 to 133?

1 A Yes.

2 Q Okay. I just want to go through a few
3 of the language changes.

4 You can see by just the cover pages
5 several laterals have been taken off of that map in
6 that cover page; is that right?

7 A That's correct.

8 Q And going to Subsection 8 - or I'm
9 sorry - A of Sheet 129 of Exhibit 87, the old
10 tariff sheets, do you see that it says: The
11 service area of Southwest Gas Corporation in its
12 Northern Nevada Division includes along its main
13 transmission pipeline and lateral lines the
14 following described areas?

15 A Correct.

16 Q And now going to the proposed tariff
17 sheets, Subsection A --

18 A Yes.

19 Q -- the service area of Southwest Gas
20 Corporation in its Northern Nevada Division
21 includes the following described areas along Paiute
22 Pipeline Company's main transmission pipeline and
23 lateral lines.

24 A Yes.

25 Q Do you see that?

1 So in the Northern Nevada Division,
2 speaking about Exhibit 87, does Southwest Gas have
3 any transmission lines?

4 A Southwest Gas has no transmission lines
5 in its Northern Nevada Division.

6 Q So you're correcting your tariff to
7 reflect that these are along Paiute's transmission
8 line?

9 A That's correct.

10 Q And are you asking to change your
11 service territory in Northern Nevada?

12 A No, ma'am.

13 Q Do you have service territory -- I
14 mean, does Paiute Pipeline run through Sierra
15 Pacific's service territory?

16 A I believe that Paiute Pipeline does run
17 through Sierra Pacific's service territory as well,
18 yes.

19 Q So if there was a business that was
20 located, collocated right next to Paiute Pipeline
21 in Northern Nevada could Southwest Gas, with its
22 change to its tariff, serve that business without
23 changing its service territory?

24 A I don't believe so. I mean, the
25 remainder of the tariff description describes this

1 section and township ranges that apply there, so
2 I think that limits that to along Southwest Gas'
3 facilities.

4 Q But it's not Southwest Gas's facilities
5 there, that's --

6 A That's correct, I'm sorry. As it
7 relates to Paiute Pipeline Company facilities.

8 Q So if there was a business that was
9 located somewhere in that description of the main
10 line Reno lateral, et cetera, could you -- do you
11 think under this new tariff change you could serve
12 that business if it connected with Paiute Pipeline,
13 even though you're in Sierra Pacific's service
14 territory?

15 A I don't necessarily read it that way.

16 Q Do you know how utilities file to
17 change their CPCN?

18 A As a filing with the Commission.

19 Q It's an application?

20 A Yes.

21 Q Okay. Can you tell me why the laterals
22 were removed for the new proposed tariff sheets?
23 You had a list of 17 in Exhibit 87; now there is a
24 list of nine. Can you just explain that, because I
25 wasn't sure I understood it.

1 A The proposed tariff sheets reflect the
2 current laterals that are part of Southwest Gas'
3 service territory.

4 Q Well, just so I can understand, maybe -
5 and this is just a guess - the South Tahoe lateral
6 and North Tahoe lateral were removed because you no
7 longer have any contract customers in Tahoe that
8 you're serving? Is that why you removed that
9 lateral, those laterals?

10 A No, I don't believe that's the reason.
11 Those tariff sheets reflect Southwest's current,
12 our existing service territory with the existing
13 laterals. The current tariff sheets are reflective
14 of descriptions of areas, or they're described in
15 ways that are no longer consistent or accurate with
16 the descriptions that are current.

17 MS. TERWILLIGER: Okay. That's all my
18 questions.

19 Thank you.

20 COMMISSIONER PONGRACZ: Thank you.

21 Mr. Saunders?

22 MR. SAUNDERS: No questions for
23 Miss Berger's direct testimony.

24 Thank you.

25 COMMISSIONER PONGRACZ: Thank you.

1 Redirect?

2 MR. STEPHENS: No. No questions.

3 Thank you.

4 COMMISSIONER PONGRACZ: Thank you.

5 Do we have questions from the dais in
6 Carson City for this witness?

7 MR. McDONNELL: No questions. Thank
8 you.

9 MS. LIGHTHART: And I have no
10 questions. Thank you.

11 COMMISSIONER PONGRACZ: Do we have
12 questions from the dais in Las Vegas for this
13 witness?

14 MR. VINSKI: No questions.

15 COMMISSIONER PONGRACZ: And I have no
16 questions.

17 Thank you very much.

18 THE WITNESS: Thank you.

19 (The witness was excused.)

20 COMMISSIONER PONGRACZ: I think we have
21 accomplished as much as we can today.

22 Is there any other business that we
23 should attend to before we continue this hearing
24 until Monday morning?

25 (No Response)

1 COMMISSIONER PONGRACZ: Is there
2 anything pending?

3 (No Response)

4 COMMISSIONER PONGRACZ: We have thought
5 that perhaps it would be best to start at 9 on
6 Monday morning, to make sure we do have enough time
7 to complete in the first two days of the week.

8 Would anyone have a problem with that?

9 (No Response)

10 COMMISSIONER PONGRACZ: Okay. Then
11 let's continue this hearing to 9 o'clock Monday
12 morning. Thank you very much.

13 We'll be off the record.

14 MR. STEPHENS: Oh.

15 COMMISSIONER PONGRACZ: Excuse me.
16 We'll be back on the record.

17 MR. STEPHENS: Just for the sake,
18 because one party is not here, can we send an
19 e-mail out with respect to that start time so
20 Mr. Brookhyser is aware of it?

21 COMMISSIONER PONGRACZ: Certainly.

22 MR. STEPHENS: Thank you.

23 COMMISSIONER PONGRACZ: Will you do
24 that, Miss Harris?

25 (No Verbal Response)

1 COMMISSIONER PONGRACZ: She'll take
2 care of it.

3 Thank you so much.

4 MR. STEPHENS: Thank you.

5 COMMISSIONER PONGRACZ: We'll be off
6 the record.

7 (At 5:12 p.m. the Evening Recess was Taken.)

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STATE OF NEVADA,)
)
 COUNTY OF WASHOE.) ss.

I, DEBRA J. BARTGIS, Certified Court
 Reporter #56 do hereby certify:

That on Thursday, October 25, 2018, at
 9:06 a.m., at 1150 East William Street, Carson City,
 Nevada, I was present and took stenotype notes of the
 Hearing held before the Public Utilities Commission of
 Nevada, and thereafter transcribed the same as herein
 appears;

That the foregoing transcript is a full,
 true and correct transcription of my stenotype notes of
 said Hearing.

DATED: At Sparks, Nevada, this 6th day of
 November 2018.

/s Debra J. Bartgis

 Debra J. Bartgis, CCR #56

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•
•

18-05031

Public Utilities Commission of Nevada
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002223

002223

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

-oOo-

Application of SOUTHWEST GAS
 CORPORATION for authority to
 increase its retail natural
 gas utility service rates and
 to reset the Gas Infrastructure
 Replacement Rates for Southern
 and Northern Nevada.

DOCKET NO. 18-05031

TRANSCRIPT OF PROCEEDINGS

HEARING

VOLUME 3

PHASE 2, REVENUE REQUIREMENT

10:05 a.m., Wednesday
 October 24, 2018

Office of the Public Utilities Commission
 1150 East William Street
 Hearing Room A
 Carson City, Nevada

VIDEOCONFERENCED TO:

Office of the Public Utilities Commission
 9075 West Diablo Drive
 Suite 250
 Hearing Room A
 Las Vegas, Nevada

Reported by:

DEBRA J. BARTGIS, CCR #56

APPEARANCES:

Commissioner Present:	ANN PONGRACZ Commissioner and Presiding Officer
Commissioner's Administrative Attorney:	DALLAS HARRIS
Commission Policy Advisors:	CRAIG McDONNELL Manager Policy Analysis STEVE TRAXLER JOHN VINSKI
For Southwest Gas Corporation:	KYLE STEPHENS Assistant General Counsel CARLA KOLEBUCK Counsel Legal Affairs 5241 Spring Mountain Road Las Vegas, Nevada 89150
For PUCN Regulatory Operations Staff:	DEBREA TERWILLIGER Assistant Staff Counsel 1150 East William Street Carson City, Nevada 89701 SHELLY CASSITY Assistant Staff Counsel 9075 West Diablo Drive Suite 250 Las Vegas, Nevada 89148
For Office of Attorney General Bureau of Consumer Protection:	PAUL STUHFF Sr. Deputy Attorney General 10791 West Twain Avenue Suite 10 Las Vegas, Nevada 89148

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1 CARSON CITY AND LAS VEGAS, NEVADA

2 WEDNESDAY, OCTOBER 24, 2018

3 10:05 A.M.

4 -oOo-

5 PHASE 2

6 REVENUE REQUIREMENT

7 COMMISSIONER PONGRACZ: This hearing
8 will come to order.

9 The record will reflect that this is
10 the time and place set before the Public Utilities
11 Commission of Nevada for a hearing regarding the
12 application of Southwest Gas Corporation for
13 authority to increase its retail natural gas
14 utility service rates and to reset the Gas
15 Infrastructure Replacement Rates for Southern and
16 Northern Nevada.

17 This matter has been designated by the
18 Commission as Docket No. 18-05031, and continues
19 the hearings we have conducted earlier this week.

20 Appearing for the Commission today are
21 myself, Ann Pongracz, Commissioner and Presiding
22 Officer; Administrative Attorney Dallas Harris;
23 Policy Advisors John Vinski and Steve Traxler here
24 in Las Vegas, and Policy Advisor Craig McDonnell in
25 Carson City.

SILVER STATE COURT REPORTERS (775) 329-6323

1 Appearing for Southwest Gas?

2 MR. STEPHENS: Good morning.

3 Kyle Stephens and Carla Kolebuck.

4 COMMISSIONER PONGRACZ: Thank you.

5 Appearing for the Attorney General's
6 Bureau of Consumer Protection?

7 MR. STUHFF: Good morning.

8 Paul Stuhff.

9 COMMISSIONER PONGRACZ: Thank you.

10 Appearing for Regulatory Operations
11 Staff?

12 MS. CASSITY: Good morning.

13 Shelly Cassity and Debrea Terwilliger.

14 COMMISSIONER PONGRACZ: Thank you.

15 Are there any other persons who would
16 like to make their presence known to the Commission
17 for the purpose of this hearing?

18 (No Response)

19 COMMISSIONER PONGRACZ: Let the record
20 reflect that no other persons have come forward.

21 The record will reflect that the
22 Commission has in its files Affidavits of
23 Publication for notice of this hearing that began
24 on Monday at this time and place.

25 Is there anyone present who has any

1 questions regarding the notice, or who wishes to
2 examine the affidavits on file?

3 (No Response)

4 COMMISSIONER PONGRACZ: Hearing none,
5 the Commission deems that this matter has been duly
6 and properly noticed for a hearing at this time and
7 place.

8 Are there any preliminary issues to
9 come before the Commission today?

10 MS. CASSITY: Yes, Commissioner.

11 COMMISSIONER PONGRACZ: Miss Cassity?

12 MS. CASSITY: I received an e-mail from
13 Mr. Brookhyser asking about how the hearing would
14 be proceeding, and if the parties could stipulate
15 or, you know, if everyone could agree that we would
16 wait on rate design to start the BCP witnesses and
17 Staff witnesses until Monday.

18 COMMISSIONER PONGRACZ: Oh. Well,
19 that's an interesting question.

20 Do others have an opinion on that?

21 And is that something Staff would
22 support?

23 MS. CASSITY: I think Staff -- that
24 will be fine with Staff. We can accommodate that.
25 That will also help with our rate design witnesses,

1 who we won't have to worry about changing their
2 flight schedules.

3 COMMISSIONER PONGRACZ: Mr. Stephens?

4 MR. STEPHENS: Yes. And I had a
5 conversation last evening with Mr. Brookhyser as
6 well. He wanted to know where we stood so that he
7 could gauge where we stood with respect to what
8 witnesses still were left, and so he could gauge
9 when he needed to come here.

10 And Southwest Gas would support having
11 a date certain of Monday for those witnesses. And,
12 quite honestly, it's consistent with what the
13 schedule was drafted pre hearing, so we are fine
14 with that.

15 COMMISSIONER PONGRACZ: Thank you.

16 Mr. Stuhff?

17 MR. STUHFF: Likewise, BCP supports it.
18 It's consistent with the previously drawn schedule,
19 and I think as a practical matter getting through
20 all the witnesses in revenue requirement will take
21 us very close to the end of the four days in this
22 week.

23 COMMISSIONER PONGRACZ: Thank you.

24 MS. CASSITY: And Commissioner?

25 COMMISSIONER PONGRACZ: Yes,

1 Miss Cassity.

2 MS. CASSITY: Just to add, I would
3 recommend that we still continue, if we get to that
4 point, with the Company's rate design witnesses,
5 and I believe Mr. Brookhyser indicated he doesn't
6 have any questions of those witnesses. So if on
7 Thursday we get to that point, I would recommend
8 that we continue, and then wait until BCP and Staff
9 witnesses for Monday.

10 COMMISSIONER PONGRACZ: I see. Would
11 that be your preference as well, Mr. Stephens?

12 MR. STEPHENS: That's fine. Yes.

13 COMMISSIONER PONGRACZ: And Mr. Stuhff?

14 MR. STUHFF: That will work.

15 COMMISSIONER PONGRACZ: Very well.

16 Then we will set a date certain to begin the
17 testimony of, the rate design testimony of Staff
18 and BCP for next Monday, and --

19 MS. CASSITY: And just to clarify, the
20 direct Company would be Thursday, if possible, and
21 then the rebuttal would be following Staff and BCP
22 Monday, and possibly Tuesday.

23 COMMISSIONER PONGRACZ: Okay. Then let
24 me modify this a little bit. And please feel free
25 to correct me if I don't quite catch all the

1 nuances.

2 So we will have a date certain of
3 Monday for the, beginning Monday for the rate
4 design testimony of Staff and BCP.

5 The Company will proceed as is
6 possible, given the other issues we need to
7 consider, to move directly into their rate design
8 direct case, anticipated to be tomorrow, and that
9 may carry over to Monday possibly.

10 Does that work for all of the parties,
11 and have I covered the issues?

12 Mr. Stuhff?

13 MR. STUHFF: That's our understanding.

14 That sounds correct.

15 COMMISSIONER PONGRACZ: Thank you.

16 Mr. Stephens?

17 MR. STEPHENS: Yes. And I guess maybe
18 the way we look at it is BCP's and Staff's rate
19 design testimony will have a starting date not
20 before Monday, I guess, if you will.

21 COMMISSIONER PONGRACZ: Oh, that's an
22 even better way to put it. That Staff and BCP's
23 rate design testimony will be starting not before
24 Monday.

25 MR. STEPHENS: So I think we will all

1 understand, you know, time permitting we will put
2 on our direct for rate design, and then if there --
3 we will adjourn, whenever that concludes on
4 Thursday, if we get there. If not, we'll pick up
5 Monday wherever we left off on Thursday.

6 COMMISSIONER PONGRACZ: That sounds
7 fine to me.

8 MS. CASSITY: That sounds good to
9 Staff. Thank you.

10 MR. STUHFF: And it does sound good to
11 BCP. Thank you.

12 COMMISSIONER PONGRACZ: Well, thank
13 you, and thank you to Staff and to the Company for
14 bringing this to my attention.

15 And one or both of you will relay that
16 to Mr. Brookhyser?

17 MS. CASSITY: Yes.

18 MR. STEPHENS: Yes.

19 COMMISSIONER PONGRACZ: Thank you.

20 Are there any other preliminary matters
21 to come before us this morning?

22 (No Response)

23 COMMISSIONER PONGRACZ: Then let's
24 resume with the questioning of Ms. Olesky.

25 Mr. Stephens.

1 MR. STEPHENS: Thank you.

2 KAREN OLESKY

3 the witness on the stand at the time of
4 the evening recess resumed the stand and
5 was examined and testified further as follows:

6 CROSS-EXAMINATION

7 (Resumed)

8 BY MR. STEPHENS:

9 Q You understand you're still under oath;
10 correct?

11 A Yes.

12 Q So where we left off last evening, we
13 were having discussion about the MIP metrics that
14 Staff wants to incorporate, and I believe your
15 answer indicated that Staff just wants five
16 metrics, but they want more transparency. Correct?

17 A Correct. Staff would like to see more
18 transparency as it relates to the two safety
19 metrics.

20 Q Okay. So which five metrics does Staff
21 want in the MIP?

22 A Staff is not advocating for any
23 specific metrics in the MIP. That is up to
24 Southwest Gas to decide. If Southwest Gas
25 presented the same MIP that it has today in the

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1 next rate case, Staff would like to see any safety
2 metrics have more transparency and be broken out by
3 operating division.

4 Q So what do you mean by "more
5 transparency"? Because you said more transparency,
6 and broken out by operating division. Are those
7 two different things, or are they the same?

8 A They're the same. I asked DR 231,
9 which is Attachment - I believe it's 9 - yes, I
10 asked Attachment 231 - or sorry - I asked DR 231,
11 which is Attachment 9 to my testimony, and that
12 attachment asked for the actual level achieved for
13 each MIP metric specific to the Nevada division,
14 because I would like to see, again under the hood
15 of the car, to see how the Nevada operating
16 divisions were performing.

17 And I asked that DR on the 30th of
18 July, and while I did receive a timely response,
19 the response stated that that is not how Southwest
20 Gas calculates its MIP, and did not give me the
21 transparency and the numbers I was looking for.
22 Therefore, my attorney e-mailed, I e-mailed, and
23 I had several phone calls, and during one of my
24 on-site meetings I even talked to a Southwest Gas
25 member about getting this information, and it took

1 until September 10th to get the information that
2 goes into how the MIP is calculated.

3 And I think that's very important for
4 the Commission to see, because the MIP is granting
5 several millions of dollars worth of incentives,
6 and I think it's important for the Commission to
7 understand how those values were calculated to
8 determine how much money should be paid.

9 Q So ultimately you did get those numbers
10 for the MIP metrics that you identified, the
11 damages per 1,000 tickets and the incident response
12 time; correct?

13 A Yes, it took about five to six weeks,
14 but I did finally get those numbers.

15 Q And you incorporated those into your
16 testimony; right?

17 A Correct.

18 Q Okay. So is there anything, in
19 addition to those figures that you received, that
20 you would want to get or would want to be
21 incorporated into the MIP?

22 A Not knowing how the MIP is going to
23 look the next time Southwest Gas files a rate case,
24 I cannot definitively state what I would like to
25 see, or what I would need to see for justification

1 to include these costs in rates.

2 But assuming the MIP is filed exactly
3 how it is written today, I would like to see,
4 again, a breakdown of the two safety metrics of
5 how each operating division is performing.

6 Q So basically, if the metrics are the
7 same, the only additional information you would
8 like would be the break-outs on a division level
9 for the damages per 1,000 tickets, and the incident
10 response time; correct?

11 A That is correct. I don't believe all
12 of the costs of the MIP metrics should be in rates,
13 but as for information I would like to see, I would
14 like to see a breakdown of the two safety metrics.

15 Q I understand that you don't think that
16 all the costs of the MIP metrics should be in
17 rates, but, you know, my question was with respect
18 to trying to explore what additional information
19 you would like to see in the next go-around.

20 So you would like to have it presented
21 in the same fashion that you ultimately received it
22 in in this case?

23 A I think that would be very helpful. It
24 had a break-down of the two safety metrics, as well
25 as the customer service, and I was able to go

1 through and verify that the actual numbers that are
2 going into the MIP that are causing the bonuses to
3 be paid, I was able to verify those.

4 Q And so you say that you just want
5 more transparency. You're not recommending that
6 those division-specific results be used for the MIP
7 metrics, are you?

8 A I don't know how you have a
9 company-wide MIP if you don't use the
10 division-specific results.

11 What I would like to see is the
12 information that was provided to me - so I would
13 like to actually expound upon that answer - the
14 information that was provided in Staff DR 231, and
15 then I would also like to see individual targets
16 for each operating division. Because right now,
17 the information that was provided, Northern Nevada
18 achieved roughly a 6.5, and I don't know if that's
19 a good rating for Northern Nevada, or if they
20 should be hitting a 4 or a 3. I'm not sure.

21 So I would like to be able to see, are
22 each division hitting their targets, and if not,
23 then I think that shows there is an area that needs
24 to be addressed to increase the safety.

25 Q Okay. So I've asked you the question a

1 couple of different times, and the response seems
2 to change. I'll just ask a blanket question again.

3 With respect to the transparency, what
4 additional information would you like to see in the
5 next rate case, or would you like to see embedded
6 into the -- well, we'll start in the next rate
7 case, and then we'll go to the next question.

8 A So in the next rate case the
9 information I would like to see would be something
10 similar that was provided in Staff Data Response
11 231, and that asked for how that information is
12 used for the MIP. In addition to just providing
13 the information, I would like to see some sort of
14 standard or target for each operating division so
15 I can assess whether the Nevada operating divisions
16 are meeting their targets and successfully
17 providing adequate safety to their customers.

18 Q Okay. And so anything else, just to
19 close it up?

20 A I can't think of any at the moment, but
21 if I do think of something I would be more than
22 happy to talk with Southwest Gas before their next
23 rate case.

24 Q Okay. Did you want to incorporate such
25 requests into a master data request that the

1 Company can have documentation of and prepare for
2 in advance?

3 A I would absolutely be willing to work
4 with Southwest Gas to amend the master data
5 requests. I'm not sure how that process is, but I
6 would be more than happy to work with Southwest Gas
7 on that.

8 Q So to the point that you want to see
9 the results of Nevada incorporated in some fashion
10 into the MIP metrics, you state that you wanted to
11 make sure that Southwest -- that the
12 division-specific results in Nevada were meeting
13 the thresholds; correct?

14 A Correct.

15 Q And so is your idea that those two
16 metrics, the damages per 1,000 tickets or the
17 incident response time, those would have
18 Nevada-specific qualifiers that would apply to
19 them, or would they be broken out and would they be
20 specific MIP metrics for Nevada results? So we
21 would have a Northern Nevada MIP metric for damages
22 per thousand tickets, we would have a Southern
23 Nevada MIP metric for damages per thousand tickets,
24 and we would have a separate Southern and Northern
25 Nevada MIP metric for incident response time, so

1 that there would be four additional metrics in
2 addition to the metrics that already are included
3 into the program. Correct?

4 A No, that is not how I envision what my
5 request is. The request would have one
6 company-wide MIP target for damages, but what goes
7 into that right now I'm not sure how the blending
8 of the actual achievements from all five operating
9 divisions are put together to get that one target,
10 so I would like to peel back the layer and say,
11 Northern Nevada, you should be getting, for
12 example, a 6 for damages, Southern Nevada a 2,
13 Southern Arizona, Central Arizona, California.

14 And then, similar to a GPA, hopefully
15 all five would get A's, and then that GPA would be
16 an A, and that final 4.0 is what would go into the
17 MIP. But if someone got a D, and everyone else got
18 A's, the GPA might drop down to a B, and that B GPA
19 is what would go into the MIP.

20 So I would like to see -- so include
21 how Nevada is operating, but not have separate
22 Nevada-only -- or a separate MIP target in there to
23 make four additional MIP metrics, I would still say
24 to use, if we're assuming the same exact MIP
25 set-up, the five metrics, but just have more

1 transparency and standards into how the safety
2 damages are done.

3 Q So it's just one Company-wide MIP
4 metric for damages per thousand tickets; correct?

5 A Yes. And that would be based upon the
6 actual results of the five operating divisions.

7 Q Okay. Which is how it's structured
8 today; correct?

9 A It is structured today, but I'm not
10 sure how the blending works because, as I said,
11 Nevada, Southern Nevada got around a 2-and-a-half,
12 Northern Nevada got around a 6-and-a-half, the MIP
13 target was a 1.8, so I'm not sure how much weight
14 the 2 from Arizona and the 1 from California are,
15 that when one of the five divisions is getting a
16 6 the Company-wide MIP is actually exceeding the
17 maximum.

18 Q And one Company-wide MIP metric for
19 incident response time; correct?

20 A Using the same methodology for the
21 damages where each of the five operating divisions
22 have their own specific target, and then the
23 results of each of those targets blend into one
24 Company-wide MIP, because I think it's really
25 important that the Commission can see if each

1 operating division, especially the operating
2 divisions that it regulates, if it's meeting its
3 targets when it comes to safety.

4 Q And like the damages per thousand
5 tickets, the incident response time for both
6 Southern and Northern Nevada are already
7 incorporated into the results of the current
8 MIP structure; correct?

9 A They are. But again, I can't tell from
10 looking at one Company-wide MIP if the Northern
11 Nevada or Southern Nevada is not meeting its
12 expected response time, which is concerning for
13 Staff, because I would like to know that they are
14 achieving the very best response time and having
15 the minimal number of damages per 1,000 ticket.
16 Looking at one overall Company-wide MIP, I can't
17 tell how the performance is specifically to Nevada.

18 Q Understood. But you are not proposing
19 any sort of State qualifier that requires, say,
20 Northern Nevada to meet a Northern Nevada specific
21 incident response time before that Company-wide MIP
22 metric on incident response time is awarded.

23 A I'm not recommending that there is a
24 threshold or a gate. However, I will look at what
25 the next rate case -- I will look at what Northern

1 Nevada did or achieved in its damages, and look at
2 what Southern Nevada achieved, and if I believe
3 that it is not meeting its threshold, then I might
4 recommend for a disallowance or an amendment.

5 Q And so if -- well, and in this instance
6 you stated that since Southwest Gas' -- well, let
7 me ask you.

8 What is the basis for your
9 recommendation with respect to the MIP metrics for
10 recovery of the damages per thousand tickets in
11 this docket?

12 A My recommendation states to disallow
13 100 percent of the costs related to the damages per
14 1,000 tickets. And I have that recommendation
15 because Southwest Gas did not provide any
16 justification to show that the Northern Nevada
17 number of 6.5 and change, and the Southern Nevada
18 number roughly of 2-and-a-half, is what Northern
19 Nevada and Southern Nevada should be achieving.

20 Those numbers are well outside the
21 Company-wide target, and I'm not -- I haven't been
22 assured that those numbers are suitable for
23 ratepayers in Nevada to be paying for bonuses that
24 their Nevada employees, Southwest Gas employees,
25 might not have actually achieved.

1 Q Did you ask Southwest Gas what the MIP
2 metric would be for incident response time in
3 Northern Nevada if it was just applied to Northern
4 Nevada?

5 A I did not. I looked at all the
6 information Southwest Gas provided to me to justify
7 their costs, and then I made my recommendation.

8 Q I believe your testimony also
9 recognizes, speaking of the incident response time,
10 that it would be reasonable for a Northern Nevada
11 incident response time MIP metric to have a
12 different qualifier than, say, maybe Southern
13 Nevada or Central Arizona, or Southern Arizona,
14 because of the expanse of geographic footprint
15 of that division; correct?

16 A Absolutely. I would not expect the
17 response time metric or target to be the same for
18 Northern Nevada as it is for Southern Nevada.

19 However, without having an operating
20 division specific target, I don't know if what they
21 achieved this year is suitable, or if there is some
22 concerns and there needs to be increased training
23 in either of those divisions.

24 Q But you just stated in the question
25 before that you didn't ask for that information

1 this year.

2 A I did not.

3 Q Did you look to see if any
4 jurisdiction-specific metrics are used by other
5 utilities?

6 A I did not. I believe that safety is
7 very important to this Commission, and therefore
8 I made the decision, based on what I think is best
9 for the State of Nevada.

10 Q Let's move on to your testimony
11 regarding net income.

12 You also question the premise that a
13 higher net income benefits customers; correct?

14 A What I question is the correlation
15 between an increased net income and increased
16 customer benefits. I was not provided information
17 to show that if the net income was at the minimum
18 level, customers receive less benefit than if the
19 net income was at the maximum level. So that is
20 what I'm questioning, is the direct correlation
21 between the net income and the benefits to
22 ratepayers.

23 Q Okay. Let's talk about that. What is
24 your understanding of how net income is determined?

25 A Net income measures all the income

1 generated by utility operations minus all utility
2 expenses, generally.

3 Q So to boil that down, revenues less
4 costs/expenses; right?

5 A Correct.

6 Q So here in Nevada the Commission sets
7 the Company's revenue requirement, and the
8 corresponding rates that the Company can charge
9 customers; correct?

10 A Correct.

11 Q And are you aware if Southwest Gas is
12 decoupled?

13 A Yes.

14 Q And they are decoupled; correct?

15 A Correct.

16 Q So the Company controls the Company's
17 revenues. Right?

18 A Along with the number of customers and
19 the amount of usage, yes.

20 Q Well, we're decoupled, and so
21 ultimately through the decoupling mechanisms the
22 usage will be balanced out; correct?

23 A Yes.

24 Q And in terms of the number of
25 customers, the Commission also regulates how much

1 Southwest Gas can charge new customers; correct?

2 A Correct.

3 Q So other than filing a rate case, the
4 only way Southwest Gas can improve the net income
5 metric is through managing or otherwise lowering
6 costs; correct?

7 A That is correct. And a MIP also has
8 a cost containment measure, which is the O&M per
9 customer, and I do not take any issue with
10 including the costs that come from that measure
11 into rates, because I do believe cost containment
12 is important, but I don't think that necessarily
13 having a duplicate cost containment measure is
14 helpful or is benefiting the ratepayers, especially
15 when the net income is more clearly aligned with
16 benefiting the shareholders than it is the
17 ratepayers.

18 Q So let's talk about that cost
19 containment metric O&M. That actually measures a
20 little bit different than the net income, correct,
21 because there are additional costs that are
22 embedded into the net income metric that are not
23 included in the O&M per customer metric; correct?

24 A That is correct. And again, that is
25 why I recommend including the costs from the O&M