SOUTHWEST GAS CORPORATION

BEFORE THE

PUBLIC UTILITIES COMMISSION OF NEVADA

In the Matter of the Application of Southwest Gas Corporation for Authority to Increase its Retail Natural Gas Utility Service Rates in its Southern and Northern Nevada Rate Jurisdictions	Docket No. 21-08___

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IN THE MATTER OF

SOUTHWEST GAS CORPORATION

DOCKET NO. 21-08___

PREPARED DIRECT TESTIMONY

CHRISTOPHER M. BROWN

ON BEHALF OF

SOUTHWEST GAS CORPORATION

AUGUST 31, 2021

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of
Christopher M. Brown

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Prepared Direct Testimony
of
Christopher M. Brown

I. INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is Christopher M. Brown. My business address is 8360 S. Durango Drive, Las Vegas, Nevada 89113.

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

A. 2 I am employed by Southwest Gas Corporation (Southwest Gas or Company) in the Regulation & Energy Efficiency department. My title is Director.

Q. 3 Please summarize your educational background and relevant business experience.

A. 3 My educational background and relevant business experience are summarized in Appendix A to this testimony.

Q. 4 Have you previously testified before any regulatory commission?

A. 4 Yes. I have previously testified before the Public Utilities Commission of Nevada (Commission).

Q. 5 What is the purpose of your prepared direct testimony in this proceeding?

A. 5 My prepared direct testimony supports the reasonableness of the Company's proposed amortization period and discusses the Company's compliance with various Commission orders since the Company's last general rate case (GRC). I also sponsor various statements and proposed changes to the Company's Nevada Gas Tariff (Tariff) as described below.

Q. 6 Please summarize your prepared direct testimony.

A. 6 My prepared direct testimony consists of the following key issues:

- Detail regarding Statements A through E and Statement Q of the Company's Application;
- The reasonableness of the Company's proposed two-year amortization period for certain adjustments;
- Detail of the Company's compliance with various Commission orders; and
- Support for the Company's proposed Tariff revisions.

II. STATEMENTS

Q. 7 Which statements are you sponsoring?

A. 7 I am sponsoring Statements A through E, and Statement Q.

Q. 8 Are these statements required per the Commission's regulations?

A. 8 Yes. Nevada Administrative Code (NAC) 703.2265 sets forth filing requirements for utilities with annual gross operating revenues of $250K or more, which includes the filing of Statements A through E with a general rate case application. NAC 703.2452 requires the filing of Statement Q with a general rate case application.

Q. 9 Has the Company provided Statement A consistent with NAC 703.2271?

A. 9 Yes. Consistent with the requirements of NAC 703.2271, Statement A presents the Consolidated/Comparative Balance Sheets as of May 31, 2020 and May 31, 2021 (end of test year), based on the Company's books and records.

Q. 10 Has the Company provided Statement B consistent with NAC 703.2275?

A. 10 Yes. Consistent with the requirements of NAC 703.2275, Statement B presents the Consolidated Income Statements as of May 31, 2020 and May 31, 2021, based on the Company's books and records.

Q. 11 Has the Company provided Statement C consistent with NAC 703.2281?

A. 11 Yes. Consistent with NAC 703.2281, Statement C presents the Consolidated Statement of Retained Earnings as of May 31, 2021, based on the Company's books and records.

Q. 12 Has the Company provided Statement D consistent with NAC 703.2285?

A. 12 Yes. Consistent with the requirements of NAC 703.2285, Statement D presents the Consolidated Statement of Cash Flows as of May 31, 2021, based on the Company's books and records.

Q. 13 Has the Company provided Statement E consistent with NAC 703.2275?

A. 13 Yes. Consistent with the requirements of NAC 703.2275, Statement E presents the Accountant's Report and Footnotes as of December 31, 2020,[1] based on the Company's books and records.

Q. 14 Has the Company provided Statement Q consistent with NAC 703.2452?

A. 14 Yes. Consistent with the requirements of NAC 703.2452, Statement Q provides shareholder information as of May 31, 2021.

III. AMORTIZATION PERIOD

Q. 15 Please describe the amortizations included in the instant docket.

A. 15 The Company has included seven previously-approved regulatory amortizations in the instant docket. Five are specific to Southern Nevada

[1] The test period does not coincide with the Company's fiscal year, so the most recent report is provided.

and one is specific to Northern Nevada. The remaining previously-approved regulatory amortization is related to the Company's general rate case expense and is allocated to both Southern and Northern Nevada. The proposed reamortization adjustment is included in Schedule H-C6 and further supported by Company witness Gregory K. Waller.

Q. 16 Is the Company proposing any new amortizations in this proceeding?

A. 16 Yes. The Company is proposing the amortization of the Nevada Regulatory Asset Related to COVID-19, established pursuant to the Commission's Emergency Order issued in Docket No. 20-03021, which represents Late Payment Charges that the Company proactively suppressed beginning in March 2020 through March 2021. Company witness Michelle L. Ansani further discusses this and other actions taken by the Company in support of its customers during the pandemic in her prepared direct testimony. Mr. Waller supports this amortization adjustment, presented in Schedule H-29.

Southwest Gas is also proposing to include the $1.05 million Northern Nevada regulatory liability deferred from the Company's last general rate case. This amount is in addition to the unamortized balance at April 2022 of $468,750 associated with the $750,000 regulatory liability established in the last GRC. Mr. Waller supports these proposed amortizations presented in Schedule H-C10 from a ratemaking perspective.

Q. 17 What is the Company's proposed amortization period for these items?

A. 17 The Company is proposing to reamortize its regulatory amortizations over a two-year period, rather than continue with the four-year amortization period approved in Docket No. 20-02023. Consistent with this proposal, Southwest Gas is also proposing to amortize the new amortization over two years.

Q. 18 Why does the Company believe a two-year amortization period is reasonable?

A. 18 There are two primary reasons supporting the appropriateness of the Company's proposed two-year amortization period. First, consistent with the Commission's methodology in Docket 18-05031, a two-year period is consistent with the Company's most recent GRCs (2020 and 2021). It is also consistent with the period between the Company's most recent GRC and the one prior (2018 and 2020). As a result, the existing four-year amortization is not representative of the Company's GRC cycle. Second, while the Commission did not apply its methodology from Docket 18-05031 in determining the four-year amortization period in Docket 20-02023, it did acknowledge that Southwest Gas would need to file a new depreciation study in 2024.[2] Southwest Gas intends to file its next GRC in 2024, to include the required depreciation study. As such, the Company believes a two-year amortization period is appropriate and reasonable in this case.

<u>IV. COMPLIANCE WITH THE ORDER ISSUED IN DOCKET NO. 20-02023</u>

Q. 19 Which compliance items from Docket No. 20-02023 are discussed in your testimony?

A. 19 I discuss the Company's discontinuance of service to certain customers connected directly to Paiute Pipeline Company (Paiute) (Direct Connect Customers), and the submission of an accounting of costs incurred to prepare and present the Company's 2020 GRC.

[2] Order in Docket No. 20-02023, at paragraph 330.

Discontinuance of Service to Direct Connect Customers

Q. 20 Please provide a brief description of the compliance requirement related to the Direct Connect Customers.

A. 20 In Docket No. 20-02023, the Commission found that five Direct Connect customers that are directly connected to Paiute's system and use no Southwest Gas facilities for the delivery of gas, were not Southwest Gas customers.[3] The Company committed to sending the Direct Connect Customers notice of termination of their contracts before December 31, 2020.

Q. 21 Did the Company terminate the contracts of the five Direct Connect customers?

A. 21 Yes. Three contracts were terminated effective October 31, 2020 and two contracts were terminated effective November 30, 2020. The Company filed a letter in Docket No. 20-02023 on April 26, 2021, indicating the termination dates for each of the five customers.

Accounting of Costs Incurred to Prepare and Present the Company's 2020 GRC

Q. 22 Please describe the compliance requirement related to the Company's costs incurred to present and prepare its 2020 GRC.

A. 22 The Company was directed to provide an accounting of costs incurred to prepare and present its 2020 GRC within 90 days of the Order issued October 25, 2020 in Docket No. 20-02023.[4]

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[3] Id. at paragraph 464.
[4] Id. at ordering paragraph 3.

Q. 23 Did the Company provide an accounting of the costs incurred to prepare and present its 2020 GRC?

A. 23 Yes. The Company filed an accounting of the costs incurred to prepare and present its 2020 GRC December 23, 2020.

V. COMPLIANCE WITH THE ORDER ISSUED IN DOCKET NO. 20-12014

Q. 24 Please provide a brief description of Docket No. 20-12014.

A. 24 Docket No. 20-12014 considered a Joint Petition of Regulatory Operations Staff of the Commission (Staff) and Southwest Gas requesting that the Commission accept a stipulation that resolved a Notice of Probable Violation issued by Staff alleging violations of Chapter 455 of the Nevada Revised Statutes and NAC and 49 Code of Federal Regulations Part 192 by Southwest Gas. The Commission's order, dated February 12, 2021, approved the stipulation as filed.

Q. 25 Did the stipulation include compliance items?

A. 25 Yes. The parties agreed that Southwest Gas would pay a civil penalty in the amount of $20,000 within thirty (30) days of the issuance of the Commission's order approving the stipulation and that Southwest Gas would pay $10,000 in support of one or more events/programs to promote 811 Call-Before-You Dig (811) safety within ninety (90) days of the Commission's order approving the stipulation.

Q. 26 Did the Company satisfy these compliance items?

A. 26 Yes. On March 5, 2021, the Company submitted a payment of $20,000 for deposit into the State General Fund and on April 12, 2021, the Company filed a letter with the Commission confirming that a payment of $10,000 was made to the Nevada Regional Common Ground Alliance, Inc. for the 2021 811 Day Event.

Q. 27 Is the Company seeking recovery of either the $20,000 civil penalty or the $10,000 payment to the Nevada Regional Common Ground Alliance, Inc., in the instant docket?

A. 27 No. These amounts were recorded to non-utility accounts 42630 and 42650 and are therefore not included in the Company's proposed revenue requirement in the instant docket.

<u>VI. TARIFF REVISIONS</u>

Q. 28 Is Southwest Gas proposing revisions to its Tariff in this proceeding?

A. 28 Yes. Southwest Gas is proposing various clarifying changes to Rule 1 (Definitions) of its Tariff to include definitions for certain terms, delete definitions for terms that are not used in the Tariff, and create additional consistency throughout the Tariff. Similarly, Southwest Gas is proposing clarifying changes to Rule 16 (Facilities on Customer's Premises) to reflect the consistent use of certain terminology and more clearly define the Company's responsibilities versus those of its customers.

In addition, and as discussed in the prepared direct testimony of Company witness Tim Lyons, the applicability language in Schedule No. SG-G6 and the elimination of Schedule No. SG-G7 are also included in the proposed tariff changes. The proposed tariff changes also reflect the inclusion of Schedule No. SG-G4 in the Company's General Revenue Adjustment , and consistent with the Commission's Order in Docket No. 19-02024, the Company is modifying the Anti-Bypass Rate Adjustment language in Schedule No. ST-1/NT-1 to reflect the recently adopted regulations. Please refer to the proposed revised tariff sheets filed concurrently herewith in Exhibit 1 of the Company's application for additional detail.

VII. CONCLUSION

Q. 29 Does this conclude your prepared direct testimony?

A. 29 Yes.

SUMMARY OF QUALIFICATIONS
CHRISTOPHER M. BROWN

I hold a Bachelor of Science degree in Civil Engineering from the University of Nevada Las Vegas and a Master of Science in Engineering from Purdue University. I am a licensed professional engineer in the State of Nevada.

From 2001 to 2004, I was employed at Martin and Peltyn Structural Engineers in Las Vegas, Nevada. My primary responsibilities included performing both gravity and lateral analysis and design for concrete, steel and wood structures.

In June 2004, I began working at The WLB Group, Inc in Henderson, Nevada. My primary responsibilities included the preparation of hydrology and hydraulic analysis as well as utility and roadway design for various commercial, residential, industrial and public works projects.

From 2005 to 2007, I was employed at Wright Engineering in Las Vegas, Nevada as a Project Manager. My primary responsibilities included oversite of hydrologic and hydraulic analysis; preparation of civil improvement plans for commercial, residential and industrial projects.

From 2007 to 2009, I worked for Kennedy Commercial in Las Vegas, Nevada. My primary responsibilities included overseeing all day-to-day construction aspects for multiple commercial and mixed-use construction projects.

In 2009, I joined Aptus Architecture in Las Vegas, Nevada. In my role as the Director Engineering Operations, I was responsible for starting a Civil Engineering division of the company.

In January 2011, I joined Southwest Gas Corporation (Southwest Gas) in its Southern Nevada Division (SND). As a Distribution Engineer in the New Business group, I was involved with the Strip Reliability Projects, hydraulic analysis and modeling, as well as the design of multiple large meter set assemblies and regulator stations. In January 2012, I moved to the Pipeline Safety/Code Compliance group where I served as the SND engineering key contact for the Transmission Integrity Management Program (TRIMP). In November 2012, I was promoted to Supervisor/Nevada Key Account Management group where I was responsible for the coordination and management of multiple large customer accounts and design projects. I was subsequently promoted in April 2014 to the Manager/Gas Purchases and Transportation. My responsibilities included soliciting and contracting for the gas supply and transportation resources required to meet the needs of Southwest Gas' sales customers. I was also responsible for nominations and confirmations of gas supplies on upstream interstate pipelines and the confirmation of all gas supplies at the various delivery points that feed into Southwest Gas' distribution system. In January 2020, I moved to Manager/ Regulation and Energy and Efficiency (REE) where I was responsible for providing guidance consistent with the Company's regulatory initiatives and assisting with the Company's Nevada regulatory activities. In 2021, I was promoted to my current position of Director/REE where I provide strategic leadership, guidance, and direction in the alignment of the Company's regulatory strategy, ensures technical accuracy, and regulatory compliance, as well as ensuring the Company has positive relationships with all regulatory stakeholders.

AFFIRMATION

STATE OF NEVADA)

: ss.

COUNTY OF CLARK)

Christopher M. Brown being first duly sworn, deposes and says:

That I am the person identified in the Prepared Direct Testimony, and the exhibits applicable to my testimony; that such testimony and exhibits were prepared by me or under my direction; that the answers and information set forth therein are true to the best of my own knowledge and belief.

Christopher M. Brown

Signed and sworn to before me on this 24th day of August, 2021.

Stella Meneses
Notary Public

NOTARY PUBLIC
STATE OF NEVADA
County of Clark
STELLA MENESES
Appt. No. 99-51091-1
My Appt. Expires Dec. 8, 2022

IN THE MATTER OF
SOUTHWEST GAS CORPORATION
DOCKET NO. 21-08___

PREPARED DIRECT TESTIMONY
OF
MICHELLE L. ANSANI

ON BEHALF OF
SOUTHWEST GAS CORPORATION

AUGUST 31, 2021

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of
Michelle L. Ansani

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Prepared Direct Testimony
of
Michelle L. Ansani

I. INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is Michelle L. Ansani. My business address is 8360 S. Durango Drive, Las Vegas, Nevada 89113.

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

A. 2 I am employed by Southwest Gas Corporation (Southwest Gas or Company) in the Call Center department. My title is Vice President/Customer Engagement.

Q. 3 Please summarize your educational background and relevant business experience.

A. 3 My educational background and relevant business experience are summarized in Appendix A to this testimony.

Q. 4 Have you previously testified before any regulatory commission?

A. 4 Yes. I have previously provided testimony to the California Public Utilities Commission. I have also provided testimony to the Office of the Comptroller of Currency (OCC) and the Consumer Financial Protection Bureau (CFPB), while working for Capital One as a Sr. Director, Ombudsman for the Credit Card division. In 2017, I drafted a written response, submitted pursuant to a congressional inquiry, regarding the Sales Practices Investigation into the sales operations of the 49 largest, domestic financial institutions.

Q. 5 What is the purpose of your prepared direct testimony in this proceeding?

A. 5 My testimony provides an overview of the support and assistance the Company provided to its customers in response to the COVID-19 Pandemic (COVID-19 or Pandemic) and statistics demonstrating how customers have fared through the pandemic with respect to their Southwest Gas service. Additionally, I discuss the economic assistance customers received through government programs and support the level of late pay charges (LPCs) that were suppressed from customer accounts during the Pandemic and deferred to the regulatory asset established pursuant to the Commission's Order in Docket No. 20-03021. I also discuss the benefits of Project Horizon - the new customer service system implemented as part of the Customer Data Modernization Initiative (CDMI) discussed by Company witness Raied N. Stanley from both a Company and customer perspective. Lastly, my prepared direct testimony supports the outsourcing of the Company's bill print and mailing function. Company witness Gregory K. Waller supports the ratemaking adjustments associated with the suppression of the LPCs and Randi L. Cunningham supports the ratemaking adjustment associated with the CDMI.

Q. 6 Please summarize your prepared direct testimony.

A. 6 My prepared direct testimony consists of the following key issues:

- Support and assistance offered to customers in response to the COVID-19 Pandemic;
- Economic assistance provided through government programs to customers affected by COVID-19;

- Statistics demonstrating customers' resiliency during the pandemic and specifically how it relates to financially maintaining their Southwest Gas account;
- Benefits of Project Horizon; and
- The outsourcing of the Company's bill print and mail function.

II. SUPPORT AND ASSISTANCE OFFERED TO CUSTOMERS IN RESPONSE TO COVID-19

Q. 7 Please provide an overview of the support and assistance the Company provided to its customers in response to COVID-19.

A. 7 Since mid-March 2020, the Company has taken various steps to help customers navigate the challenges that were abruptly brought upon us by the Pandemic including the proactive suspension of disconnections of service for non-payment, suppression of LPCs on past due account balances, suppression of deposits on commercial accounts, waived deposits on residential accounts with customer requests, outreach to delinquent customers to provide available programs and resources for financial assistance, multi-channel communications focused on account management and resources available including deferred payment arrangements, establishment of an inbound COVID-19 hotline/queue and a post call survey, automatic enrollment in a deferred payment plan, and collaboration with state and local government entities to facilitate the availability of economic assistance offered through the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (2020). I further discuss these efforts in detail below.

Q. 8 Why did the Company suspend disconnections for non-payment in response to COVID-19?

A. 8 As we all faced uncertainties related to the onset of COVID-19 and as customers spent more time quarantined in their homes, the Company remained committed to providing safe and reliable service and wanted to provide peace of mind that our customers' natural gas service would remain uninterrupted, regardless of customer account payment status. Disconnections for non-payment were suspended effective March 13, 2020.

Q. 9 Has the Company resumed disconnections for non-payment?

A. 9 The Company will be resuming disconnections for non-payment in September 2021. The Company began communicating its plan to resume disconnections for non-payment in June 2021 through its website,[1] and bill messages were included in customers' July 2021 bills informing them of the September 2021 resumption of disconnections for non-payment. Disconnect notices, outbound calling and door tags were resumed in July 2021.

Q. 10 Why did the Company suspend the assessment of LPCs on customer accounts?

A. 10 As the Company was evaluating opportunities to offer support and assistance to customers, it determined that the temporary suppression of LPCs would offer another form of temporary relief to customers. Effective April 1, 2020, the Company suppressed the application of all assessed LPCs to customer accounts and instead recorded the amounts in the regulatory asset established

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[1] https://www.swgas.com/en/covid19

pursuant to the Commission's Emergency Order related to utility service and COVID-19[2] (COVID-19 Regulatory Asset).

Q. 11 Please provide an overview of the type of costs and amount recorded in the COVID-19 Regulatory Asset.

A. 11 The Company recorded approximately $6.6M in LPCs that were calculated pursuant to the Company's Nevada Gas Tariff No. 7 based on past due receivables from April 1, 2020 through March 31, 2021, suppressed and not applied to customer accounts, but rather deferred to the COVID-19 Regulatory Asset. Of the approximate $6.6M, approximately $5.8M is related to Southern Nevada and $776K is related to Northern Nevada. Additionally, the Company waived approximately $3,319 in Service Establishment Fees and $923 in Returned Item Fees (for Non-Sufficient Funds/Returned Checks), for any customer impacted by COVID-19. The waived Service Establishment Fees and Returned Item Fees amounts are not requested for recovery in the instant docket.

Q. 12 Has the Company tracked any other costs of maintaining service to customers affected by the Pandemic in the COVID-19 Regulatory Asset?

A. 12 While the Company has tracked other customer-related fees such as suppressed deposits for commercial accounts, it has not included any of these costs in the COVID-19 Regulatory Asset. Company witness, Gregory K. Waller, supports the proposed cost recovery of the COVID-19 Regulatory Asset in his prepared direct testimony.

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[2] Docket No. 20-03021 dated March 27, 2020.

Q. 13 Please describe the support the Company provided with respect to account management.

A. 13 As of April 1, 2020, the Company immediately updated our inbound Interactive Voice Response (IVR) recording and launched a COVID-19 inbound hotline queue that customers could self-select and be automatically transferred to a highly trained, payment management specialist. We also added three additional questions to our post-call, voluntary, survey including:

1. Do you have confidence that Southwest Gas is there to support you and your family, in this time of need?
   - 92 percent of our customers answered affirmatively with respect to the Company's support for them and their family.
2. Excluding your rent or mortgage, do you prioritize your natural gas bill over other monthly expenses?
   - 73 percent of our customers indicated they prioritize their natural gas bill over other monthly expenses.
3. Would you like Southwest Gas to provide you with information on how we may be able to assist you with managing your account?
   - 13 percent of our customers indicated they were interested in information on Company assistance with account management. We reached out to 100 percent of customers that answered 'yes' in response to this question.

The Company made 60 updates to our website making payment assistance, including available programs and resources, more prominent to our customers. We added a feature that specifically states "I need assistance making my payment" that directly routes the customer to available resources, up to and including receiving personal assistance from the Call Center department.

On June 1, 2020, we launched an outbound message campaign offering customers information about available programs and information on how to reach us and/or dial 211 to learn more about options.

On July 1, 2020, we launched an outbound dialing campaign to place direct calls (from a highly trained financial assistance specialist) to provide education on available resources and programs to manage their account. During this campaign, we placed calls to 15,444 Nevada customers, and personally spoke to 895 of them. Of the 895 customers we spoke to directly, we assisted them in making payment arrangements in 456 instances (or 51 percent success rate). Additionally, we enrolled 299 (or 33 percent) of the customers in the Equal Payment Plan (EPP)(162), Automatic Payment Plan (APP)(89), and Deferral Arrangements (48). Finally, we referred 195 (or 22 percent) customers to agencies to assist with federal or state funds.

Q. 14 Did the Company see an increase in the number of deferred payment plans that were entered into since March 2020?

A. 14 Yes. Before the Pandemic, the Company averaged 315 active, customer initiated deferred payment plans annually – during the June 1, 2020 through May 31, 2021 test year, 15,784 deferred payment arrangements were requested and executed by customers.[3]

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[3] Figure based on annual average of comparison years of 2018 and 2019.

Q. 15 Did the Company take any additional proactive steps to assist customers manage their accounts?

A. 15 Yes, the Company identified that only a small population of its customers with delinquent accounts were proactively calling Southwest Gas to seek payment assistance related to their balances in arrears. Based on this observation and leveraging knowledge of a consistent approach being taken in another jurisdiction, the Company decided to pursue the proactive enrollment of customers in a deferred payment arrangement to further help customers and continue to offer peace of mind as the state began to recover. As such, the Company began an initiative to automatically enroll all customers whose account was at least 60 days delinquent with a balance of at least $20 into a deferred payment arrangement, spreading their past due balance into 6 equal payments, reducing their monthly amount due. Effective February 2021, the Company auto-enrolled 76,558 accounts representing a total balance of approximately $23.5M. All customers enrolled received a corresponding letter informing them of the terms associated with the deferred payment arrangement and encouragement to pay more than the reduced amount due if financially able. On these accounts, to date, we have seen a 12 percent improvement on the rates of balances in delinquency, which breaks down to a 12 percent improvement in Southern Nevada and an 11 percent improvement in Northern Nevada, with an average of 67 percent of customers making payments on their accounts.

III. ECONOMIC ASSISTANCE PROVIDED THROUGH GOVERNMENT PROGRAMS

Q. 16 Please provide an overview of the CARES Act (2020).

A. 16 The CARES Act provided fast and direct economic assistance for American workers, families, small businesses, and industries.[4]

Q. 17 Please explain the efforts put forth by the Company to facilitate the allocation of funds for its customers.

A. 17 In an effort to help customers who informed the Company of a financial hardship related to COVID-19, we partnered with local and state agencies to provide data (following all data security requirements) on customer balances in arrears in the corresponding jurisdiction. The local and state agencies used internal policies and guidelines to issue checks to Southwest Gas for qualifying customers that were applied to the respective customer accounts.

Q. 18 Has the Company received funds from these programs on behalf of its customers?

A. 18 Yes. The first distribution of $177,022 ($ 29,151.59 in NNV and $ 147,870.87 in SNV) occurred in December 2020 and was applied to 898 customer accounts (176 in NNV and 722 in SNV). The total received through January, 2021 and applied to 5,517 customer accounts was $1,058,005.75 all applied to Southern Nevada accounts. The Company continues to receive funds as customers submit applications.

[4] https://home.treasury.gov/policy-issues/coronavirus/about-the-cares-act

Q. 19 Please describe other payment assistance programs that have helped Southwest Gas' customers manage their natural gas bill.

A. 19 The table below shows the financial assistance that has helped Southwest Gas' customers manage their natural gas bills:

Assistance Program	Southern Nevada	Northern Nevada
CARES Act	$ 1,950,158	$ 6,908
LIHEAP	$ 232,146	$ 40,920
Energy Share	$ 152,695	$ 90,057
Total	$ 2,001,097	$ 137,885

IV. STATISTICS DEMONSTRATING CUSTOMERS RESILIENCY DURING THE PANDEMIC AND SPECIFICALLY HOW IT RELATES TO FINANCIALLY MAINTAINING THEIR SOUTHWEST GAS ACCOUNT

Q. 20 Please provide an overview of the customer account trends observed during the pandemic.

A. 20 The company has observed the following payment trends throughout the pandemic:

- Write Offs: In 2019, the Company had a total of 26,802 (2,921 in NNV and 23,881 in SNV) write off accounts totaling $3,269,893 ($ 364,808 in NNV and $2,905,085) in SNV). In 2020, the Company had a total of 20,806 (2,433 in NNV and 18,373 in SNV) write off accounts, with total balances $2,783,770 ($388,100 in NNV and $2,395,670 in SNV).
- Delinquent Account Trends: January 2020 (prior to the pandemic), the Company had a total of 98,687 accounts with balances in arrears and as of

January 2021, the Company had a total of 110,806 accounts with balances in arears. By way of comparison 1, the Company had a total of 105,352 accounts with balances in arrears in May 2020 and 201,280 in May of 2021.

- Delinquent Balance Trends: January 2020 (prior to the pandemic), the Company had a total of $ 8,737,581 balances of accounts receivable in arrears (812,694 in NNV and 7,924,887 in SNV) and as of January 2021, the Company had a total arrears of $14,886,067 ($ 1,788,039 in NNV and $13,098,028 in SNV). By way of comparison, the Company's accounts receivable included an arrears balance of $13,532,044 in May 2020 ($1,557,386 in NNV and $ 11,974,658 in SNV) and as of May 2021, the Company has a total of $19,119,934 ($ 2,389,992 in NNV and $ 16,729,942 in NNV) balances of accounts receivable in arrears.
- Payment Trends: In 2019, the company (company-wide) received an average of 1,790,637 payments per month, or on 87 percent of customer accounts, and in 2020, the company received an average of 1,756,631 payments per month, or on 84 percent of customer accounts. Evaluating these strong payment trends and delinquency rates shows our customers were actively making payments albeit it smaller amounts, but in an attempt to keep up with their account and/or reduce balances in arrears.

The company has also seen the pandemic drive customers to adopt stronger account management practices through a shift from manual payment channels to digital payment channels. Highlights of this transition (companywide) include:

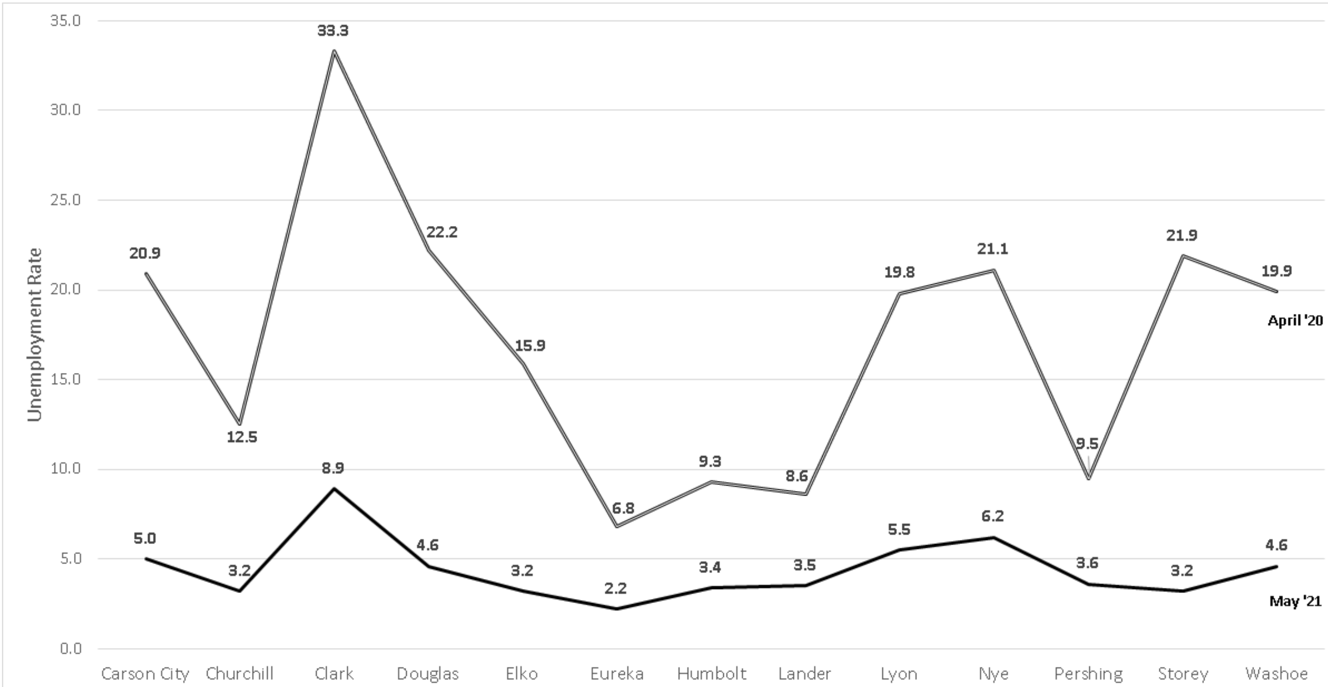
- Paperless Statements: January 2020 a total of 778,303 customers (or 37 percent) on paperless statements, and as of May 2021 a total of 882,287 customers (or 41 percent) on paperless statements.
- APP: January 2020, we had a total of 574,064 customers (or 26 percent) enrolled in the APP, and as of May 2021, we have a total of 641,141 customers (or 30 percent) enrolled in the APP.
- Web and Mobile Payments: January 2020, a total of 1.1M customers (or 52 percent) make web or mobile (digital) payments, and as of May 2021, a total of 1.4M customers (or 66 percent) make web or mobile payments.

Q. 21 Overall, has the Company seen the State's economic recovery to date reflected through customer behavior/payment trends/account management, etc.?

A. 21 Generally, yes. Payment trends have maintained throughout the pandemic and have steadily increased in 2021. While the dollar amount of monthly payments has decreased, the number of payments sustaining indicates that customers are attempting to continue engagement with the company and reduce balances in arrears. Additionally, call volume has increased substantially since 2020, indicating that customers are interested in discussing their account status and seeking arrangements to keep their account and service in good standing.

Q. 22 Are there other economic indicators that may be linked to this improvement?

A. 22 Yes. The Company examined the unemployment rates in the 13 counties it serves in Nevada and found that at the end of the test year (May 31, 2021) unemployment rates had decreased substantially – to an average of 4.4 percent from 17.1 percent at the onset of the pandemic in April 2020. This significant improvement is demonstrated in the table below.



Source: Bureau of Labor Statistics

Q. 23 Based on the information you reviewed, do the unemployment rates seem to have returned to a range of reasonableness based on historical data?

A. 23 Yes. The Company reviewed unemployment rates at the end of the test year (November 2011) in its 2012 GRC through May 2021 (the end of the test year in the instant docket) and found that the unemployment rates were lower in May 2021 than they were in November 2011 in each of the 13 counties served by the Company. Further, May 2021 unemployment rates (4.4 percent) were lower than the 10-year average of 7.1 percent (May 2011 to May 2021) in 12 of the 13 counties served by the Company, Clark County being the exception, with an unemployment rate comparable to the 10-year average. The chart depicting this comparison is provided on Sheet 1 of Exhibit No.__(MLA-1) to my prepared direct testimony. Charts depicting the unemployment rate trends from January 2019 through June 2021 (most recent information available) and January 2011 through June 2021 for each of the counties in which the Company serves are also included in Exhibit No.__(MLA-1).

V. BENEFITS OF PROJECT HORIZON

Q. 24 Please provide an overview of Project Horizon.

A. 24 Project Horizon involved the replacement of the Company's legacy customer service system (CSS) as part of the Customer Data Modernization Initiative (CDMI), initiated to modernize the Company's legacy CSS and GTS systems incorporating up to-date technology and integrated, scalable features to allow for improved functionality, and increased operational efficiencies. Modernization of the Company's critical customer data systems also enables Southwest Gas to improve information security and provide enhanced customer service offerings that today's consumers have come to expect. Company witness, Raied N. Stanley, supports the replacement and execution of the Project's implementation in his prepared direct testimony and Company witnesses Gregor K. Waller and Randi L. Cunningham support the inclusion of the project in the Company's cost of service.

Q. 25 What are the benefits of Project Horizon?

A. 25 Several of the key benefits include:

- A modernized customer information system functionality to replace aging systems and technology that do not provide the ease of use for customer servicing needs, or the data security to protect our customers' sensitive data, including personally identifiable information.

- Improved design to make customer education more prominent and self-service more efficient. Furthermore, we have additional functionality that contributes to keeping customers in their channel of choice (digital self-service and mobile app, for example).
- Improved internal efficiencies that directly impact call handle and wait times, improving the customer experience.
- Enhanced data collection and reporting capabilities allowing the Company to more closely monitor customer trends and behaviors to evolve practices and programs to be more predictive.
- Improved functionality for local and state agencies. Allowing for closer customer monitoring and ease of individual and/or bulk customer assistance payment processing. One primary billing engine with an emphasis on a customer-centric rather than a location (premise) based system.
- Flexible and expandable systems that will support customer growth, and enhanced products, programs, and services.
- The foundation to expand bill print functionality to include Spanish bill capabilities, targeted to launch Q4, 2021.
- Replaced several manual and paper processes with automated and workflow capabilities, improving accuracy, quality and speed of service as well as tracking and reporting. Ability to upload documents within the system for improved servicing response time and data security.

- Lays the foundation to further enhance edge system capabilities to increase functionality and efficiency.

VI. OUTSOURCING OF THE BILL PRINT AND MAIL FUNCTION

Q. 26 Please describe the Company's bill print and mail function.

A. 26 Customer bills are generated or batched nightly for the respective meter reading cycle for that given day. The bills are printed onsite overnight and inserted, along with any bill inserts, and mailed the following morning to the customer's address of record.

Q. 27 Please explain the Company's decision to outsource this function.

A. 27 Southwest Gas was able to leverage external expertise with an outside vendor and made the decision to outsource the customer bill print and mail function because it was not core to the business of the organization. The paper bill quantities are decreasing and expected to decrease more with new payment options such as electronic and mobile payments. As referenced above, enrollment in paperless statements have increased by 13 percent from January 2020 to May 2021. Further, customer payments were previously delivered directly to the Company's corporate office. Mail contamination can cause a complete building shutdown/evacuation. Having customer payments delivered offsite reduces this risk. Lastly, the Company redesigned its bill presentation, and the Company's bill print and mailing hardware and software would have required upgrades, if not replacement, to continue operation and to accommodate the new bill format. The Company's onsite equipment was at its end of life and was monochrome so could not have supported the Company's new paper size (paper rolls), print format, envelopes, or color graphics and graphs. Further, we now have redundancy in that the Company's outsource vendor (FIS) has multiple sites that our bill print functionality can fall over to if/when there are technical or equipment issues. Our in-house process did not have this capability and if/when issues occurred, the bill print operation would stop until the system could be recovered, or the equipment could be repaired.

Q. 28 Why did the Company decide to change its bill presentment?

A. 28 The Company's bill has been in the format since the 1990's and was using non-standard paper size (7.4 by X 14 vs. 8.5 X 11). The prior systemic configurations did not allow us to evolve font or formatting, and specifically, there was no way to differentiate important customer messages with added colors and graphics. Additionally, the prior format was not conducive to inputting several messages in one month and as a result, the Company would have a challenge making all important customer messages stand out, and/or clear for ease of customer understanding. Last, customers benefit from the added feature of a month over month color usage graphic that conspicuously shows comparison data for budget and conservation purposes. Last, our vendor has state-of-the-art equipment and capabilities, and we can now target sub populations in order to provide tailored messaging to impacted and/or selected customers.

Q. 29 When did the bill presentment change?

A. 29 The Company's bill presentment changed in October 2020. Company witness Gregory K. Waller supports the ratemaking adjustments related to the outsourcing of the bill print and mail function.

Q. 30 Are the costs for outsourcing the bill print and mail function reasonable and prudent, and appropriate for inclusion in the rates authorized in this proceeding?

A. 30 Yes. As discussed above, the bill print and mail function is an essential part of the Company's business processes. Outsourcing this function reduces risk and alleviates the need for the Company to incur costs to upgrade its hardware and software. Onsite, bill print costs averaged $ 9,547,726 in 2018 and 2019 (used as a comparison since 2020 was split between onsite and outsourced), as compared to the companies 2021 budgeted forecast of $ 9,000,000. With this shift, the Company benefits from a more comprehensive bill that is clearer and easier to read. The company also benefits from multiple locations/operational redundancy if in the event of a technical/equipment failure, emergency or natural disaster, bill production can fail over to another (back-up) location and printing will not be impacted and/or delayed.

VII. CONCLUSION

Q. 30 Does this conclude your prepared direct testimony?

A. 30 Yes.

Summary of Qualifications
Michelle L. Ansani

I graduated from University of Phoenix, with a Bachelor of Science in Management and graduated from Boston University, with a Master of Science in Risk Management. I am currently attending Walden University, at the dissertation stage of a PhD in Industrial/Organizational Psychology. I am a member of the Society for Industrial and Organizational Psychology, I have a certification in Human Resource Management and am certified in Business Process Management. In the community, I serve as the chairperson of the board of directors of Junior Achievement.

Prior to joining Southwest Gas, I worked in Financial Services for 24 years. I was employed at HSBC while earning my bachelor's degree, working in the Credit Card division as Director of Customer Service. In 2012, Capital One purchased the domestic credit card portfolio and I became the Credit Card Ombudsman for the acquired HSBC portfolio and the Capital One portfolio. In this position I was the key business point of contact for federal agencies, including the Department of Treasury, Department of Justice, Office of the Comptroller of Currency, and the Consumer Financial Protection Bureau. I was also the main business contact for all state government agencies, as well as the office of attorneys general. In this role, I was directly responsible for approximately 2,500 tier 2/escalated complaint analysis employees and 200 tier 3/legal and regulatory complaint analysis employees. For the entire company (including Credit Cards, Retail Bank, Commercial and Mortgage Loans), I oversaw all complaint research, analysis, and response for the Sales Practices Exam conducted by the Office of the Comptroller of Currency, launched in 2016, after the Wells Fargo fraudulent sales practices issue occurred. This role included participating in depositions and providing testimony on findings, as well as determining and conveying strategies and next steps for remediation and for future account handling practices.

In 2019, I joined Southwest Gas as the Director of Call Center and Back Office. A few months later, I assumed responsibility for managing bill print operations and became the key business lead and stakeholder for Project Horizon. My roles and responsibilities include managing the day-to-day operations of the call center, exceptions processing, and bill print production. Included in this role is serving as a key member of leadership responsible for the strategy and oversight of the end user/customer experience, account handling practices. Additionally, my team partners across the organization to coordinate account related messaging to customers in all channels including the Company's website, IVR, monthly bills, outbound calling, letters, social media, and MyAccount.

As the lead business stakeholder, I was responsible for decisions concerning system functionality and customer experience. I was also the lead for the Business Readiness team responsible for ensuring all 1,400 users were trained and all 52 departments had necessary practices and protocol in place for the conversion and post-conversion implementation.

When the COVID-19 pandemic began, I also assumed oversight of account handling practices, focused on customer education and support, as it relates to financial needs and account management. Additionally, I have the responsibility of tracking, reporting, and analyzing customer account trends and behaviors. This oversight helps the Company understand customer needs and resiliency, as well as help provide proactive, predictive customer interventions and outreach.

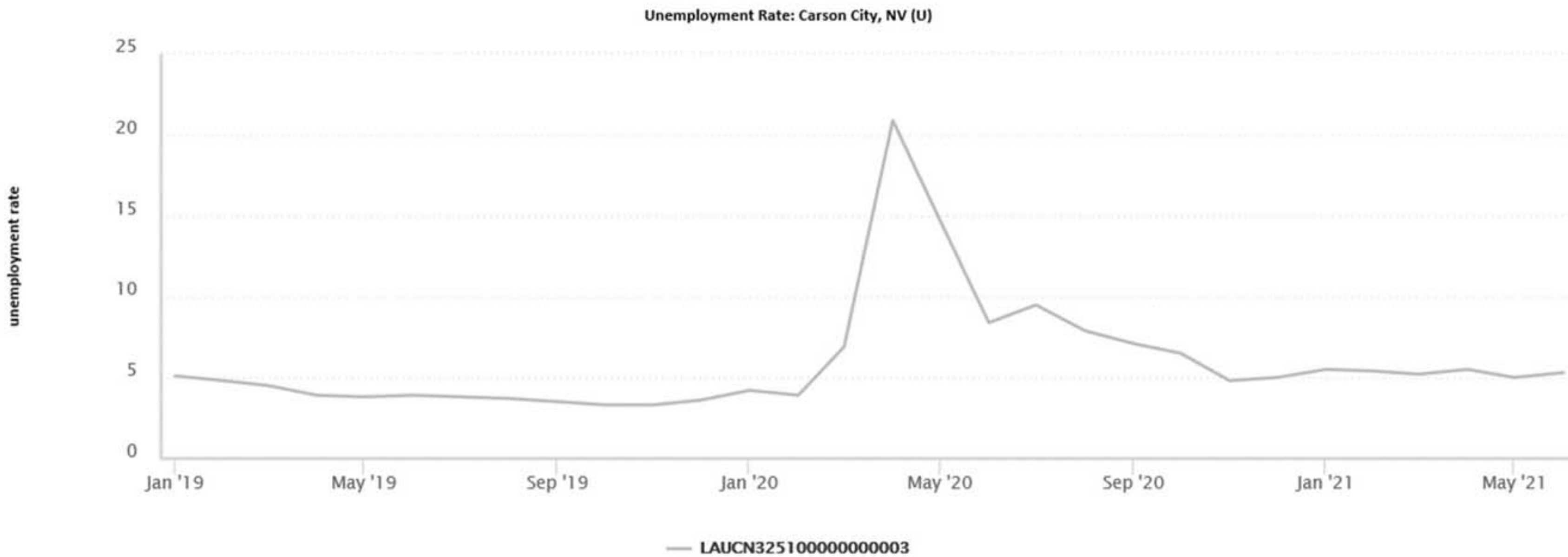
In August 2021, I was promoted to my current position of Vice President/Customer Engagement where I assumed responsibility for the Energy Solutions, Customer Engagement and Corporate Communications functions in addition to the Call Center and Back Office function discussed above.

SOUTHWEST GAS CORPORATION
NEVADA GENERAL RATE CASE
UNEMPLOYMENT RATES IN COUNTIES SERVED [1]
AT NOVEMBER 2011, NOVEMBER 2019, APRIL 2020, MAY 2021 AND THE 10-YEAR MONTHLY AVERAGE [2]

[1] Source: U.S. Bureau of Labor Statistics extracted August 29, 2021.

[2] November 2011, November 2019 and May 2021 represent the last month in the test year considered in the Company's 2012, 2020 and 2021 general rate cases, respectively. The 10-year monthly average May 2011 through May 2021.

Carson City County



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (10:45:19 AM)

Local Area Unemployment Statistics

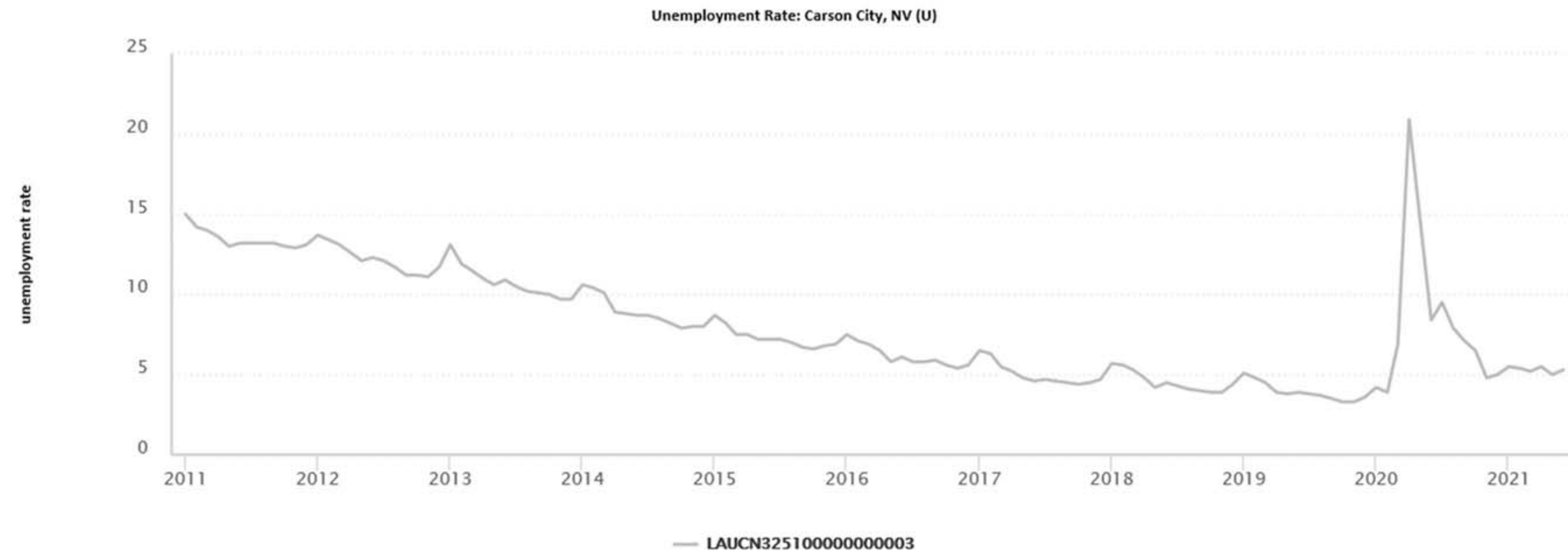
Series Title	: Unemployment Rate: Carson City, NV (U)
Series ID	: LAUCN325100000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Carson City, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
5.3

Jan 2019 - Jun 2021
Minimum Value: November 2019
3.3

Maximum Value: April 2020
20.9

Data Availability:
1990 - 2021



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

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Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Carson City, NV (U)
Series ID	: LAUCN325100000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Carson City, NV
Area Type	: Counties and equivalents

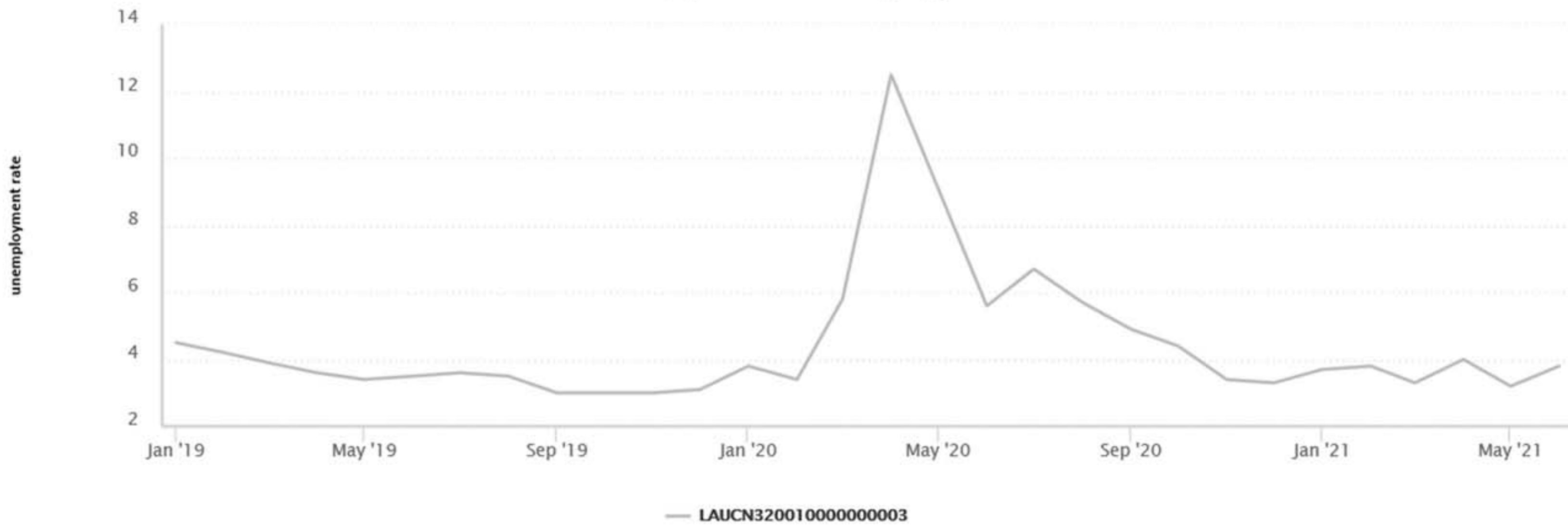
Latest Observation:
June 2021
5.3

Jan 2011 - Jun 2021
Minimum Value: November 2019
3.3

Maximum Value: April 2020
20.9

Data Availability:
1990 - 2021

Churchill County



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:40:08 AM)

Local Area Unemployment Statistics

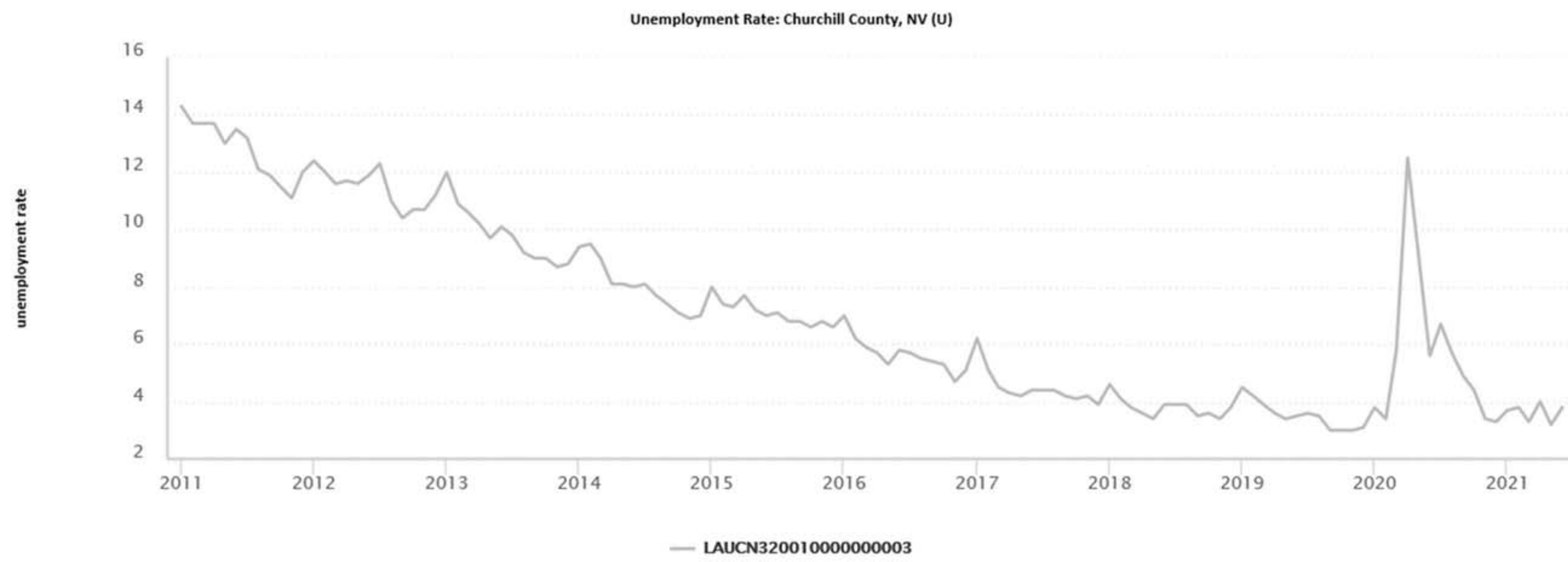
Series Title	: Unemployment Rate: Churchill County, NV (U)
Series ID	: LAUCN320010000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Churchill County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
3.8

Jan 2019 - Jun 2021
Minimum Value: September 2019
3.0

Maximum Value: April 2020
12.5

Data Availability:
1990 - 2021



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

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Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Churchill County, NV (U)
Series ID	: LAUCN320010000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Churchill County, NV
Area Type	: Counties and equivalents

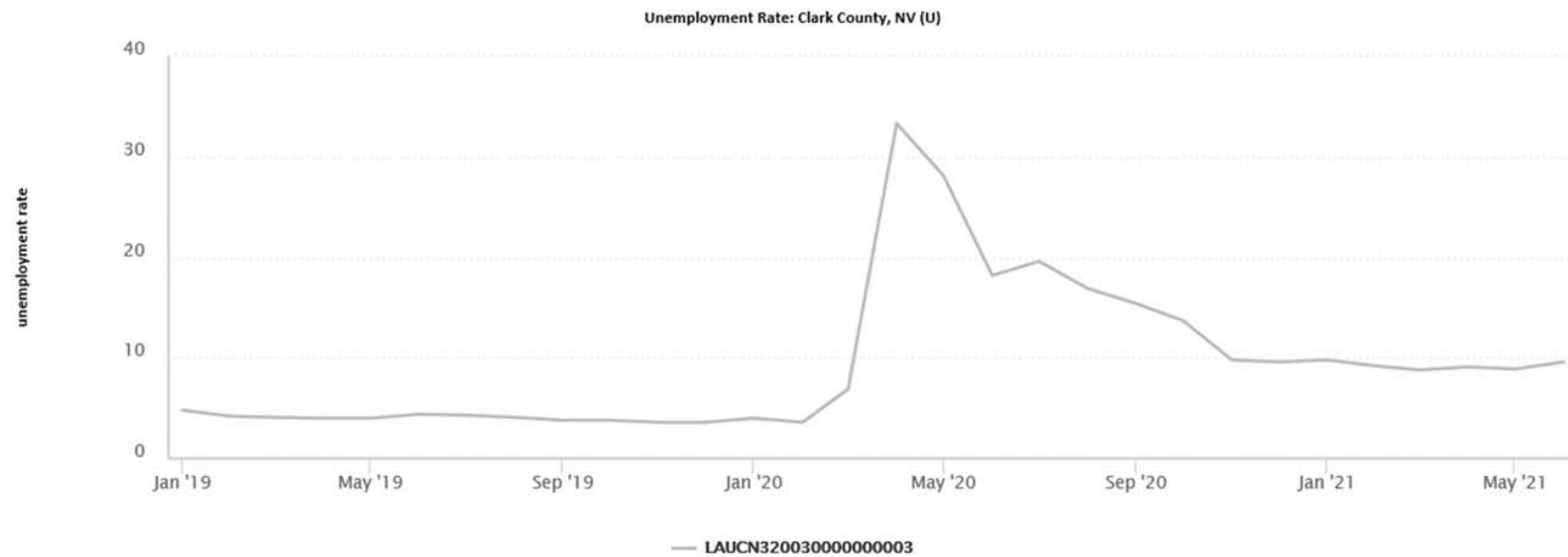
Latest Observation:
June 2021
3.8

Jan 2011 - Jun 2021
Minimum Value: September 2019
3.0

Maximum Value: January 2011
14.3

Data Availability:
1990 - 2021

Clark County



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

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Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Clark County, NV (U)
Series ID	: LAUCN320030000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Clark County, NV
Area Type	: Counties and equivalents

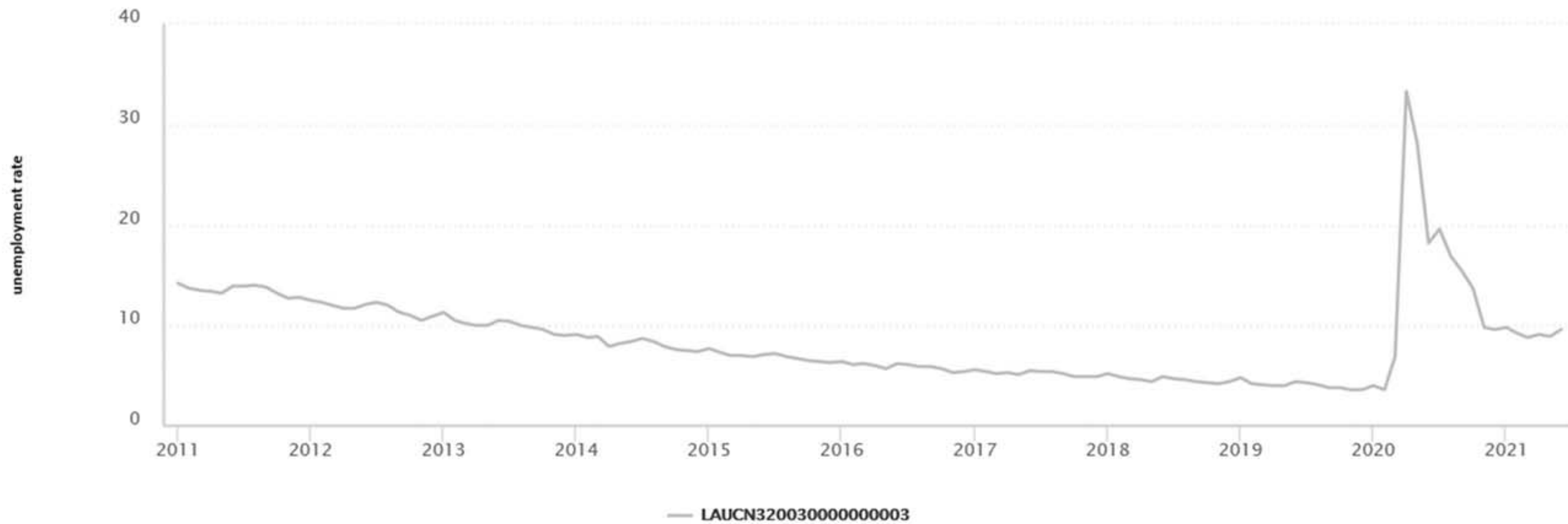
Latest Observation:
June 2021
9.6

Jan 2019 - Jun 2021
Minimum Value: February 2020
3.6

Maximum Value: April 2020
33.3

Data Availability:
1990 - 2021

Unemployment Rate: Clark County, NV (U)



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Source: U.S. Bureau of Labor Statistics.

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Local Area Unemployment Statistics

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Series ID	: LAUCN320030000000003
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Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Clark County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
9.6

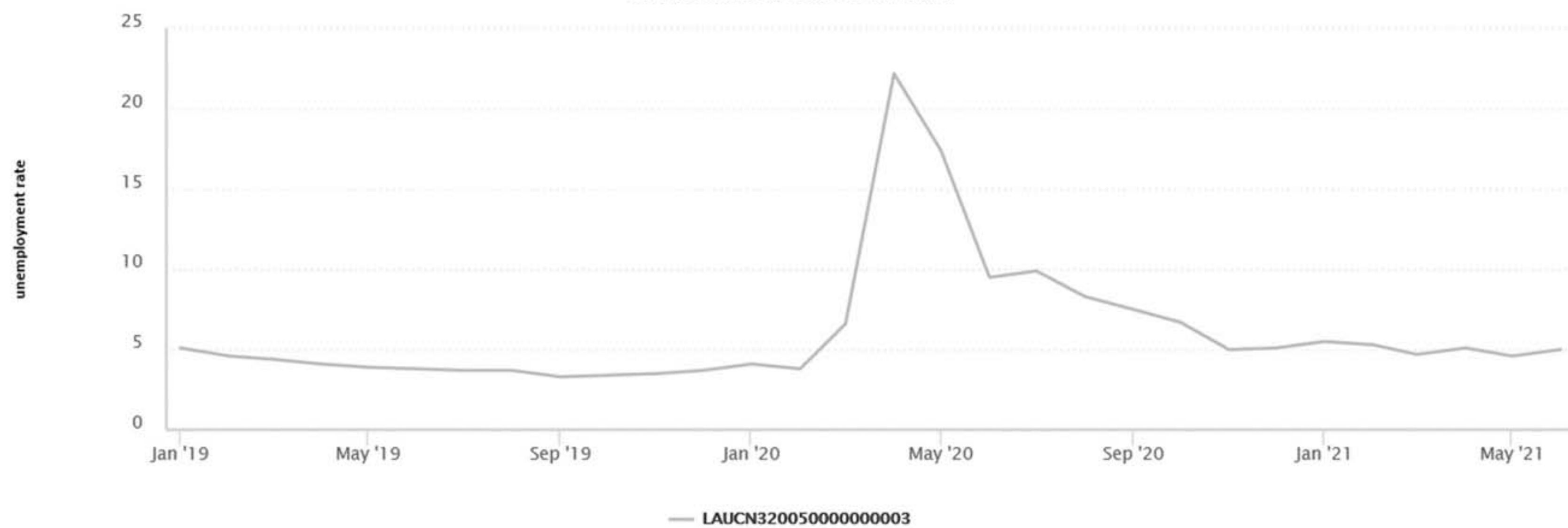
Jan 2011 - Jun 2021
Minimum Value: February 2020
3.6

Maximum Value: April 2020
33.3

Data Availability:
1990 - 2021

Douglas County

Unemployment Rate: Douglas County, NV (U)



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

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Local Area Unemployment Statistics

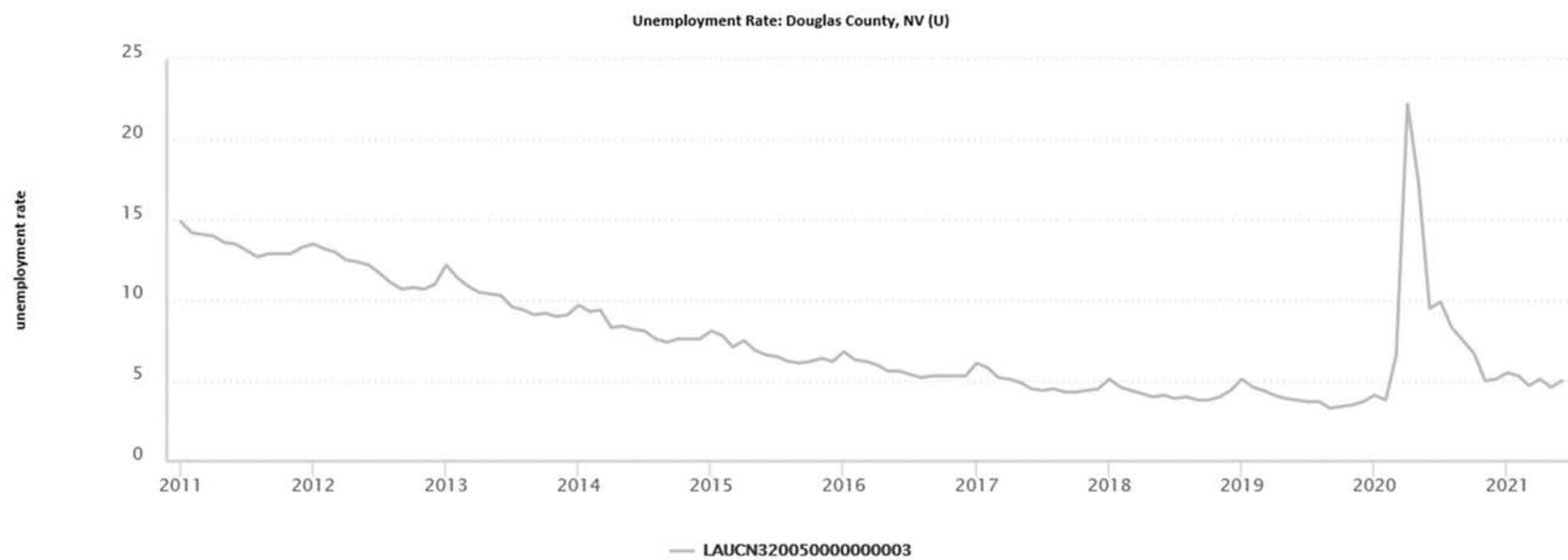
Series Title	: Unemployment Rate: Douglas County, NV (U)
Series ID	: LAUCN320050000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Douglas County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
5.0

Jan 2019 - Jun 2021
Minimum Value: September 2019
3.3

Maximum Value: April 2020
22.2

Data Availability:
1990 - 2021



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:03:13 AM)

Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Douglas County, NV (U)
Series ID	: LAUCN320050000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Douglas County, NV
Area Type	: Counties and equivalents

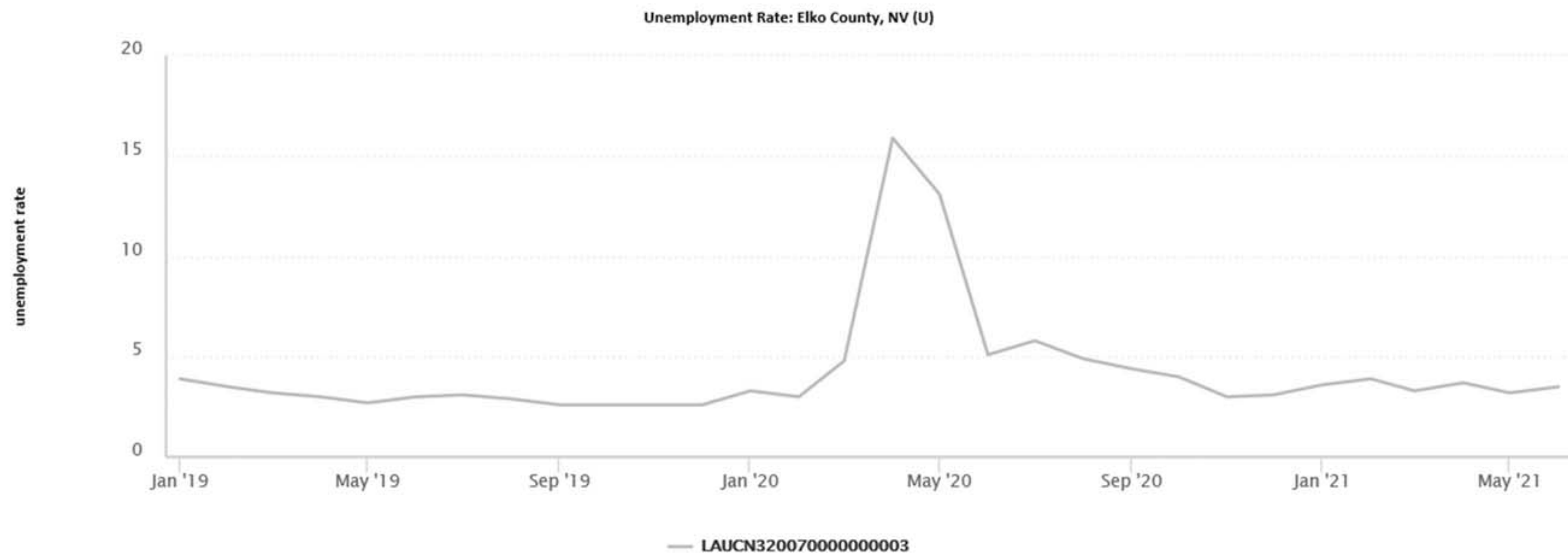
Latest Observation:
June 2021
5.0

Jan 2011 - Jun 2021
Minimum Value: September 2019
3.3

Maximum Value: April 2020
22.2

Data Availability:
1990 - 2021

Elko County



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

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Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Elko County, NV (U)
Series ID	: LAUCN320070000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Elko County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
3.5

Jan 2019 - Jun 2021
Minimum Value: September 2019
2.6

Maximum Value: April 2020
15.9

Data Availability:
1990 - 2021

Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:08:41 AM)

Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Elko County, NV (U)
Series ID	: LAUCN320070000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Elko County, NV
Area Type	: Counties and equivalents

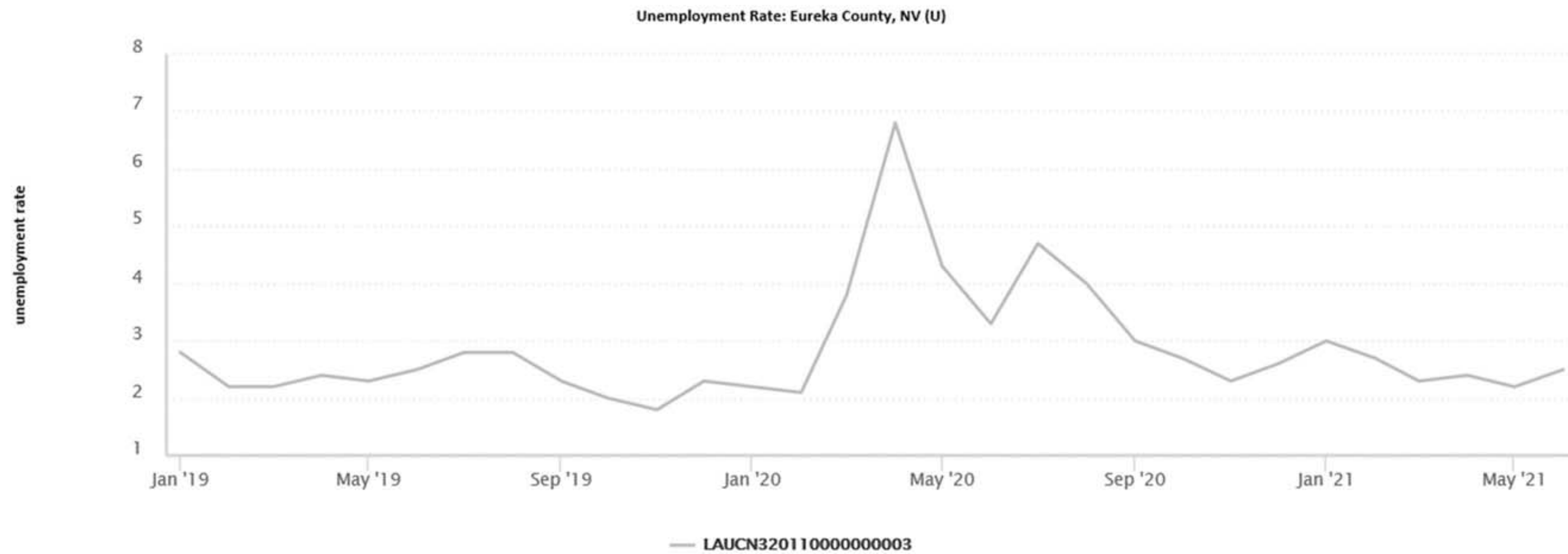
Latest Observation:
June 2021
3.5

Jan 2011 - Jun 2021
Minimum Value: September 2019
2.6

Maximum Value: April 2020
15.9

Data Availability:
1990 - 2021

Eureka County



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Source: U.S. Bureau of Labor Statistics.

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Local Area Unemployment Statistics

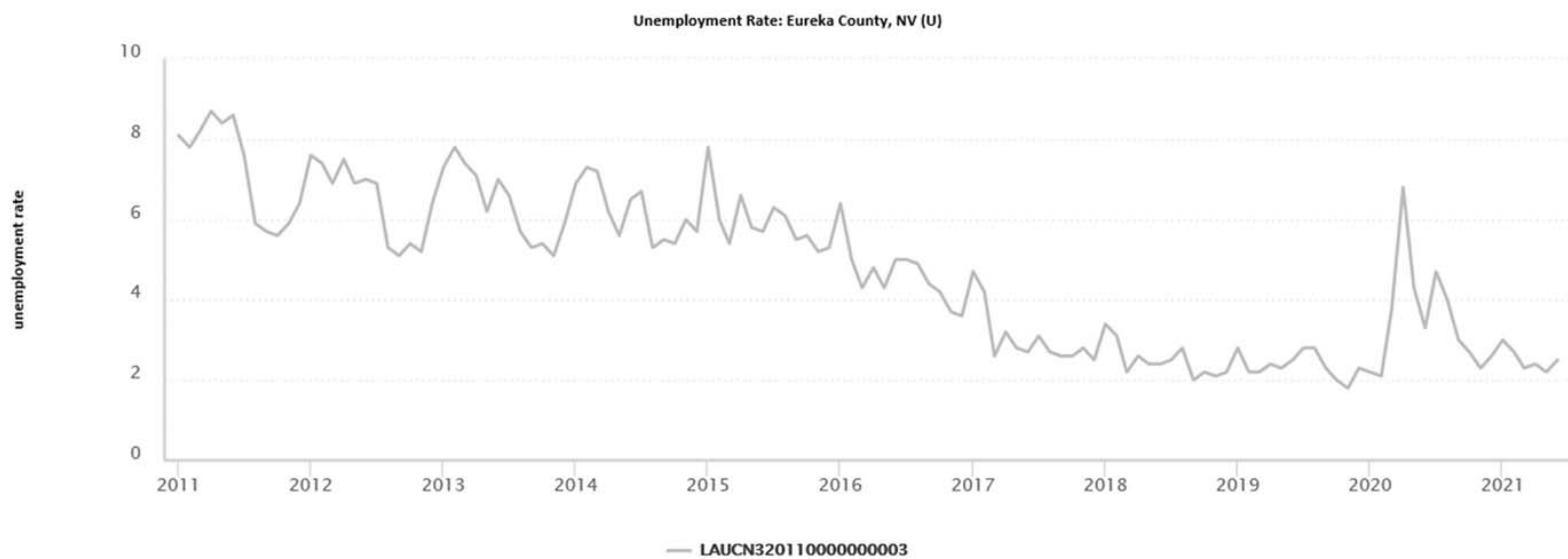
Series Title	: Unemployment Rate: Eureka County, NV (U)
Series ID	: LAUCN320110000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Eureka County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
2.5

Jan 2019 - Jun 2021
Minimum Value: November 2019
1.8

Maximum Value: April 2020
6.8

Data Availability:
1990 - 2021



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Source: U.S. Bureau of Labor Statistics.

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Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Eureka County, NV (U)
Series ID	: LAUCN320110000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Eureka County, NV
Area Type	: Counties and equivalents

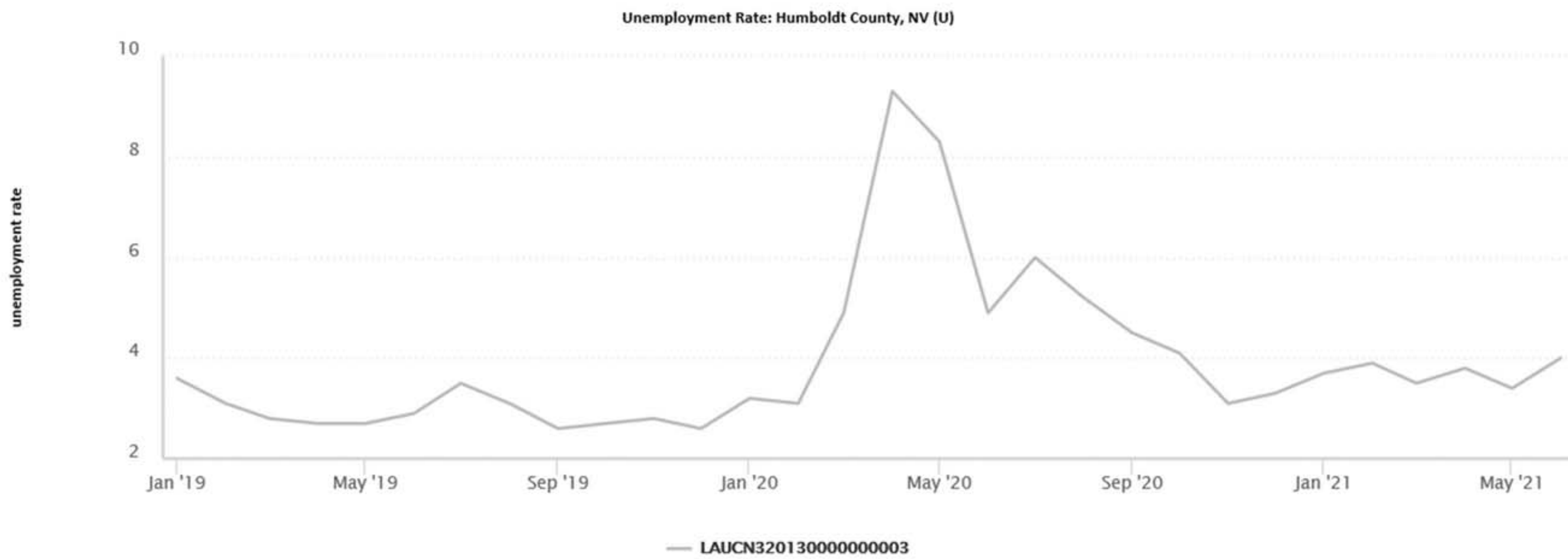
Latest Observation:
June 2021
2.5

Jan 2011 - Jun 2021
Minimum Value: November 2019
1.8

Maximum Value: April 2011
8.7

Data Availability:
1990 - 2021

Humbolt County



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Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:12:45 AM)

Local Area Unemployment Statistics

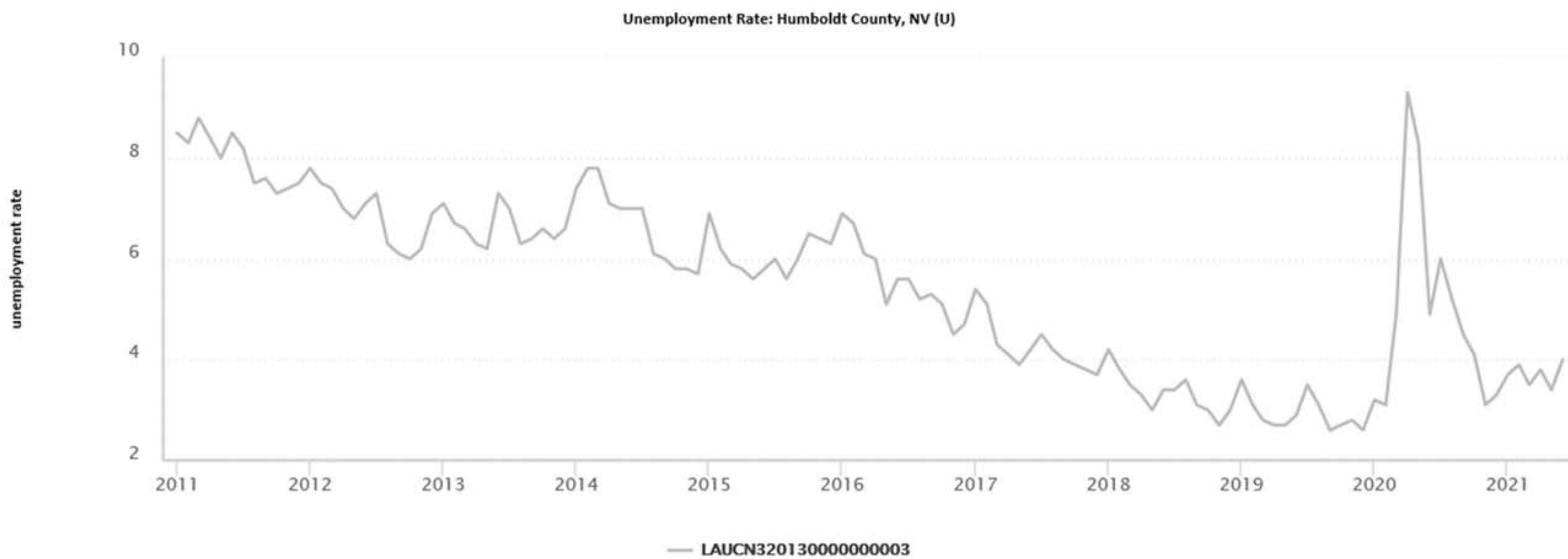
Series Title	: Unemployment Rate: Humboldt County, NV (U)
Series ID	: LAUCN320130000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Humboldt County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
4.0

Jan 2019 - Jun 2021
Minimum Value: December 2019
2.6

Maximum Value: April 2020
9.3

Data Availability:
1990 - 2021



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

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Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Humboldt County, NV (U)
Series ID	: LAUCN320130000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Humboldt County, NV
Area Type	: Counties and equivalents

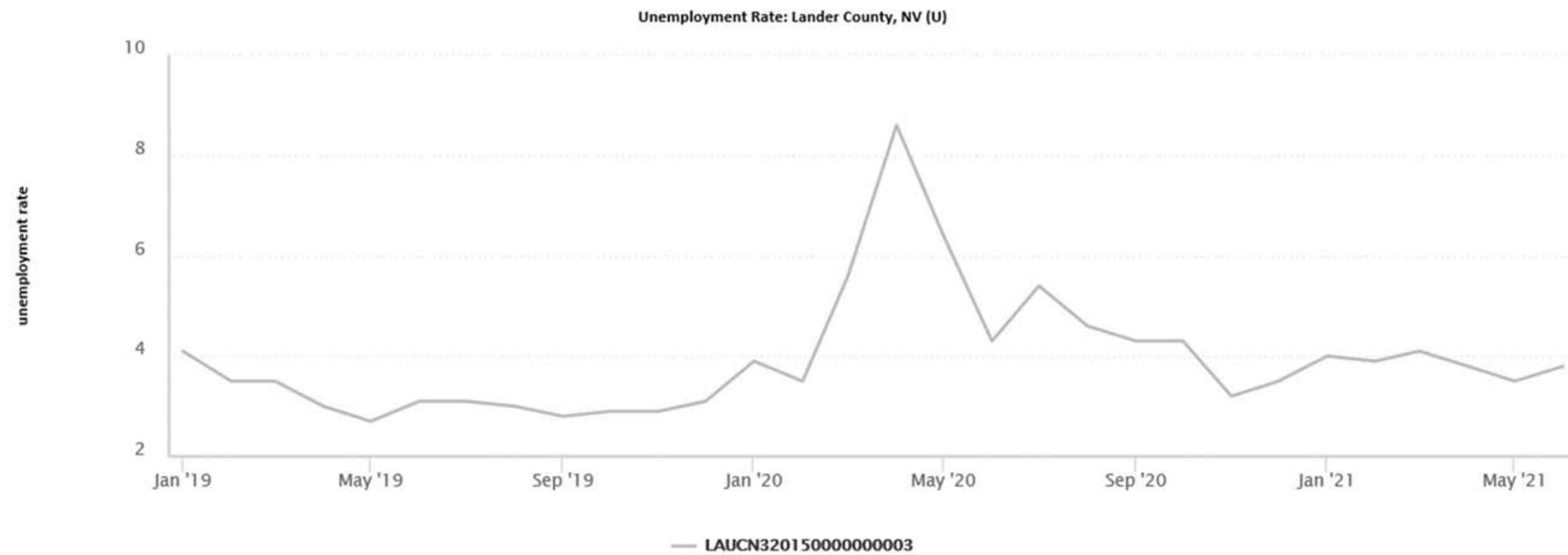
Latest Observation:
June 2021
4.0

Jan 2011 - Jun 2021
Minimum Value: December 2019
2.6

Maximum Value: April 2020
9.3

Data Availability:
1990 - 2021

Lander County



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:15:37 AM)

Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Lander County, NV (U)
Series ID	: LAUCN320150000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Lander County, NV
Area Type	: Counties and equivalents

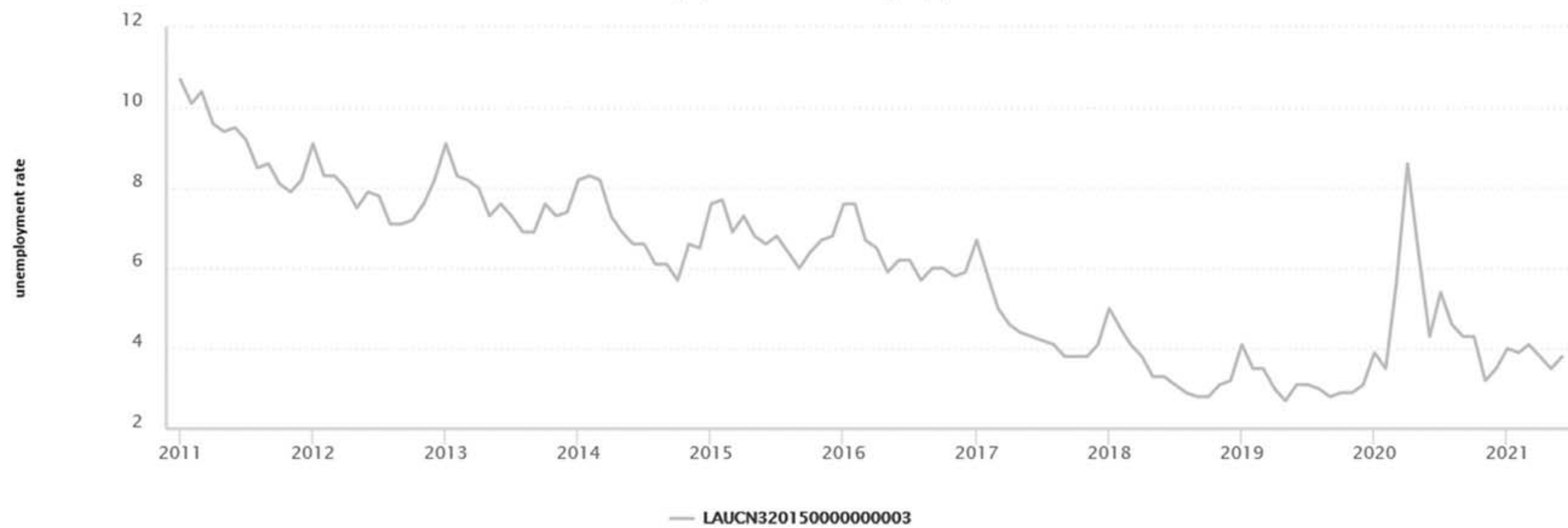
Latest Observation:
June 2021
3.8

Jan 2019 - Jun 2021
Minimum Value: May 2019
2.7

Maximum Value: April 2020
8.6

Data Availability:
1990 - 2021

Unemployment Rate: Lander County, NV (U)



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:17:57 AM)

Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Lander County, NV (U)
Series ID	: LAUCN320150000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Lander County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021

3.8

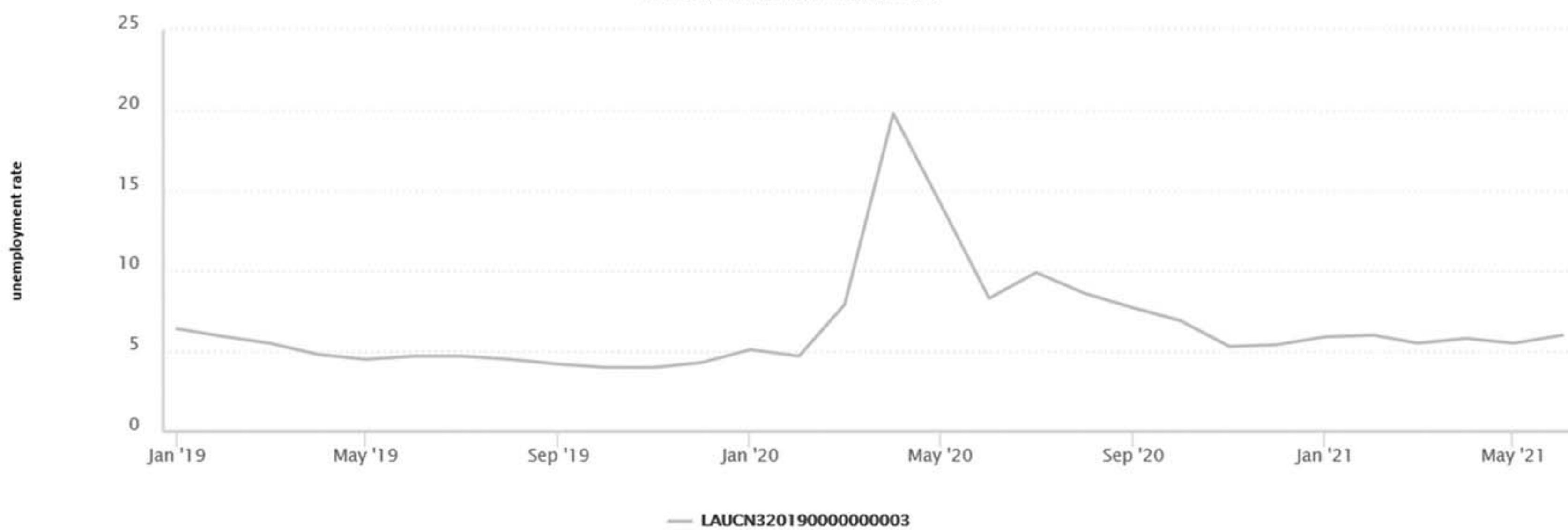
Jan 2011 - Jun 2021
Minimum Value: May 2019
2.7

Maximum Value: January 2011
10.7

Data Availability:
1990 - 2021

Lyon County

Unemployment Rate: Lyon County, NV (U)



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:18:54 AM)

Local Area Unemployment Statistics

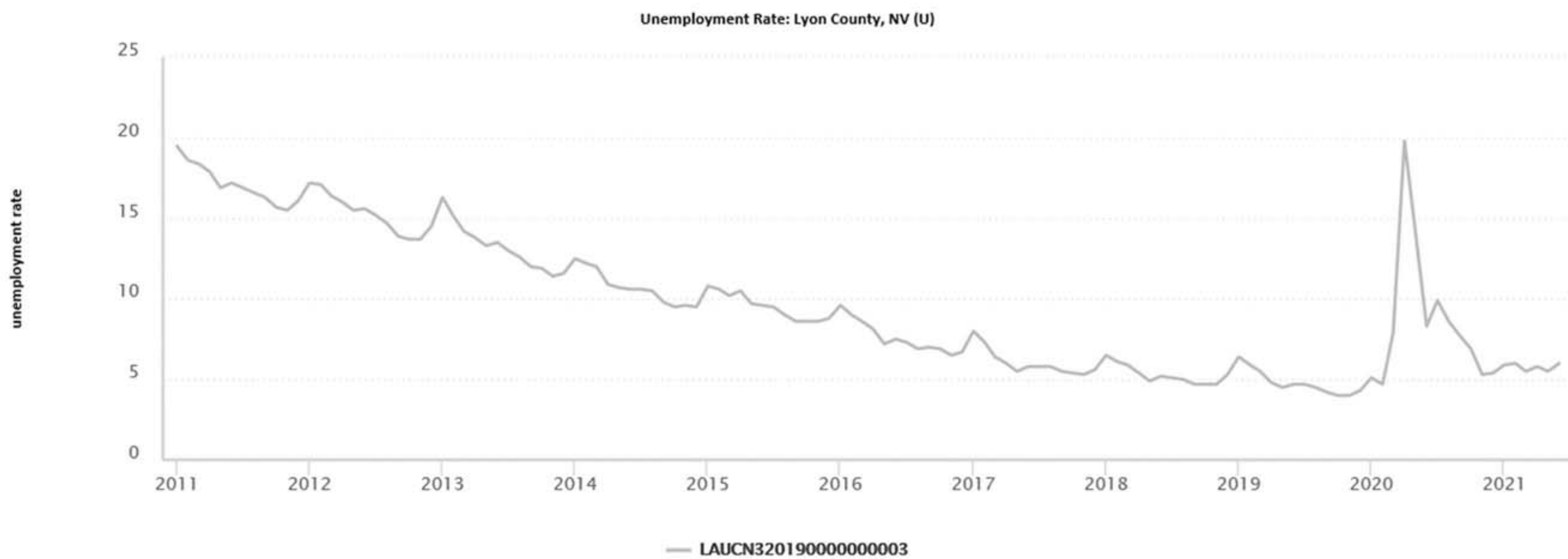
Series Title	: Unemployment Rate: Lyon County, NV (U)
Series ID	: LAUCN320190000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Lyon County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
6.0

Jan 2019 - Jun 2021
Minimum Value: November 2019
4.0

Maximum Value: April 2020
19.8

Data Availability:
1990 - 2021



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Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:19:36 AM)

Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Lyon County, NV (U)
Series ID	: LAUCN320190000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Lyon County, NV
Area Type	: Counties and equivalents

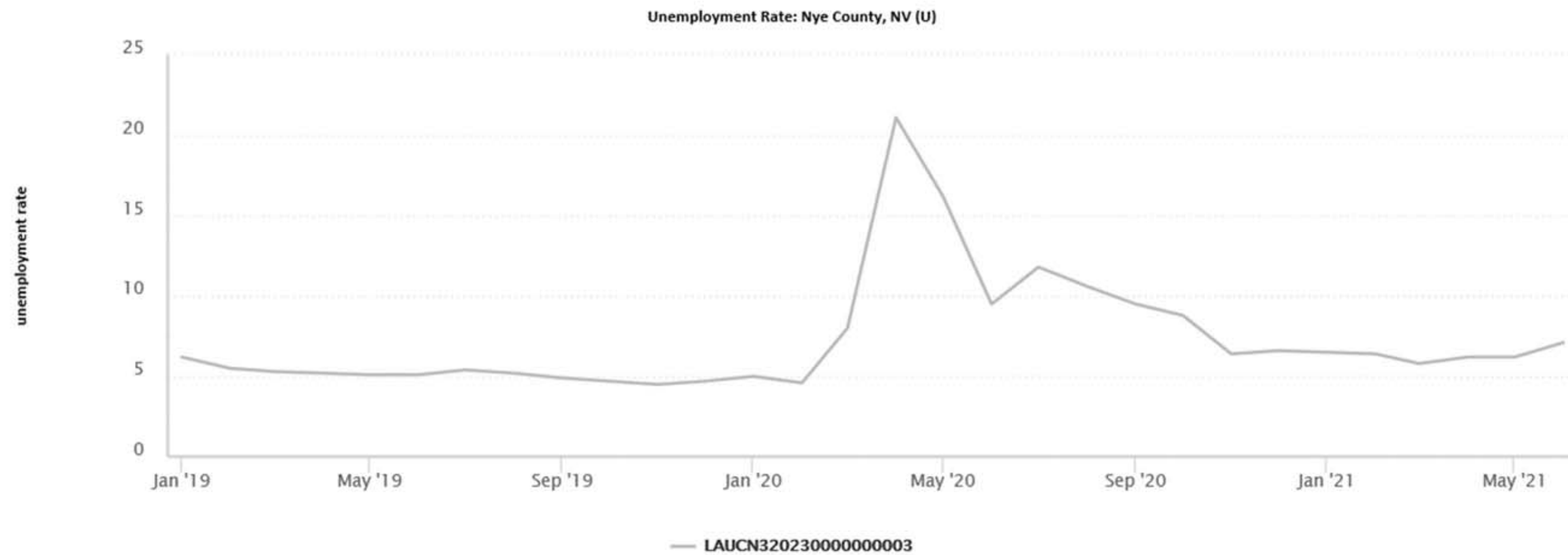
Latest Observation:
June 2021
6.0

Jan 2011 - Jun 2021
Minimum Value: November 2019
4.0

Maximum Value: April 2020
19.8

Data Availability:
1990 - 2021

Nye County



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:21:28 AM)

Local Area Unemployment Statistics

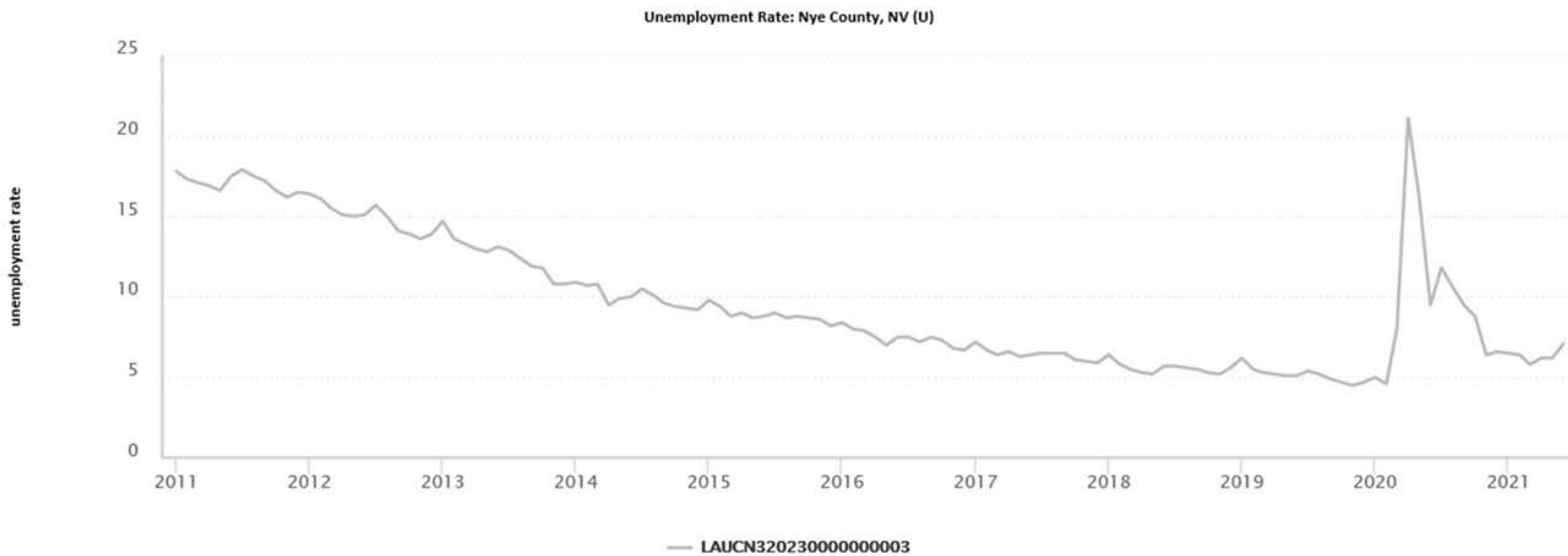
Series Title	: Unemployment Rate: Nye County, NV (U)
Series ID	: LAUCN320230000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Nye County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
7.1

Jan 2019 - Jun 2021
Minimum Value: November 2019
4.5

Maximum Value: April 2020
21.1

Data Availability:
1990 - 2021



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:22:44 AM)

Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Nye County, NV (U)
Series ID	: LAUCN320230000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Nye County, NV
Area Type	: Counties and equivalents

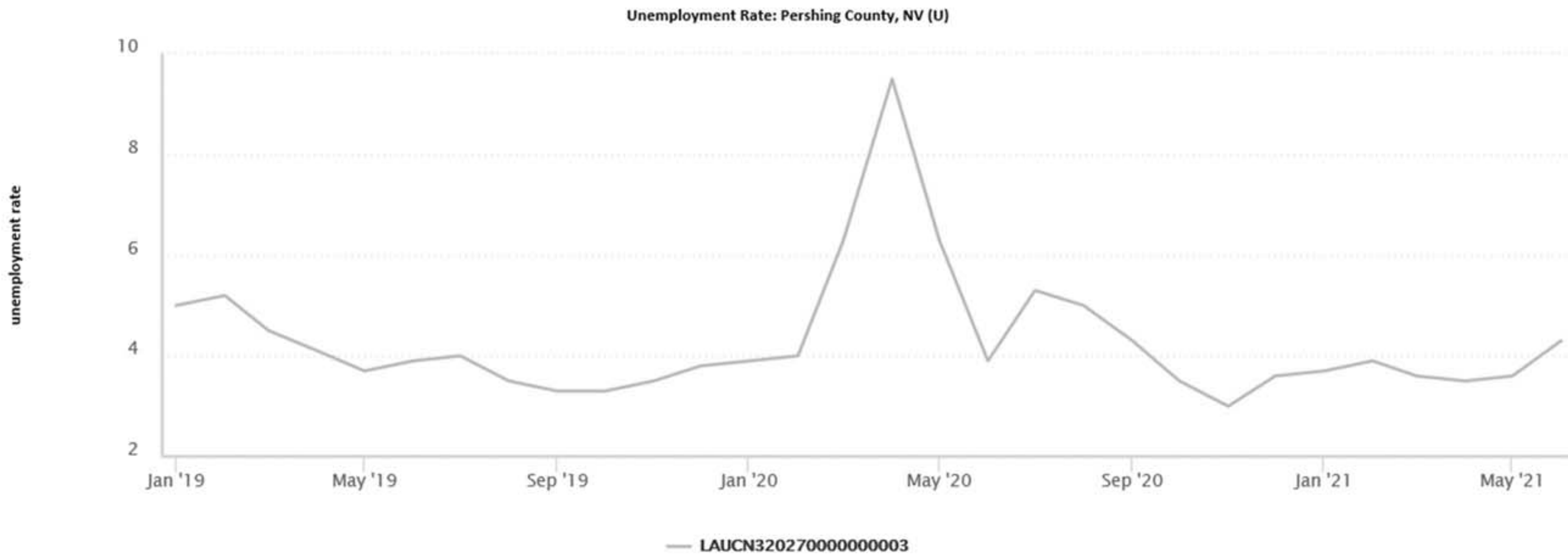
Latest Observation:
June 2021
7.1

Jan 2011 - Jun 2021
Minimum Value: November 2019
4.5

Maximum Value: April 2020
21.1

Data Availability:
1990 - 2021

Pershing County



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:24:46 AM)

Local Area Unemployment Statistics

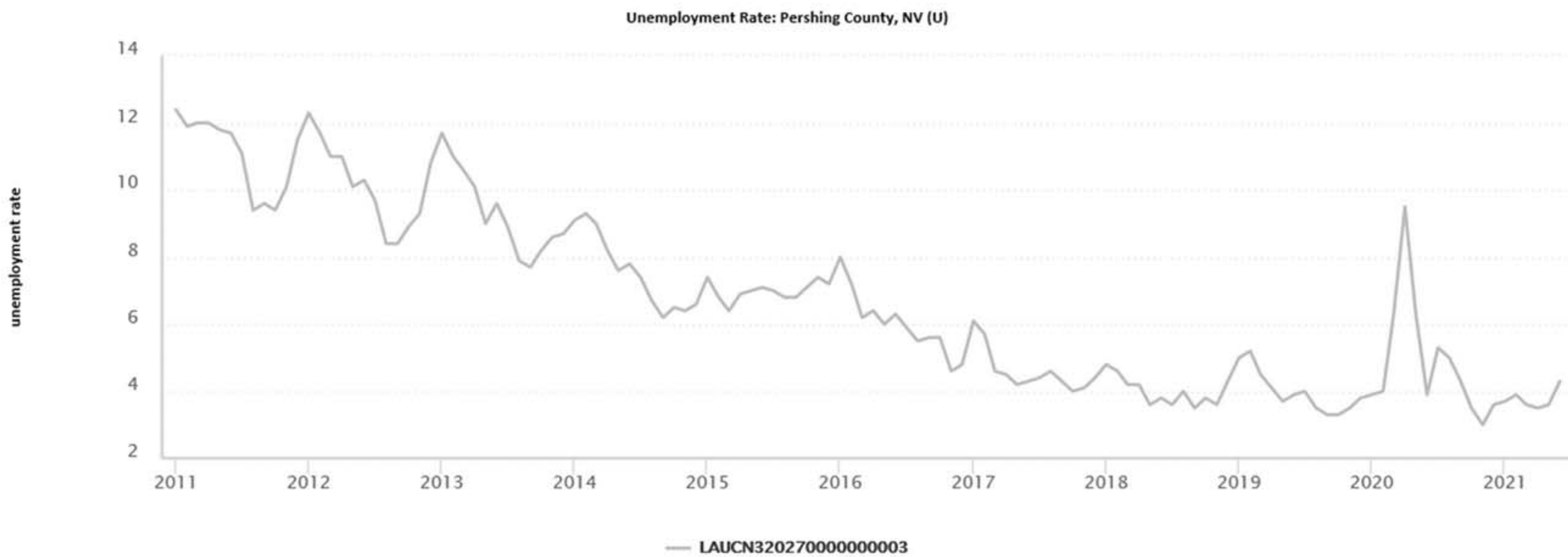
Series Title	: Unemployment Rate: Pershing County, NV (U)
Series ID	: LAUCN320270000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Pershing County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
4.3

Jan 2019 - Jun 2021
Minimum Value: November 2020
3.0

Maximum Value: April 2020
9.5

Data Availability:
1990 - 2021



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:25:33 AM)

Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Pershing County, NV (U)
Series ID	: LAUCN320270000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Pershing County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021

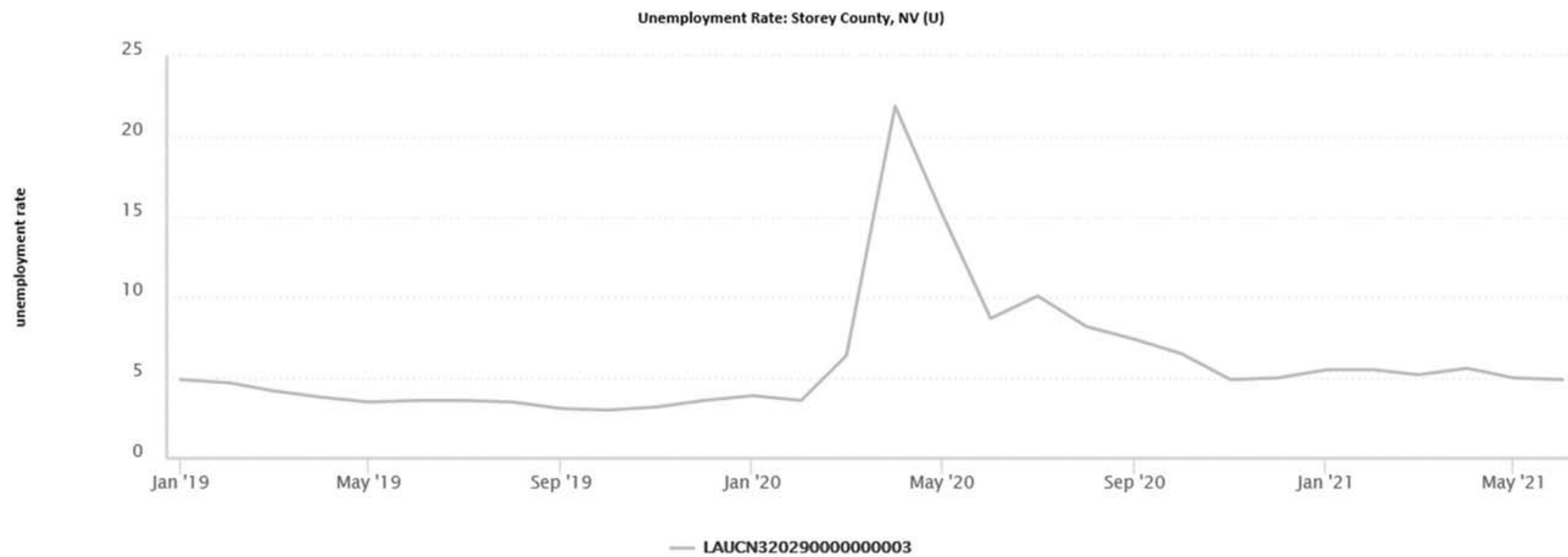
4.3

Jan 2011 - Jun 2021
Minimum Value: November 2020
3.0

Maximum Value: January 2011
12.4

Data Availability:
1990 - 2021

Storey County



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:27:27 AM)

Local Area Unemployment Statistics

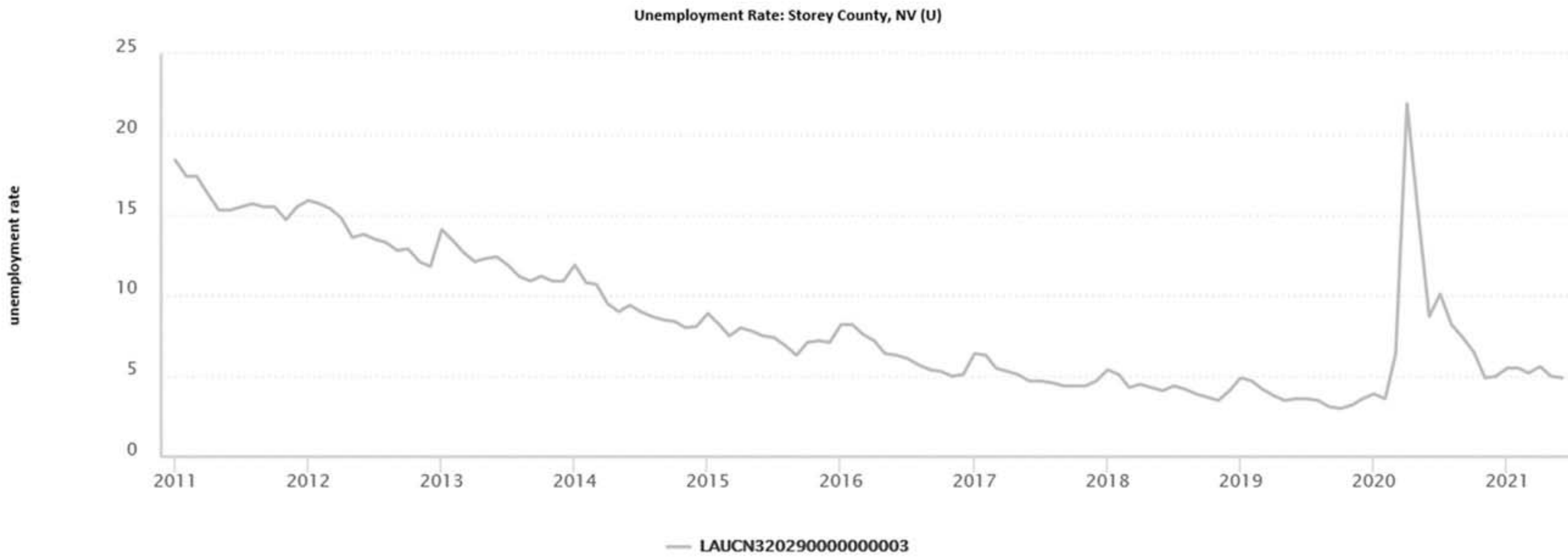
Series Title	: Unemployment Rate: Storey County, NV (U)
Series ID	: LAUCN320290000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Storey County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
4.9

Jan 2019 - Jun 2021
Minimum Value: October 2019
3.0

Maximum Value: April 2020
21.9

Data Availability:
1990 - 2021



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:29:23 AM)

Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Storey County, NV (U)
Series ID	: LAUCN320290000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Storey County, NV
Area Type	: Counties and equivalents

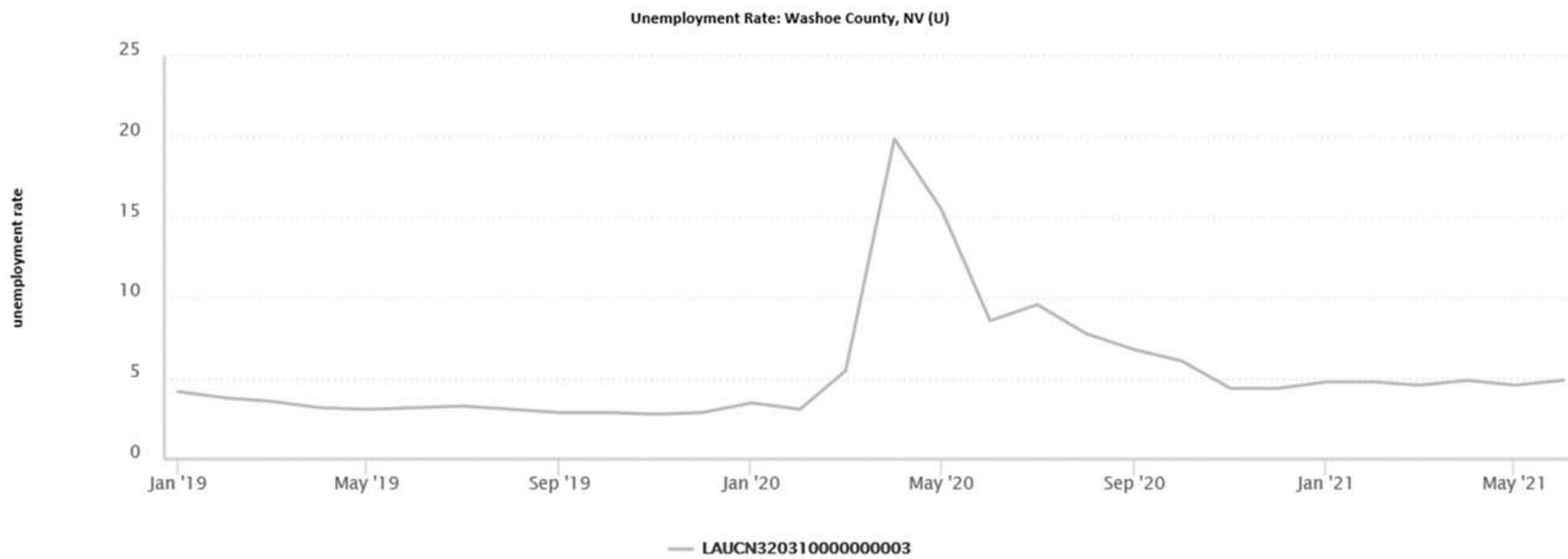
Latest Observation:
June 2021
4.9

Jan 2011 - Jun 2021
Minimum Value: October 2019
3.0

Maximum Value: April 2020
21.9

Data Availability:
1990 - 2021

Washoe County



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:36:06 AM)

Local Area Unemployment Statistics

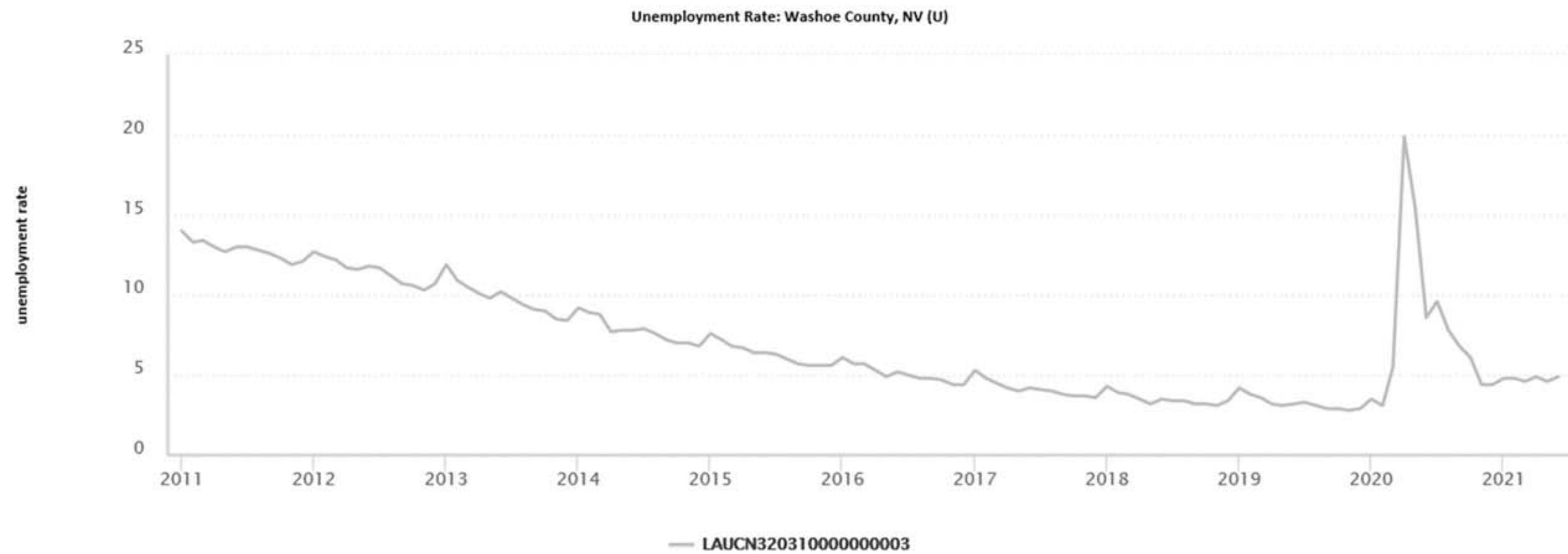
Series Title	: Unemployment Rate: Washoe County, NV (U)
Series ID	: LAUCN320310000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Washoe County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
4.9

Jan 2019 - Jun 2021
Minimum Value: November 2019
2.8

Maximum Value: April 2020
19.9

Data Availability:
1990 - 2021



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Data extracted on: Aug 29, 2021 (11:37:08 AM)

Local Area Unemployment Statistics

Series Title	: Unemployment Rate: Washoe County, NV (U)
Series ID	: LAUCN320310000000003
Seasonality	: Not Seasonally Adjusted
Survey Name	: Local Area Unemployment Statistics
Measure Data Type	: unemployment rate
Area	: Washoe County, NV
Area Type	: Counties and equivalents

Latest Observation:
June 2021
4.9

Jan 2011 - Jun 2021
Minimum Value: November 2019
2.8

Maximum Value: April 2020
19.9

Data Availability:
1990 - 2021

AFFIRMATION

STATE OF NEVADA)
: ss.
COUNTY OF CLARK)

Michelle Ansani being first duly sworn, deposes and says:

That I am the person identified in the Prepared Direct Testimony, and the exhibits applicable to my testimony; that such testimony and exhibits were prepared by me or under my direction; that the answers and information set forth therein are true to the best of my own knowledge and belief.

Michelle Ansani

Signed and sworn to before me on this 24 day of August, 2021.

Stella Meneses
Notary Public

NOTARY PUBLIC
STATE OF NEVADA
County of Clark
STELLA MENESES
Appt. No. 99-51091-1
My Appt. Expires Dec. 8, 2022

IN THE MATTER OF
SOUTHWEST GAS CORPORATION
DOCKET NO. 21-08XXX

PREPARED DIRECT TESTIMONY
OF
RANDI L. CUNNINGHAM

ON BEHALF OF
SOUTHWEST GAS CORPORATION

AUGUST 27, 2021

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Prepared Direct Testimony
of
Randi L. Cunningham

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BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Prepared Direct Testimony
of
Randi L. Cunningham

I. INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is Randi L. Cunningham. My business address is 8360 S. Durango Drive, Las Vegas, Nevada 89113.

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

A. 2 I am employed by Southwest Gas Corporation (Southwest Gas or Company) in the Regulation and Energy Efficiency department. My title is Senior Regulatory Professional.

Q. 3 Please summarize your educational background and relevant business experience.

A. 3 My educational background and relevant business experience are summarized in Appendix A to this testimony.

Q. 4 Have you previously testified before any regulatory commission?

A. 4 Yes. I have previously testified before the Public Utilities Commission of Nevada (Commission), the Arizona Corporation Commission, the California Public Utilities Commission, and the Federal Energy Regulatory Commission.

Q. 5 What is the purpose of your prepared direct testimony in this proceeding?

A. 5 My testimony provides an update to the status of the replacement of the Company's legacy Customer Service System (CSS) and the Gas Transaction System (GTS), collectively referred to herein as the "Customer Data

Modernization Initiative" (CDMI) and supports the recovery of revenue requirement related to Project Horizon.

Q. 6 Please summarize your prepared direct testimony.

A. 6 My prepared direct testimony consists of the following key issues:

- An overview of CDMI;
- The capital costs requested for the first time in this general rate case (GRC) related to Project Horizon, the project associated with replacement of CSS and the billing portion of GTS; and
- A test year proforma adjustment related to the ongoing operations and maintenance (O&M) of Project Horizon and CSS.

II. OVERVIEW OF CDMI

Q. 7 What was the purpose of CDMI?

A. 7 CDMI contemplated the update and modernization of two of the Company's critical customer information systems –CSS and GTS. Both systems have been fully amortized for many years, were dependent on antiquated technology, lacked enhanced cybersecurity measures, and presented challenges in keeping pace with current market demands and the Company's need to meet evolving customer expectations. Project Horizon addressed the replacement of CSS and the billing portion of GTS and is discussed in greater detail in the prepared direct testimony of Company witness, Raied Stanley. Project Ascend (AKA GTS Next Gen) addressed the replacement of the non-billing functionality of GTS.

Q. 8 What is the status of CDMI?

A. 8 Project Horizon was placed into service in May 2021, is used and useful and serving customers. While the capital cost of Project Ascend is currently anticipated to be under $15 million, the project is not targeted to close by the end of the certification period. Accordingly, the Company is not requesting recovery for Project Ascend in this proceeding. Therefore, the remainder of my testimony will be focused on cost recovery for Project Horizon.

III. PROJECT HORIZON CAPITAL COSTS REQUESTED IN THIS PROCEEDING

Q. 9 Can you please provide an overview of the Project Horizon-related capital costs for which the Company is requesting recovery for the first time in this proceeding?

A. 9 Yes. The Project Horizon capital costs for which the Company is requesting recovery for the first time in this proceeding are as follows:

Project Horizon Implementation: $103,828,736

Project Horizon Hardware: $5,054,884

Q. 10 Please elaborate on the capital costs included for Project Horizon Implementation.

A. 10 The work order for the Project Horizon Implementation was placed into service and used and useful in May 2021. It was charged to plant account 303 and has a fifteen-year amortization. As of the end of the test year, $96,308,192 had been charged to the work order. The Company will be making a certification adjustment to add an estimated $7,520,544 to the work order, which brings the total request for this work order to $103,828,736. The post-test year amounts consist of trailing charges and hypercare. As such, the net plant and annual amortization expense will be trued up by the Company in its Certification filing.

. . .

. . .

Q. 11 Please elaborate on the costs included for Project Horizon Hardware.

A. 11 The last work order for Project Horizon Hardware was placed into service in March 2021. The costs were charged to plant account 391.1 and the annualized depreciation expense is based on the 19.80 percent depreciation rate authorized for that account in the last GRC. As of the end of the test year, $5,539,716 has been charged to the work orders. Of that amount, $484,871 was included in the last GRC, leaving an additional $5,054,845 being requested in this GRC for the first time. No additional charges will be posted to these work orders. The annualized depreciation expense related to all the Project Horizon Hardware work orders is approximately $1.1 million.

IV. PROJECT HORIZON AND CSS O&M REQUEST

Q. 12 Can you please explain the Project Horizon and CSS-related O&M costs the Company is requesting for recovery in this proceeding?

A. 12 Yes. The Company incurred $5,897,713 of O&M to support the implementation of Project Horizon and $3,883,663 million of O&M related to the legacy CSS system during the test year. The Company anticipates incurring approximately $4,970,086 million annually to operate and maintain Project Horizon and will incur approximately $2,623,407 million on an annualized basis of ongoing CSS costs to maintain CSS in inquiry mode for the next 18-24 months after the go-live date of Project Horizon to allow the Company to have access to certain historical data that is not available in the new system but is necessary to serve customers for the aforementioned period following Project Horizon's go-live date. As such, the Company believes it is appropriate to make a downward adjustment of $2,187,883 to test year recorded O&M to reflect the ongoing level of annual costs in the next two-year rate case cycle, of which $(710,757) will be allocated to Southern Nevada and $(103,320) will be allocated to Northern Nevada.

V. CONCLUSION

Q. 13 Does this conclude your prepared direct testimony?

A. 13 Yes.

SUMMARY OF QUALIFICATIONS
RANDI L. CUNNINGHAM

I graduated from the University of Washington in Seattle, Washington with a Bachelor of Arts in Business Administration, Accounting. My areas of concentration were accounting and finance. I graduated from the University of Nevada, Las Vegas with a Masters in Business Administration (MBA), with Beta Gamma Sigma honors. I am a Certified Management Accountant (CMA) and have the Certified in Strategy and Competitive Analysis (CSCA) credential, and a member of the Institute of Management Accountants.

One year before completing my bachelor's degree, I accepted employment at Washington Mutual Savings Bank in Seattle, Washington as an Asset/Liability Management intern. Upon graduation in 1993, I accepted a full-time position as a Financial Analyst Trainee in the Financial Forecasting Department. In 1994, I was promoted to Financial Analyst I. My responsibilities included assisting in the budget and forecasting process and various financial analyses.

In February 1995, I accepted a position as a Budget Analyst in the Budget and Forecasting Department at PriMerit Bank in Las Vegas, Nevada, which was a subsidiary of Southwest Gas at the time. In April 1996, I transferred to Southwest Gas as a Corporate Accountant I in the Accounting Control Department. In January 1998, I was promoted to Analyst I/Accounting. In February 1998, I transferred to the Revenue Requirements department as an Analyst. In January 2001 I was promoted to Specialist, in July 2003 I was promoted to Senior Specialist, in May 2007 I was promoted to Supervisor, and in April 2009 I was promoted to Manager. Subsequent to a reorganization in October 2014, I worked in the Regulation and Energy Efficiency department as a Regulatory Professional. In February 2021 I was promoted to my current position, in which I am responsible for developing and ensuring compliance with regulatory cost accounting standards, am involved in complex and technical analyses and a subject matter expert on all Company regulatory matters.

I have attended numerous training and technical conferences related to utility ratemaking, regulatory, and accounting issues.

I served as instructor for the Cost of Service Problem course at “The Basics” conference presented by the Center for Public Utilities at New Mexico State University and the National Association of Regulatory Utility Commissioners from 2003 to 2014.

AFFIRMATION

STATE OF NEVADA)

: ss.

COUNTY OF CLARK)

Randi L. Cunningham being first duly sworn, deposes and says:

That I am the person identified in the Prepared Direct Testimony, and the exhibits applicable to my testimony; that such testimony and exhibits were prepared by me or under my direction; that the answers and information set forth therein are true to the best of my own knowledge and belief.

Randi L. Cunningham

Signed and sworn to before me on this 24th day of August, 2021.

Stella Meneses

Notary Public

NOTARY PUBLIC
STATE OF NEVADA
County of Clark
STELLA MENESES
Appt. No. 99-51091-1
My Appt. Expires Dec. 8, 2022

IN THE MATTER OF
SOUTHWEST GAS CORPORATION
DOCKET NO. 21-08___

PREPARED DIRECT TESTIMONY
WILLIAM BRINCEFIELD

ON BEHALF OF
SOUTHWEST GAS CORPORATION

AUGUST 31, 2021

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Prepared Direct Testimony
of
William Brincefield

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Prepared Direct Testimony
of
William Brincefield

I. INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is William Brincefield. My business address is 8350 S. Durango Drive, Las Vegas, NV 89113.

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

A. 2 I am employed by Southwest Gas Corporation (Southwest Gas or Company) in the Real Estate & Facilities Department. My title is Director.

Q. 3 Please summarize your educational background and relevant business experience.

A. 3 My educational background and relevant business experience are summarized in Appendix A to this testimony.

Q. 4 Have you previously testified before any regulatory commission?

A. 4 Yes. I have previously provided testimony to the Public Utilities Commission of Nevada (Commission).

Q. 5 What is the purpose of your prepared direct testimony in this proceeding?

A. 5 The purpose of my prepared direct testimony is to provide an overview of the planning process for and management of capital investments and support the reasonableness and prudence of the Company's investment in Southern Nevada, Northern Nevada and corporate (system allocable) real estate and facilities-related capital projects that are included in the Company's revenue requirement.

Q. 6 Please summarize your prepared direct testimony.

A. 6 My prepared direct testimony consists of the following key issues:

- Description of the planning process for and management of capital investments in real estate and facilities-related projects; and
- Support the reasonableness of Southern Nevada, Northern Nevada and corporate (system allocable) facilities-related capital investment projects, including a discussion on projects in excess of $1 million that were placed into service since the end of the certification period in the Company's 2020 general rate case (GRC) proceeding.

II. CAPITAL INVESTMENT PROJECT PLANNING AND OVERSIGHT PROCESS

Q. 7 Describe the process/oversight applicable to real estate and facilities-related capital investments.

A. 7 The need for facilities-related capital projects is generally realized by demand signals originating from Division Operations management or data/direct observation by Real Estate & Facilities department personnel. The planning process for capital projects is driven by and relative to the complexity, magnitude, time frame and potential impact of the project. Management of on-going capital projects is dependent upon the same parameters. As related to financial planning for capital projects, a three-year capital budget is created to address the operational needs as articulated by Division based operations leadership. The overall capital budget is then prioritized pursuant to operational criticality, seasonal weather fluctuations and available capital. Once a specific project has been approved, project requirements are compiled and vetted, contractors and/or vendors are procured for requests for proposal activities, bids are secured and contracts are subsequently authored. The projects are managed to completion using various personnel, potentially including Real Estate & Facilities employees, contracted personnel, and on-site owner representatives for ground-up construction activities.

III. REAL ESTATE AND FACILITIES-RELATED CAPITAL INVESTMENT PROJECTS

Q. 8 Please describe the scope of the real estate and facilities-related capital investment projects discussed in your prepared direct testimony.

A. 8 I support all real estate and facilities-related capital investments in the Southern Nevada Division, Northern Nevada Division, and corporate locations placed in service since June 1, 2020.[1] Projects represented by work orders greater than $100,000 in total are listed on Exhibit No.__(WB-1). My prepared direct testimony specifically discusses two work orders with incurred costs equal to $1 million or more as of May 31, 2021.[2]

Q. 9 Please provide an overview of the real estate and facilities-related capital investment projects more than $1 million that closed to plant in service between June 1, 2020 and May 31, 2021.

A. 9 The real estate and facilities-related projects with work orders more than $1 million include the completion of the tenant improvements and new furniture required for the Company's new corporate headquarters location in Las Vegas, Nevada.

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[1] The certification period in the Company's most recent GRC (Docket No. 20-02023) ended May 31, 2020.
[2] Real estate and facilities-related work orders presented on Master Data Request 106.

IV. EAST DURANGO BUILDING SECOND FLOOR CONSTRUCTION

Q. 10 Please provide an overview of the second-floor construction at the Company's 8360 S. Durango location.

A. 10 The Durango Second Floor Construction Project (0057W0005463) involves the completion of the second-floor tenant improvements, as well as the reconfiguration of the first-floor lobby of the Company's Durango Office Building located at 8360 S. Durango Road in Las Vegas, Nevada on the campus of the Company's new Corporate Headquarters (East Durango Office Building).

Q. 11 Why did Southwest Gas undertake the Durango 2nd Floor Construction project?

A. 11 As described in my prepared direct testimony in Docket No. 20-02023, the Company acquired the two-story East Durango Office Building located at 8360 S. Durango Road in February 2019 and completed some first-floor tenant improvements necessary to support the Customer Data Modernization (CDMI Project) team, including furniture. In late 2019, the Company made the decision to move the Corporate Headquarters to the Durango campus[3] and the construction contemplated in this work order was necessary to facilitate the transition to the new Corporate Headquarters from the Company's Spring Mountain campus.

Q. 12 What was the total cost of Durango 2nd Floor Construction project?

A. 12 The total cost of Durango Second Floor Construction project was $6,760,941 (before allocation) as of May 31, 2021. The project was placed into service in September 2020.

[3] Docket No. 20-02023, Rebuttal Testimony of William Brincefield at Q&A12, lines 17-18.

Q. 13 Has this project been previously presented to the Commission?

A. 13 The plan to relocate the Company's Corporate Headquarters, along with the acquisition of two buildings (including the East Durango Office Building), was first introduced to the Commission in the Company's last GRC, when the Company sought determination of prudency and inclusion of the cost of the first floor of the East Durango Office Building (8360 S. Durango) in rate base. While the Company was authorized recovery of the cost of the first floor of the East Durango Office Building, this is the first time the Durango Second Floor Construction project, along with the cost of the second floor associated with the purchase of the East Durango Office Building has been presented to the Commission for a determination of prudence and recovery of the capital-related costs.

Q. 14 Is the second floor of the East Durango Office Building being used?

A. 14 Yes. The second floor of the East Durango Office Building is occupied and being used by employees that relocated from the Spring Mountain location; therefore, the Company has included the full cost of the East Durango Office Building in the Company's proposed cost of service.

Q. 15 Was the Spring Mountain campus being used as of May 31, 2021?

A. 15 Yes. As the transition to the Durango campus has taken place, the Spring Mountain location was still being used and occupied by employees as of the end of the test year. However, the Company has removed the Spring Mountain location from the Company's proposed cost of service as the full transition to the Durango campus, including occupancy of the West Durango Building (8350 S. Durango) is anticipated to be completed by September 2021. The removal of the Spring Mountain campus is included in Schedule H-22 and supported by Company witness Gregory K. Waller.

Q. 16 Is a portion of the 2nd floor of East Durango Office Building (8360 S. Durango) used by Southwest Gas Holdings?

A. 16 Yes. The Company has included an adjustment to remove a portion of the cost of the East Durango Office Building (8360 S. Durango) from the Company's proposed cost of service as reflected in Schedule H-22 supported by Mr. Waller.

V. DURANGO FURNITURE

Q. 17 Please provide an overview of the Furniture – 8360 Durango 2nd Floor work order (0057W00055790).

A. 17 The Furniture – 8360 S. Durango 2nd Floor work order (0057W00055790) includes the purchase of the furniture required for the second floor of the East Durango Office Building and includes items such as office spaces, desks, chairs and conference room tables.

Q. 18 Why was the purchase of the East Durango Office Building 2nd floor furniture necessary?

A. 18 Southwest Gas did not possess the furniture required for the second floor of the East Durango Office Building; therefore, the purchase of the furniture was required for employees and contractors to work on site and perform their job functions.

Q. 19 What was the total cost of the East Durango Office Building 2nd floor furniture?

A. 19 The East Durango Office Building 2nd floor furniture cost was $1,808,263 (before allocation) as of May 31, 2021. The work order was placed in service in September 2020.

VI. REAL ESTATE AND FACILITIES RELATED COST OF SERVICE ADJUSTMENTS

Q. 20 In the Company's last GRC, Southwest Gas included an adjustment to remove vacant land purchased for a new facility in Winnemucca that was not constructed. Is that land included in the Company's proposed cost of service in the instant docket?

A. 20 No. The construction of the facility was postponed and is currently anticipated to be placed in service by November 2022. The work order for the land (0026W0004694) closed to plant in service in July 2019, but because it is not used and useful at this time, the Company is not including the approximate $845,500 land purchase in the revenue requirement as reflected in Schedule H-27, supported Company witness Gregory K. Waller. Mr. Waller discusses this ratemaking adjustment in his prepared direct testimony.

Q. 21 Is the Company including an adjustment to reflect changes in Corporate Headquarters maintenance expenses?

A. 21 Yes. As I previously mentioned, the Company has included an adjustment to rate base to remove the Spring Mountain location from its proposed cost of service. In conjunction with this adjustment, the Company is removing related maintenance expenses incurred during the test year and only including the test year maintenance expenses for the Durango campus. Mr. Waller supports the ratemaking adjustment reflected in Schedule H-15 in his prepared direct testimony.

VII. CONCLUSION

Q. 22 Does this conclude your prepared direct testimony?

A. 22 Yes.

SUMMARY OF QUALIFICATIONS

WILLIAM BRINCEFIELD

I am a graduate of North Carolina State University having received a Bachelor of Sciences in Environmental Engineering in 1995.

In 1997, I joined the corporate engineering department of Qualex Inc. in North Carolina. In 2003, I joined PM Inc. in Durham, North Carolina as Director of Facilities. In 2007, I joined Johnson Controls, Inc RTP North Carolina and held positions of Director of Facilities Management, Eastern US, NW Region Facilities Director and Director of Facilities Operations. In 2015, I joined Cisco Systems, Inc. TRP and lead the delivery of integrated facilities management services for North, Central and South American real estate portfolio in 15 countries. In 2017, I joined Southwest Gas Corporation as Director/Real Estate and Facilities. I am responsible for Real Estate and Facilities Maintenance services enterprise-wide.

I am also a member of cornet, Leadership in Energy and Environmental Design and the International Facility Management Association.

SOUTHWEST GAS CORPORATION
NEVADA
FACILITIES-RELATED WORK ORDERS GREATER THAN $100,000 IN TOTAL COST
CLOSED TO PLANT IN SERVICE JUNE 2020 - MAY 2021

Line No.	Work Order Number	Work Order Description	Date First Transferred to Plant	Total Amount Excluding CIAC	CIAC	AFUDC	Line No.
	(a)	(b)	(c)	(d)	(e)	(f)	
	System Allocable						
1	0057W0005463	Durango 2nd Floor Construction	Sep-20	6,760,940.92	0.00	166,198.39	1
2	0057W0005579	Furniture - 8360 Durango 2nd Floor	Sep-20	1,808,292.96	0.00	0.00	2
3	0057W0005794	AV Equipment for Durango 2nd Floor	Sep-20	637,768.76	0.00	0.00	3
4	0057W0005546	8360 Durango Lobby - 1st floor	Sep-20	545,985.28	0.00	7,506.31	4
5	0057W0004992	Durango AV Equipment	Jan-20	351,547.26	0.00	0.00	5
6	0052W0005379	PROJECT #E90-04-19	Jul-20	222,838.75	0.00	0.00	6
7	0057W0005701	Network Equipment-Durango 2nd floor	Sep-20	179,429.60	0.00	0.00	7
8	0057W0005784	Westwood Remodel	Sep-20	174,664.26	0.00	0.00	8
9	0057W0003576	ONGUARD Card Access System [1]	May-20	128,225.30	0.00	0.00	9
10	0057W0006052	Turnstiles-Back Entra. 8360 Durango	Dec-20	100,811.00	0.00	0.00	10

[1] Portion of project associated with Spring Mountain facility removed under adjustment No. H-22

AFFIRMATION

STATE OF NEVADA)

: ss.

COUNTY OF CLARK)

William Brincefield being first duly sworn, deposes and says:

That I am the person identified in the Prepared Direct Testimony, and the exhibits applicable to my testimony; that such testimony and exhibits were prepared by me or under my direction; that the answers and information set forth therein are true to the best of my own knowledge and belief.

William Brincefield

Signed and sworn to before me on this 3rd day of August, 2021.

Notary Public

NOTARY PUBLIC
STATE OF NEVADA
County of Clark
SUSAN V. WATSON
Appt. No. 96-4043-1
My Appt. Expires July 19, 2024

IN THE MATTER OF

SOUTHWEST GAS CORPORATION

DOCKET NO. 21-08___

PREPARED DIRECT TESTIMONY

FREDERICA HARVEY

ON BEHALF OF

SOUTHWEST GAS CORPORATION

AUGUST 31, 2021

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Prepared Direct Testimony
of
Frederica Harvey

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Southwest Gas Corporation
Docket No. 21-08___

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Prepared Direct Testimony
of
<u>Frederica Harvey</u>

I. INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is Frederica Harvey. My business address is 8360 S. Durango Drive, Las Vegas, Nevada 89113.

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

A. 2 I am employed by Southwest Gas Corporation (Southwest Gas or Company) in the Human Resources department. My title is Director/Compensation & Benefits.

Q. 3 Please summarize your educational background and relevant business experience.

A. 3 My educational background and relevant business experience are summarized in Appendix A to this testimony.

Q. 4 Have you previously testified before any regulatory commission?

A. 4 Yes. I have previously provided testimony to the Public Utilities Commission of Nevada (Commission).

Q. 5 What is the purpose of your prepared direct testimony in this proceeding?

A. 5 My prepared direct testimony supports the Company's reasonable and prudent compensation and benefit programs, including base pay and incentive pay. I also support the Company's non-cash compensation benefits and the reasonableness of the Board of Directors' compensation.

Q. 6 Please summarize your prepared direct testimony.

A. 6 My prepared direct testimony consists of the following key issues:

- An overview and discussion of the Company's compensation philosophy and the determination of its base pay;
- An overview and discussion of the Company's incentive compensation;
- An overview and discussion of the Company's non-cash compensation;
- Southwest Gas' Pension Program and Other Post-Employment Benefits (OPEB);
- An overview of the administration of the Company's base pay compensation;
- Reasonableness of the test year wage and salary levels;
- Wage increase granted during the certification period;
- Reasonableness of the Company's Board of Directors' compensation; and
- Voluntary Retirement Incentive Program.

II. SOUTHWEST GAS' COMPENSATION PHILOSOPHY AND DETERMINATION OF BASE PAY

Q. 7 Please describe Southwest Gas' overall compensation philosophy.

A. 7 Southwest Gas recognizes the need to attract and retain top industry-specific talent to ensure continued safe and reliable natural gas service for its customers. As such, Southwest Gas strives to maintain a median market position compared to its peers and competitors for its total rewards program, which includes cash and non-cash benefits provided to employees in return for their services. The Company offers total rewards that include a market competitive base pay, competitive incentive pay, a competitive package of employee benefits (including medical/dental/vision, wellness, life insurance, disability insurance, and accidental death and dismemberment insurance, and post-employment benefits.

Q. 8 How does Southwest Gas determine the appropriate levels of total compensation?

A. 8 Southwest Gas is committed to fairly compensating employees for the value of work provided. Without a balanced compensation program, recruitment, retention, motivation and productivity are jeopardized. To ensure competitive total compensation, Southwest Gas evaluates the current market value of its positions based on the knowledge, skills and talents required of a fully competent incumbent.

The Company also reviews incentive programs and executive retirement programs relative to those of its peers. In addition to reviewing peer group data, Southwest Gas reviews numerous compensation surveys, which typically include surveys prepared by Willis Towers Watson, American Gas Association, Mercer, and/or Hay Group. A primary source for comparison of Senior Executives is the compensation paid by companies within the Southwest Gas public-company peer group, which is comprised of utilities deemed to be of comparable size and similar operational complexity to the Company. The Company also periodically works with an outside compensation consultant in performing its executive compensation review, which involves the use of national, regional and industry-specific benchmarking data. In addition to base salary, the survey data includes Target Total Cash Compensation ("TTC") and Target Total Direct Compensation ("TDC") values to gage the compensation reasonableness of each position and to ensure that the salary ranges for these positions are within the competitive range of the 50th percentile (+/- 10% base salary, +/- 15% TTC/TDC).

Q. 9 How does Southwest Gas determine its base salaries?

A. 9 Southwest Gas generally benchmarks base pay at the median of the market – or the 50th percentile. The Company believes that targeting the median is a reasonable and prudent approach to offering competitive base pay. I discuss the benchmarking process that the Company undertakes to ensure it offers compensation at a level that attracts and retains a talented workforce in further detail later in my testimony.

Q. 7 Please provide an overview of the Company's base pay compensation.

A. 7 As discussed above, Southwest Gas generally targets the 50th percentile for the base pay offered to its employees. Base pay is provided to all employees in the form of either an hourly rate (nonexempt) or weekly salary (exempt).

Q. 8 How is the Company's employee population categorized with respect to administering base pay?

A. 8 Southwest Gas categorizes its employees into four populations for purposes of administering base pay. The four populations and a compensation practice narrative are provided below:

- **Nonexempt –** Jobs for nonexempt employees are assigned to a pay structure with assigned wage steps that have been matched to market. A percentage adjustment is applied to the structure once a year to reflect the change in market conditions. This percentage is determined by annual increase projections published by nationally recognized compensation salary surveys as outlined on page 10 of Exhibit No.___(FH-1). All employees in this category receive the same percentage increase and pay rates outlined on the wage steps.

- **Exempt –** Positions for nonexecutive employees have salary ranges (structures) that were established using the Korn Ferry (formerly Hay Group) point evaluation method. The ranges reflect the minimum, midpoint, and maximum salaries for the job. A percentage adjustment is applied to the midpoint of the range (structure adjustment) each year to reflect the change in market conditions. This percentage is determined by annual structure increase projections published by nationally recognized compensation salary surveys as outlined on page 9 of Exhibit No.__(FH-1).

  The annual increase process for exempt employees is like nonexempt employees with the exception that once the percentage increase is determined, it is used to establish a "pool" of dollars that is allocated to management, who considers each employee's work performance and placement in salary range in determining the employee's specific increase amount. This percentage is determined by annual increase projections published by nationally recognized compensation salary surveys as outlined on page 10 of Exhibit No.__(FH-1).

- **Officers –** Officers are executive-level employees that have a comprehensive salary analysis completed by an outside executive compensation consulting firm, every other year. Based on the recommendations of the consulting firm, adjustments are made and approved by the CEO using the same methodology as the exempt population. Officers are eligible for standard increases based on market conditions during the years when the analysis is not performed.

- **Named Executive Officers (NEOs)** – NEOs are the top five, highest paid positions within the Company. Compensation for these employees is reviewed annually by an outside executive compensation consulting firm that completes salary analyses and recommendations based on a proxy analysis of the Company's peer group. The Board of Directors must approve all compensation changes for NEOs.

Q. 9 Please explain how the Company determines appropriate salary ranges for exempt positions.

A. 9 The current salary structure was put in place several years ago and is based on the Korn Ferry Job Evaluation methodology, which maps out job roles in the context of the organizational structure. Each exempt job was evaluated using its point-factor system that assigns points to jobs based on three primary components: know-how, problem solving, and accountability. Once the points were assigned, the jobs were compared to benchmark positions within the Hay Compensation Database. The 50th percentile of each benchmark position was established as the midpoint of the salary range for the point total. As stated previously, each year, the midpoints may be adjusted based on projected salary structure movement.

Q. 10 Does this process occur annually?

A. 10 No. Nor does it need to. Once the internal hierarchy is established, there are typically not significant changes in the organization from one year to the next to warrant the reevaluation for all exempt positions. However, the Company does perform, or request from its consultants, market reviews for specific positions.

This is done on an as needed basis to ensure that the evaluation results are in line with the skill sets, responsibility and base salary observed in the market.

Q. 11 Have there been any significant changes to the internal hierarchy since the Company's last general rate case?

A. 11 No.

Q. 12 Please explain how the Company determines appropriate wage structures for non-exempt positions.

A. 12 The current wage structure has been in place since 2010, and annual adjustments occur in accordance with projected wage movement in the market. As the need for new jobs have occurred, the jobs are market priced to the 50th percentile for non-industry jobs and the 75th percentile for industry specific jobs, which are more specialized and can be difficult to recruit. The new jobs are then slotted into the appropriate existing wage rates. Additionally, the Non-Exempt Audit and Review (NEXAR) process, which is outlined below, is used to ensure the appropriateness of the wage structure.

Q. 13 Does this process occur annually?

A. 13 No, nor does it need to. Like the process for the exempt positions, once the internal hierarchy for non-exempt jobs is established, there are typically not significant changes in the organization from one year to the next to perform this evaluation for all non-exempt positions. The Company does, however, perform NEXAR, which is a job evaluation process that was established in 1996. The process involves a detailed review of each non-exempt job classification within a 5-cycle basis or approximately 20 percent per cycle. The five key components of this process are to: 1) obtain information related to the functions performed within a job classification; 2) ensure internal equity, (i.e., is the internal hierarchy correct); 3) compare the current wages to the market; 4) revise job descriptions as necessary; and 5) provide the results of the process to senior management for approval.

Q. 14 Have there been any significant changes to non-exempt wage structure since the Company's last general rate case?

A. 14 No.

Q. 15 Please provide an overview of the analysis conducted to administer the Company's base pay.

A. 15 Each year, Southwest Gas conducts an analysis to determine its recommended percentage adjustments for the nonexempt pay structures, exempt (non-officer/NEO) salary ranges, and salary increase budgets. Generally, the analysis conducted each year by the Company includes four steps:

- First, the Company reviews the prior year's actual salary increases granted and salary structure adjustments applied to what was projected to occur in the market. For example, in 2021, Southwest Gas reviewed the Company's actual 2020 salary increases and salary structure adjustments and compared them to the actual market increases and adjustments that occurred in the market.[1] This review allowed the Company to validate that its actions did in fact align with what the market experienced and its wages aligned with the market for that given period. A comparison of the 2020 projected versus actual adjustments for salary increases and structures are shown in the tables below:

[1] See Exhibit__(FH-1).

Salary Increase Budgets 2020 Projected Versus Actual					
National Survey Source	Scope	Projected		Actual	
		Exempt	Non-Exempt	Exempt	Non-Exempt
AON Hewitt	Energy	3.0%	3.0%	3.2%	3.0%
Conference Board	Utilities	3.0%	3.0%	3.0%	3.0%
Korn Ferry	Utilities	3.0%	3.0%	3.0%	3.0%
Mercer	Utilities	3.0%	3.0%	2.8%	2.8%
Towers Watson	Utilities	3.0%	2.9%	3.1%	3.0%
World@Work	Utilities	2.9%	2.8%	2.9%	2.8%
PayFactors	Utilities	3.1%	3.0%	3.4%	3.2%
Survey Average		**3.0%**	**3.0%**	**3.1%**	**3.0%**
Southwest Gas		**3.0%**	**2.0%**	**2.0%**	**2.0%**

Structure Adjustments 2020 Projected Versus Actual			
National Survey Source	Scope	Projected	Actual
		Exempt	Exempt
AON Hewitt	Energy	2.0%	2.1%
Conference Board	Utilities	2.0%	2.0%
Korn Ferry	Utilities	2.0%	2.0%
Mercer	Utilities	2.2%	2.3%
Towers Watson	Utilities	1.7%	2.3%
World@Work	Utilities	2.0%	2.2%
PayFactors	Utilities	1.5%	1.7%
Survey Average		**2.0%**	**2.1%**
Southwest Gas		**2.0%**	**0.0%**

- Next, the Company evaluates multiple national salary surveys to assess projected market activity for the current year. The surveys are used to assess potential wage and salary adjustments, as well as any structure movement that may be necessary. The Company has relied more on utility projections rather than national projections due to the unique jobs and skills associated with the utility and gas industries. The surveys serve as a guide for reasonable movement in both salaries and structure to ensure the

Company is continuing to align with the market and maintaining competitive pay levels.

- Third, the Company evaluates internal compensation data such as the current pay levels for exempt employees compared to where they fall within the salary range for their positions (compa-ratios),[2] as well as historical salary adjustments.
- Finally, this information is compiled, and the recommended wage and salary adjustments are presented to the Employee Resource Committee (ERC), which is comprised of senior level executives from within the Company. The ERC reviews and approves proposed annual salary increase budgets and structure adjustments.

III. REASONABLENESS OF THE LEVEL OF TEST YEAR WAGES AND SALARIES

Q. 16 Did the Company grant wage and salary adjustments in the test year in the instant docket?

A. 16 There were no wage and salary adjustments for exempt and non-exempt employees in the test year; however, the annualized labor as of May 31, 2021 includes wage and salary adjustments granted in May 2020,[3] which was prior to the test year in the instant docket. Salary adjustments for Officers and NEOs were granted during the test year, in August 2020. Southwest Gas engaged the consulting services of F. W. Cook & Company, Inc. (FWC) to review the

[2] A compa-ratio represents an employee's pay relative to the midpoint of the salary range of the position. Generally, an employee with a low compa-ratio is new to the position or role, whereas an individual with a high compa-ratio is more tenured in that position or role.

[3] Eligible nonexempt employees received a wage adjustment of 2.74%, comprised of a 2.0% base wage increase and a step increase amount of 0.74%. Eligible exempt employees were granted base salary increases of 2.0%. Because some exempt employees received prorated increases based on hire date, the overall budget amount granted was 1.9%. Docket No. 20-02023, Prepared Direct Testimony of Frederica Harvey

executive compensation program for its officer population. The results of the analysis, which support the increase awarded to Company officers during the test period, are outlined in Confidential Exhibit No.__(FH-2).[4]

Q. 17 Is the Company seeking recovery of the 2020 wage increase in the instant docket?

A. 17 Yes. The Company is seeking recovery of its annualized test year labor costs, which is based on actual labor costs incurred as of May 31, 2021. As provided in Statement P, the expense in the instant docket directly related to the 2020 wage and salary adjustment. Company witness Nick Y. Liu discusses the Labor Annualization adjustment in his prepared direct testimony and Company witness Gregory K. Waller supports Statement P.

Q. 18 Is the Company's test year annualized labor cost reasonable?

A. 18 Yes. As demonstrated above, when the Company awarded the 2 percent increase to exempt and non-exempt employees in May 2020, the projected survey average increases were 3 percent. The survey results for the actual average increase granted in 2020 for exempt and non-exempt classifications show 3.1 percent and 3 percent, respectively, compared to only 2 percent granted by the Company. Further, as discussed below, the Company considered various data points that Staff deemed relevant to the analysis, all of which support the reasonableness of the Company's proposal.

[4] Confidential Exhibit No. ___(FH-2) is submitted confidentially because the report contains confidential information about Southwest Gas 'compensation. Maintaining the confidentiality of this information is important because the compensation programs and levels for certain executive positions contain sensitive personal information and is proprietary to Southwest Gas. Public disclosure of this information could also impact Southwest Gas in the competitive employment market.

Q. 19 Was the 2020 wage and salary increase for exempt and non-exempt employees previously presented to the Commission for consideration for cost recovery?

A. 19 Yes. The Company proposed the 2020 wage and salary increase as a certification adjustment in its prior general rate case (GRC) Docket No. 20-02023 (2020 GRC).

Q. 20 Did the Commission approve the inclusion of the 2020 wage and salary increase in rates in Docket No. 20-02023?

A. 20 No. The Commission cited the COVID-19 pandemic and the economic downturn as the reason for not allowing recovery of the wage and salary increases.[5]

Q. 21 Were there any findings of imprudency related to the Company's compensation philosophy or its compensation administration processes?

A. 21 No. In fact, at hearing, Staff witness Karen Olesky testified that during the course of her review of the Company's compensation philosophy and the processes it uses to set its compensation, she did not make any findings, nor did her testimony indicate any findings of imprudency.[6] Further, in her prepared direct testimony Ms. Olesky noted that "…SWG's base salaries appear to be in line with their peer group and survey data market medians…"[7] and "To be clear, by recommending to remove the revenue requirement related to base salary increases, I am not inferring that SWG's employees are underperforming."[8] The recommendation to not allow cost recovery of the 2020 wage increase was simply a timing issue related to the pandemic.

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[5] Order in Docket No. 20-02023, at paragraphs 133-134.
[6] Docket No. 20-02023 Hearing Transcript V3 at page 709, lines 15 through 25 and page 710 lines 1 through 10.
[7] Docket No. 20-02023, Prepared Direct Testimony of Karen Olesky at page 10, Q&A 29.
[8] Id.

Q. 22 Did Ms. Olesky offer any suggestions as to other data points may be considered, in her opinion, to determine if wage and salary increases are warranted?

A. 22 Yes. Ms. Olesky suggested that the Company could "survey the local economy and look at unemployment levels, look at whether or not the employment levels have somewhat recovered, all the way recovered, or not recovered at all from the levels they're seeing now based upon a global pandemic."[9] Ms. Olesky also refers to looking to see if state budgets have been reinstated, whether there is still a moratorium on service disconnections for electric utilities/basic utilities, and how many people have been kicked out of their homes.[10]

Q. 23 Did the Company evaluate the local economy's unemployment levels to determine if the 2020 wage and salary increases, included in the Company's proposed annualized test year labor cost are warranted?

A. 23 Yes. The Company examined the unemployment rates in the 13 counties it serves in Nevada and found that at the end of the test year (May 31, 2021) unemployment rates substantially decreased to an average of 4.4 percent from an average of 17.1 percent at the onset of the pandemic in April 2020 as demonstrated in Exhibit No.__(MLA-1) to the prepared direct testimony of Company witness Michelle L. Ansani. The Company also reviewed unemployment rates at the end of the test year (November 2011) in its 2012 GRC through May 2021 (the end of the test year in the instant docket) and found that the unemployment rates were lower in May 2021 than they were in November 2011 in each of the 13 counties served by the Company. Further,

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[9] Docket No. 20-02023 Hearing Transcript V3 at page 711 lines 21-15 and page 712 lines 1-2.
[10] Id at page 712, lines 3-17.

May 2021 unemployment rates (4.4 percent) were lower than the 10-year average of 7.1 percent (May 2011 to May 2021) in 12 of the 13 counties served by the Company, Clark County being the exception, with an unemployment rate comparable to the 10-year average.

Q. 24 Why does the Company believe that it is important to note the unemployment rates experienced as of November 2011?

A. 24 The Company's 2012 GRC contemplated a test year ended November 2011 and was the first GRC the Company filed following the great recession, as the economy began to improve. The Commission approved the Company's annualized labor, which included wage increases granted since its 2009 GRC because they were reasonable and demonstrated the Company's prudent management of its compensation expenses. As I discussed above, the Company still manages its compensation prudently as demonstrated when compared to the market.

Further, when the Commission authorized the Company's level of annualized labor in its 2012 GRC, unemployment levels in the counties served by the Company averaged 11.2 percent, compared to the 4.4 percent average unemployment rate as of May 2021. By way of comparison, the May 2021 average unemployment rate in the counties served by the Company is 6.8 percent *less* than it was at the time the Company's annualized labor, including wage increases, was approved by the Commission in Docket 12-04005. The table below shows the unemployment rates in the 13 counties served by the Company for the points in time discussed above and is depicted graphically in Sheet 1 of Exhibit No.__(MLA-1) of Ms. Ansani's prepared direct testimony.

Unemployment Rates in Counties Served

County	Nov-11	Nov-19	Apr-20	May-21	10-Yr Avg [1]
Carson City	12.9	3.3	20.9	5.0	7.7
Churchill	11.1	3.0	12.5	3.2	6.9
Clark	12.7	3.6	33.3	8.9	8.4
Douglas	12.9	3.5	22.2	4.6	7.5
Elko	6.7	2.6	15.9	3.2	5.0
Eureka	5.9	1.8	6.8	2.2	4.6
Humbolt	7.4	2.8	9.3	3.4	5.4
Lander	7.9	2.9	8.6	3.5	5.8
Lyon	15.5	4.0	19.8	5.5	9.4
Nye	16.2	4.5	21.1	6.2	9.4
Pershing	10.1	3.5	9.5	3.6	6.6
Storey	14.7	3.2	21.9	3.2	8.2
Washoe	11.9	2.8	19.9	4.6	6.9
Average	11.2	3.2	17.1	4.4	7.1

Source: Bureau of Labor Statistics
[1] May 2011 – May 2021

Further, according to the Nevada Department of Employment Training and Rehabilitation's June 22, 2021 State & Metro Area Press Release, the state's unemployment rate in May 2021 was 7.8 percent – a 16.7 percent improvement when compared to May 2020.[11]

Q. 25 Did the Company evaluate if state budgets have been reinstated to determine if the 2020 wage and salary increases included in the Company's proposed annualized test year labor cost are warranted?

A. 25 Yes, in January 2021, the Governor proposed a two-year budget that reversed previous cuts to several State programs. Though the budget represented a 2 percent cut to the budget approved in 2019, State officials said it reflected a more positive view of the state's forecast than the worst-case scenario

[11] https://cms.detr.nv.gov/Content/Media/May%20Statewide%20PRP%2062221A.pdf
[12] thenevadaindependent.com/article/Sisolak-proposes-8-68-billion-restoring-cuts-to-medicaid-other-state-programs

projections made last year due to the pandemic. Additionally, the budget proposal called for state worker furloughs to end in June 2021, expanded coverage options through the Public Employees' Benefits Program, and higher contributions to the Public Employees' Retirement System (PERS) .[12]

Q. 26 Did the Company consider whether or not moratoriums on disconnection for non-payment for utility services are still in place to determine if the 2020 wage and salary increases included in the Company's proposed annualized test year labor cost are warranted?

A. 26 Yes. While to my knowledge the state of Nevada never mandated a moratorium on disconnections of service for non-payment, certain utilities proactively implemented a moratorium on certain collection activities and/or service disconnections for non-payment, including the Las Vegas Valley Water District (LVVWD), NV Energy and Southwest Gas. As discussed in the prepared direct testimony of Company witness Michelle L. Ansani, both LVVWD and NV Energy resumed normal billing collections and processes for past due accounts in 2020. Southwest Gas is currently planning on reinstating disconnections for non-payment in September 2021. The wage adjustment granted in May 2020 was not only below projections but was given less than five months before the LVVWD lifted its moratorium on shut offs in September and NV Energy resumed service disconnections in October.

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[13] https://www.fox5vegas.com/coronavirus/nv-energy-water-district-will-resume-disconnecting-some-customers-in-september/article_eeafccf6-dbf8-11ea-8526-7f1fb97acdab.html and https://apnews.com/article/las-vegas-virus-outbreak-utilities-nevada-89887e36b3fece158ea32ea8df692032

Q. 27 Did the Company look at how many people were facing housing challenges, to determine if the 2020 wage and salary increases included in the Company's proposed annualized test year labor cost are warranted?

A. 27 It would be inappropriate for the Company to delve into its customers' housing situations, and it does not have access to such information in any event. However, there has been state and federal housing assistance granted to assist individuals in need during the pandemic. For example, the state of Nevada passed Assembly Bill 486 which involves rental assistance through the Home Means Nevada, Inc. Organization and requires the disbursement of certain federal money in the amount of $5M for the purpose of providing rental assistance. Further, Governor Sisolak issued multiple directives over the course of the past year establishing and extending eviction moratoriums in the state.[13]

Q. 28 Company witness Michelle L. Ansani discusses financial assistance programs which provided support to the Company's customers related to paying their natural gas bills. Has additional compensation been made available to qualifying unemployed Nevada residents?

A. 28 Yes. The Coronavirus Aid, Relief, and Economic Security (CARES) Act authorized temporary unemployment benefit programs[14] including:

- Pandemic Unemployment Assistance (PUA): Pandemic Unemployment Assistance (PUA) is a new temporary federal program that is part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PUA program is available retroactive to February 2, 2020 through September 4, 2021 and provides benefits to eligible individuals. PUA is separate from unemployment insurance and provides coverage only to individuals who are not eligible for regular unemployment insurance. PUA is available to Nevada workers who are unemployed, partially unemployed, unable to work or unavailable for work due to the COVID-19 pandemic and who are

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[13] For example, https://nvhealthresponse.nv.gov/wp-content/uploads/2020/03/Declaration-of-Emergency-Directive-008-re-Evictions.3-29-20.pdf; https://nvhealthresponse.nv.gov/wp-content/uploads/2020/09/Declaration-of-Emergency-Directive-031.8-31-20.pdf; https://nvhealthresponse.nv.gov/wp-content/uploads/2021/04/Directive-043-Guidance_FINAL-1.pdf

[14] https://detr.nv.gov/Page/Coronavirus

not eligible for unemployment insurance benefits. This includes many different groups of people:

- Self-employed
- 1099 contract workers
- Gig workers
- Employees whose wages are not reported for unemployment insurance
- Employees who have not earned enough wages or worked enough hours for regular unemployment benefits
- Individuals who were going to start work but could not due to COVID-19 pandemic

- Federal Pandemic Unemployment Compensation (FPUC): The CARES Act provides for a temporary federal program called Pandemic Emergency Unemployment Compensation (PEUC). This program provides up to 13 weeks of regular Unemployment Insurance (UI) for eligible claimants whose claims have been exhausted (i.e., all eligible UI funds have been paid out). PEUC is payable effective March 29, 2020 through December 31, 2020. This program has been implemented effective May 10, 2020. As of March 11, 2021, an additional 25 weeks have been authorized to eligible claimants, through week ending September 4, 2021.

- Pandemic Emergency Unemployment Compensation (PEUC): The CARES Act provides for Federal Pandemic Unemployment Compensation (FPUC). Under FPUC, eligible individuals will receive an additional compensation per week in addition to their weekly benefit amount from another unemployment compensation program.

- FPUC is payable for weeks claimed beginning week ending April 4, 2020 through the week ending July 25, 2020. FPUC payments will automatically be paid to claimants who are eligible for Unemployment Compensation and will show as a separate payment at the same time as your regular unemployment compensation. This program has been implemented effective April 12, 2020. As of January 2, 2021, FPUC will be paid to eligible individuals, who will receive an additional $300 per week in addition to their weekly benefit amount from another unemployment compensation program. FPUC is payable for weeks ending January 2, 2021 through week ending September 4, 2021.

- Mixed Earners Unemployment Compensation (MEUC): On December 27, 2020, the President signed into law the Continued Assistance Act which amended section 2104 of the CARES Act of 2020 to create the Mixed Earners Unemployment Compensation (MEUC) program. MEUC provides a $100 weekly supplemental benefit amount to certain individuals with self-employment income. MEUC is payable from week ending 01/02/2021 through week ending 09/04/2021 to eligible claimants, and may affect any Medicaid and/or CHIP eligibility.

Q. 29 Did Southwest Gas' employees provide continued service to its customers through the pandemic?

A. 29 Yes. The Governor recognized the importance of continued utility service and defined utility workers in the state as Essential Workers

Q. 30 What is your recommendation regarding the Company's test year annualized labor cost?

A. 30 I recommend that the Commission include the Company's annualized labor cost in rates approved through this proceeding. As previously stated, the Commission did not make any findings of imprudence with respect to the Company's 2020 wage and salary adjustment in Docket No. 20-02023. The evidence presented above demonstrating that the Company's 2 percent increase was 1 percent less than the survey average supports the reasonableness of the increase. Further, improvements in the state's economy including: 1) lifting many pandemic restrictions at the end of the test year/since the decision in 20-02023; 2) reduced unemployment rates; 3) enhanced unemployment benefits offered; and 4) reinstatement of disconnections for non-payment for utility services also demonstrate that the Company's test year labor costs should be approved by the Commission.

IV. WAGE AND SALARY ADJUSTMENTS GRANTED DURING THE CERTIFICATION PERIOD

Q. 31 Did the Company grant wage and salary adjustments during the certification period in the instant docket?

A. 31 Yes. In July 2021, the Company granted a wage increase for nonexempt employees of 3.02%, comprised of a 2.3% base wage increase and a step increase amount of 0.72%. For exempt employees, the Company granted a salary increase budget of 3.5%, comprised of 2.3% base salary adjustment and 1.2% discretionary. As previously described, exempt salary increases are awarded based on individual work performance.

Officers and NEOs also received increases during the certification period. The Company contracted with Korn Ferry consultants to conduct a competitive compensation assessment of the seven top executives, which included five NEOs. A copy of the report is attached as Confidential Exhibit No.___(FH-3).[15] The proxy analysis matches the top executives/NEOs by function and pay rank to the Southwest Gas Proxy Peer Group, which is comprised of 20 like companies. The analysis indicated that in aggregate, target Total Direct Compensation (TDC) for the top executives tracks at market median (3% above). Non-NEO officers received an average increase of 5% based on market conditions and survey benchmarks. Company witness Nick Y. Liu discusses the estimated certification adjustment and the impact to the Company's revenue requirement in his prepared direct testimony. The below table includes the market projected 2021 salary structure and wage adjustments.

[15] Confidential Exhibit No. ___(FH-3) is submitted confidentially because the report contains confidential information about Southwest Gas 'compensation. Maintaining the confidentiality of this information is important because the compensation programs and levels for certain executive positions contain sensitive personal information and is proprietary to Southwest Gas. Public disclosure of this information could also impact Southwest Gas in the competitive employment market.

Salary Increase Budgets (2021 Projected)			
National Survey Source	**Scope**	**Exempt**	**Non-Exempt**
Aon Hewitt	Energy	3.2%	3.0%
Conference Board	Utilities	3.0%	2.9%
Korn Ferry	Utilities	3.0%	3.0%
Mercer	Utilities	2.8%	2.8%
PayFactors	Utilities	3.1%	3.0%
Towers Watson	Utilities	3.0%	3.0%
World@Work	Utilities	3.1%	3.1%
Survey Average		**3.0%**	**3.0%**

Structure Adjustment Budgets (2021 Projected)		
National Survey Source	**Scope**	**Exempt**
Aon Hewitt	Energy	2.0%
Conference Board	Utilities	2.0%
Korn Ferry	Utilities	2.0%
Mercer	Utilities	2.2%
PayFactors	Utilities	1.7%
Towers Watson	Utilities	2.3%
World@Work	Utilities	2.1%
Survey Average		**2.0%**

V. INCENTIVE COMPENSATION

Q. 32 Please identify the incentive compensation programs offered by Southwest Gas.

A. 32 Southwest Gas offers incentive compensation through its Management Incentive Plan (MIP) and its Restricted Stock Unit Plan (RSUP). As discussed more fully below, the RSUP includes two types of awards – Performance Share Units (PSU) and Restricted Stock Units (RSU). The Company also offers Service Planning Incentives (SPI) to certain employees.

Q. 33 Please describe the MIP.

A. 33 The MIP is an annual incentive program that provides executives and other participating management employees with an opportunity to receive variable, at-risk pay based upon the achievement of specific benchmarks that are critical to the short-term and long-term success of the Company and that reward superior performance for the Company's customers. For each participating employee, the MIP includes the following five performance metrics:

(i) Net Income (40% of target MIP weighting);

(ii) Customer Satisfaction (20% of target MIP weighting);

(iii) Operations & Maintenance (O&M) Expense Per Customer (20% of target MIP weighting);

(iv) Safety – Damage Per 1,000 Tickets (10% of target MIP weighting); and

(v) Safety – Incident Response Time within 30 minutes (10% of target MIP weighting).

Q. 34 Has the MIP design changed since the Company's last general rate case?

A. 34 No.

Q 35 How are the MIP performance metrics designed?

A. 35 The five MIP performance metrics are designed to reward participants as outlined below:

1. <u>Net Income</u>. Designed to reward the efficient operation and performance of the entire organization structured under Southwest Gas Holdings, Inc., for the Corporate Strategy Executives, and the efficient operation and performance of Southwest Gas Corporation (gas segment only) for the remaining participants, which benefits the Company's customers.

2. O&M per Customer. Designed to reward efficient operations that benefit the Company's customers.

3. Customer Satisfaction. Designed to reward success in achieving a predetermined customer satisfaction percentage.

4. Safety – Damage per 1,000 Tickets. Designed to reward success in minimizing damages per 1,000 tickets.

5. Safety – Incident Response Time within 30 Minutes. Designed to reward improvement on incident response times.

Q. 36 Are there other design considerations for the MIP?

A. 36 Yes. The Net Income metric is calculated on a consolidated basis for the Corporate Strategy Executives; for the remaining Executives, Net Income is calculated with respect to the organization's gas segment by backing out Net Income allocable to Centuri Construction Group. For all participants, the Net Income metric is measured without regard to Company-Owned Life Insurance (COLI) returns. In addition, for each metric, actual performance may vary from 70% to 140% of the target incentive opportunity based on performance relative to the target. No MIP award is paid in any year unless the Company achieves a minimum 80% of the Company's targeted earnings for the performance year.

Q. 37 Please explain how each MIP performance metric is measured.

A. 37 The five metrics are measured as follows:

1. Utility Net Income, excluding COLI – Utility net income is a measure of all income generated by utility operations (gas distribution and sales) from Southwest Gas minus all utility expenses. This figure does not include any income derived from the Corporate Owned Life Insurance (COLI) policy.

2. O & M Per Customer – This is the total cost of operations and maintenance divided by the average customer count during the period of measurement.
3. Customer Satisfaction – This is a survey that is conducted by a third party that measures customer satisfaction after they have received a service from Southwest Gas. The responses can range from "Very Satisfied" to "Very Dissatisfied", and the results are received on a monthly basis.
4. Safety - Damage per 1,000 tickets – This metric refers to the number of lines that are hit or punctured per 1,000 tickets. For example, if there are 15 reported line strikes and 12,000 tickets, the calculation would be 15 divided by 12.
5. Safety - Response within 30 minutes – This metric measures the response time from when an individual reports the smell of gas and a service technician responds to the report.

Q. 38 How many Company employees were eligible for the MIP in plan years 2018, 2019 and 2020?

A. 38 The table below reflects the number of employees eligible for the MIP in plan years 2018, 2019 and 2020.

Eligible Employees -- by Division	MIP Plan Year 2018	MIP Plan Year 2019	MIP Plan Year 2020
Corporate	103	99	142
Northern NV	6	5	10
Southern NV	8	8	10
Other Divisions	15	16	31
Total	**132**	**128**	**193**

Q. 39 Please provide the five MIP metric targets for plan years 2018, 2019, 2020 and the actual results achieved each year.

A. 39 The tables below reflect the targets and actual results for each MIP metric in plan years 2018, 2019 and 2020. The two MIP safety metrics are discussed in further detail in the prepared direct testimony of Company witness Preston Weaklend.

Table 1: Utility Net Income

Plan Year	Actual	Minimum	Target	Maximum
2018	134,632	119,970	129,000	138,030
2019	145,771	131,130	141,000	150,870
2020	149,918	144,615	155,500	166,385

Table 2: O&M Per Customer

Plan Year	Actual	Minimum	Target	Maximum
2018	$211.04	$216.00	$213.00	$210.00
2019	$213.18	$218.00	$215.00	$212.00
2020	$203.92	$215.00	$211.00	$208.00

Table 3: Customer Service Satisfaction

Plan Year	Actual	Minimum	Target	Maximum
2018	95.10%	88%	92%	95%
2019	95.92%	90%	93%	96%
2020	95.50%	91%	94%	97%

Table 4: Safety - Incident Response within 30 Minutes

Plan Year	Actual	Minimum	Target	Maximum
2018	70.10%	67%	70%	73%
2019	74.60%	67%	71%	74%
2020	75.80%	70%	74%	77%

Table 5: Safety - Damages Per 1,000 Tickets

Plan Year	Actual	Minimum	Target	Maximum
2018	1.43	1.80	1.50	1.20
2019	1.11	1.60	1.40	1.20
2020	1.14	1.40	1.15	1.00

Q. 40 Why is it appropriate to use total Company results to determine the level of MIP awards?

A. 40 The intent of the MIP is to encourage eligible employees to put forth maximum efforts to achieve the Company's short and long-term performance goals. This includes employees in all service territories of the Company. For decades, Southwest Gas has used (and the regulatory commissions which have jurisdiction over the Company have adopted) two allocation methodologies to allocate common costs to the Company's FERC and state rate jurisdictions - the Modified Massachusetts Formula (MMF) and 4-Factor allocation factors. This approach allows the Company to maximize efficiencies and avoid redundant resources and costs by utilizing common departments, including but not limited to, engineering services, gas operations support staff, human resources, information services, legal, regulation, accounting and internal audit, to serve all rate jurisdictions. This approach is administratively beneficial to the Company and cost-effective for customers as each jurisdiction is paying for only the level of service provided in each jurisdiction proportionate to its size. Consistent with this approach, the MIP expense is system allocable, therefore the cost is allocated to each rate jurisdiction based on its relative proportion to the size of the total Company. Company witness Gregory K. Waller further discusses and supports these allocation methodologies in his prepared direct testimony. The MIP and the targets that are established are set at the Corporate level and are applicable to all rate jurisdictions.

Q. 41 Is there a "reasonable range" or industry standard that sets performance expectations?

A. 41 Yes. Both safety measures are well understood in our industry. These targets are benchmarked against AGA peer companies and set the expectation for performance Company-wide. Company witness Preston Weaklend further discusses and supports these measures in his prepared direct testimony. Similarly, the Customer Satisfaction metric is also a measure of focus in our industry. Performance is measured monthly by an independent third party. The O&M per Customer metric is calculated as total utility operations and maintenance expenses divided by average billed customers during the year. This metric focuses on efficient operations that benefit the customer. The Utility net income is a comprehensive measure of gas segment performance. Targeted and actual results exclude COLI returns. With a 40% weighting, overall short-term payout ratio will be highly influenced by this "bottom-line" result again focusing on financial results that benefit our customers. Each of the targets for MIP measures are revisited annually to ensure their reasonableness

Q. 42 Are the MIP costs reasonable and prudent, and appropriate for inclusion in the rates authorized in this proceeding?

A. 42 Yes. The MIP is in-line with peer group incentive plans and includes market-competitive terms. The MIP incentivizes management to operate the Company in an efficient manner that minimizes customer rates while maximizing customer satisfaction and safety as follows:

1. <u>Net Income</u>. Given that Southwest Gas' customer rates are subject to review and approval, the inclusion of a Net Income metric focuses participating employees on prudent management of utility expenses to

maximize net income in a given year. Managing expenses benefits the customer as lower expenses help Southwest Gas maintain lower customer rates. The Net Income metric, combined with the Customer Satisfaction and Safety metrics, help to ensure that expenses are managed in a sustainable manner that results in an efficient operation of the Company that delivers superior customer service and does so safely.

2. O&M per Customer. This metric incentivizes efficient operations and requires participating employees to manage Operations & Maintenance expenses while providing superior customer performance. Managing O&M expenses benefits the customer as lower expenses help Southwest Gas maintain lower customer rates.

3. Customer Satisfaction. This metric is explicitly tied to customer satisfaction and benefits the Company's customers. If the Company's management chose to delay investment in infrastructure to improve its performance on the Net Income metric (weighted at 40% in the MIP), management would risk diminished performance over time with respect to the Customer Satisfaction metric and Safety metrics, in which case the MIP payouts with respect to those factors would decline. The Customer Satisfaction metric (as well as the Safety metrics), therefore, works with the Net Income and O&M metrics to ensure that management focuses on customer welfare and customer satisfaction regarding the Company's financial performance. Put another way, if management chooses to emphasize the Company's financial performance to the detriment of its customers, the MIP is designed to penalize management through lower performance on Customer Satisfaction and Safety metrics.

4. Safety – Damage per 1,000 Tickets. This metric provides a direct benefit to customers and the public in general by focusing on the Company's damages per 1,000 tickets in providing services. The MIP's focus on the Company's gas distribution system helps ensure that safety is a priority throughout the organization.
5. Safety – Incident Response Time within 30 Minutes. This metric is designed to reward improvement on incident response times; as with the other Safety metric within the MIP, this metric provides a direct benefit to customers and the public in general.

In sum, the MIP metrics provide a clear incentive to MIP participants to maximize performance in a manner that benefits customers. Moreover, it is appropriate to include MIP costs in the rates approved through this proceeding because the MIP is part of the total compensation that keeps MIP-level employee positions competitive with the market. As discussed above, Southwest Gas benchmarks total compensation to the 50th percentile. If the Company did not offer the MIP, these positions would fall below the 50th percentile and would no longer be competitive. Consequently, the Company would have difficulty attracting and retaining the talent necessary to provide customers safe and reliable natural gas service. MIP costs are therefore a reasonable and prudently incurred business expense that should be authorized for recovery through customer rates in this proceeding.

Q. 43 Please describe the Restricted Stock Unit Plan (RSUP).

A. 43 The RSUP plan was a long-term incentive (LTI) plan designed to reward sustained performance over a three-year period with each grant made under the plan. Plan Year 2016 was the last year the RSUP awards were made; beginning with Plan Year 2017, RSUP was replaced by Time Lapse Restricted Stock Units (RSU) and Performance Shares Units (PSU).

Since 2017, the Company has granted two forms of award – the PSUs and the RSUs. Executives are eligible to receive PSU awards and both Executives and Director-level employees are eligible to receive RSU awards. PSU and RSU awards are granted annually.

PSU awards granted to the Corporate Strategy Executives include two financial measures: (i) 3-Year Consolidated Earnings Per Share (EPS), weighted at 60% of the target award, and (ii) 3-Year Utility Return on Equity (ROE), weighted at 40% of the target award. PSU awards granted to the remaining executives do not include an EPS metric but instead include 3-Year Utility Net Income, weighted at 60% of the target award. Each PSU award is subject to a modifier based on performance of the Company over the performance period (PSUP), relative to a peer group of public companies. If the Company's 3-year PSUP is at or above the 75th percentile relative to the peer group, the PSU award amount will be adjusted upward by 30%; if Company performance falls between the 25th and 75th percentiles, there is no adjustment to the PSU award amount.

In November 2020, the Compensation Committee of the Board of Directors approved a modification wherein if Company performance falls below the 25th percentile relative to the peer group, the PSU award would be adjusted downward by 30% rather than the previous downward adjustment of 15%. This change allowed for a symmetrical payout, i.e., 30% downward adjustment for a bottom quartile ranking and a 30% upward adjustment for a top quartile ranking. Additionally, the Committee added a below-maximum cap on payout in years where the Company's Total Shareholder Return (TSR) is negative. The level of the cap will depend on the Company's Relative Total Shareholder Return (RSTR), which is a measure of Company performance relative to the peer group. When the Company's RTSR performance is between the 50th and 75th percentiles, the cap is 115% of target; when it is at or below the 50th percentile, the cap is 100% of target.

RSUs are time-vested awards that vest over a three-year period from the date of grant (40% at the end of the first year and 30% at the end of the second and third years following grant, respectively). RSUs are a form of long-term incentive based on time. They are provided to Directors and above and are not tied to any performance criteria. The awards are calculated based on a percentage of salary that is converted to shares. As the shares vest over a three-year period, they are considered a long-term retention tool.

For both the PSUs and RSUs, dividend equivalents are payable upon vesting in the applicable award to reflect dividends paid during the performance/service period, as applicable.

Q. 44 Are the RSUP costs reasonable and prudent, and appropriate for inclusion in the rates authorized in this proceeding?

A. 44 Yes. As a component of the long-term incentive (LTI) plan which is designed to reward sustained performance over a three-year period, these costs are reasonable and prudent. Moreover, it is appropriate to include these costs in the rates approved through this proceeding because the RSUs and PSUs are part of the total compensation that keeps eligible employee positions competitive with the market. As discussed above, Southwest Gas benchmarks total compensation to the 50th percentile. If the Company did not offer an LTI plan, these positions would fall well below the 50th percentile and would no longer be competitive. Consequently, the Company would have difficulty attracting and retaining the talent necessary to provide customers safe and reliable natural gas service. These costs are therefore a reasonable and prudently incurred business expense that should be authorized for recovery through customer rates in this proceeding.

Q. 45 Please describe the SPI.

A. 45 SPI is a Sales Performance Incentive provided to Southwest Gas' Energy Solutions group (formerly referred to as Key Account Management). The objective of the SPI is to incent the group to achieve exceptional performance in the areas of customer service, project development, project management and contract negotiations related to maintaining or improving the Company's margin.

Q. 46 Are the SPI costs reasonable and prudent and appropriate for inclusion in the rates authorized in this proceeding?

A. 46 Yes. The SPI is designed to incentivize eligible employees to maximize the use of the Company's distribution system by larger customers which benefits and protects residential customers by spreading fixed cost recovery over a greater number of customers/volumes. Employees achieve this by:

1. Maintaining and increasing margin from qualified new and existing customers through installations of new, additional or incrementally larger natural gas equipment.
2. Ensuring that Company facility investments meet required criteria and that security/risk concerns are appropriately addressed.
3. Maximizing annual margin collection from customers that can demonstrate the ability to use an alternate energy source.

VI. NON-CASH COMPENSATION PROGRAMS

Q. 47 Please identify the non-cash component of the Company's compensation program.

A. 47 Exhibit No.__(FH-4) lists the Company's non-cash compensation programs.

Q. 48 Are the non-cash compensation costs reasonable?

A. 48 Yes. Southwest Gas regularly reviews its plans to carefully manage its benefits program costs.

VII. PENSION PROGRAM AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Q. 49 Please generally describe the Pension and OPEB programs that are available to Southwest Gas employees.

A. 49 The Company provides the following Pension and OPEB programs:

- **Pension:** The Company maintains a tax-qualified defined benefit retirement plan (Retirement Plan), which is available to all Company employees and under which benefits are based on an employee's years of service, up to a maximum of 30 years, and the 12-month average of the employee's highest five consecutive years' salaries, excluding bonuses, within the final 10 years of service. The Internal Revenue Code (IRC) places a limit on the annual compensation that may be paid under the plan, which may be increased periodically to reflect cost-of-living increases. Base salary amounts deferred by Executives under the Executive Deferral Plan (EDP) are not included for purposes of determining pensionable benefits under the Retirement Plan.

- **Supplemental Executive Retirement Plan (SERP):** The SERP is designed to supplement the Retirement Plan for participating executives by providing an opportunity for executives to receive a comparable retirement benefit at a level of 50% to 60% of base salary without regard to the IRC limits that apply to the

Retirement Plan. To qualify for a normal retirement benefit under the SERP, an Executive must have reached age 55 with 20 years of service or age 65 with 10 years of service.

The SERP also provides a limited retirement benefit for Executives who defer base salary under the EDP but who do not qualify for a normal retirement benefit under the plan. The limited benefit in the SERP accounts for base salary amounts that are deferred under the EDP that are not included in calculating pensionable benefits under the Retirement Plan. The SERP is a non-qualified plan under which participating executives are general unsecured creditors of the Company with respect to benefits payable under the plan. Benefits payable under the SERP are offset by benefits payable under the Retirement Plan to avoid double payment of benefits to Executives.

- **Employees Investment Plan (EIP):** The Southwest Gas Corporation Employees' Investment Plan (EIP) is a tax-qualified defined contribution (401(k)) plan that is available to all its employees. The EIP permits participants to contribute between 2 and 60 percent of their base salaries to the plan and receive a corresponding Company matching contribution up to 3.5% of a participant's annual salary. Participant contributions to the EIP are subject to annual IRC limits that apply to the plan. Executives are not eligible to receive Company matching contributions under the EIP.
- **Executive Deferral Plan (EDP):** The EDP provides salary deferral opportunities for executives by permitting them to annually defer up to 100% of base salary and non-equity incentive compensation. To address the ineligibility of Executives to receive Company matching contributions under the EIP, Southwest Gas

provides matching contributions under the EDP that parallel the contributions it makes to participants under the EIP, which is up to 3.5% of the Executive's base salary. Deferred contribution amounts and Company matching contributions bear interest at 150% of the Moody's Seasoned Corporate Bond Rate. The EDP is a non-qualified plan under which participating Executives are general unsecured creditors of the Company with respect to benefits payable under the plan. Additionally, base salary deferred under the EDP is not included in the formula used to calculate an Executive's pensionable benefit under the Company's tax-qualified defined benefit retirement plan.

Q. 50 Has the design of any of these programs changed since the Company's last general rate case?

A. 50 No.

Q. 51 Are the costs for these programs reasonable and prudent, and appropriate for inclusion in the rates authorized in this proceeding?

A. 51 Yes. These programs are essential to the Company efforts to attract and retain high performing individuals by providing supplemental retirement benefits as part of a competitive compensation package. This continuity of service benefits the Company's customers and the EDP and SERP, which constitute part of the Company's reasonable compensation program for its Executives, should be recoverable through customer rates. Notwithstanding, the Company is only seeking to recover the restorative amount of its SERP expenses in this proceeding. This adjustment is discussed in the prepared direct testimony of Company witness Nick Y. Liu.

VIII. BOARD OF DIRECTORS' COMPENSATION

Q. 52 Does the Company provide compensation to its Board of Directors?

A. 52 Yes. The Company compensates the members of its independent Board of Directors (at the holding company level). This compensation is intended to recruit and retain highly qualified Directors, but it also expresses the importance of these roles as a representation of the company's attitudes towards corporate governance.

Q. 53 Please explain how the Company determines appropriate salary ranges for Board of Director compensation.

A. 53 The Compensation Committee is responsible for periodically reviewing the compensation of the independent Directors and recommends changes to the Board where appropriate. The Committee's former compensation consultant, Pay Governance, completed a biennial review of the Directors' compensation in 2019 where the level of director compensation was assessed relative to the previously listed group of peer companies. Future assessments following the same methodology will be done by the Committee's new compensation consultant as of May 2021.

Q. 54 Are the Board compensation expenses allocated to Southwest Gas reasonable and prudent, and appropriate for inclusion in the rates authorized in this proceeding?

A. 54 Yes. The Securities Exchange Commission (SEC) requires Southwest Gas Holdings, as a publicly traded company, to have a Board of Directors comprised of mostly independent members. The Board provides guidance and oversight to ensure that the Company provides safe and reliable service to its customers, which helps facilitate the Company's ability to access capital markets at reasonable rates. Moreover, the Company reviews its Board compensation to ensure that it is set at levels that are reasonable compared to market.

<u>IX VOLUNTARY RETIREMENT INCENTIVE PROGRAM</u>

Q. 55 Please describe the Voluntary Retirement Incentive Program (VRIP).

A. 55 The Voluntary Retirement Incentive Program (VRIP) was a program offered to Information Services (IS) department employees who met program-established eligibility criteria. To participate in the VRIP, at the time of offer the IS employee must have been at least 55 years of age with at least 10 years of service with the Company.

The monetary incentive offered through the VRIP was a one-time, lump sum cash payment calculated at one week of the employee's current salary for every year of service with the Company. The program also offered an additional one-time separation bonus in the amount of $10,000. In order to receive these payments, the employee was required to execute a severance agreement and separation bonus agreement.

The Company offered the VRIP at two different times, once in October 2020 and again in May 2021. The first offering excluded IS Project Horizon employees due to project criticality. Once the Project Horizon stabilization period concluded, IS employees working on Project Horizon were given the same opportunity to participate in the VRIP if they met the same established criteria. Additional detail regarding the VRIP offerings is provided in the prepared direct testimony of Company witness Raied N. Stanley.

Q. 56 Why were IS employees specifically offered the VRIP?

A. 56 Changes in technology have accelerated the shift in required workforce skills and the Company needed to make changes to stay competitive. By offering the

VRIP, retirement-eligible employees could choose to develop new skills and stay with the Company or could proceed with retirement.

Q. 57 Did the employees who accepted the severance receive any enhanced retirement benefits?

A. 57 No. The employees who elected to participate in the transformational offering only received the retirement benefits afforded to them under the Company's retirement plan.

Q. 58 Is it a common practice for Companies to offer severance?

A. 58 Yes, more employers are offering severance benefits to workers, which is considered indicative of a trend toward designing an improved employee experience that includes separation. In a 2019 survey conducted by career transition services firm RiseSmart, 44% of 1,500 HR respondents offered severance benefits to all workers, which represented a six percent increase over 2017. The amount and type of severance benefits varies, but generally all of them require a minimum years of company service in order to be eligible.

X. CONCLUSION

Q. 59 Does this conclude your prepared direct testimony?

A. 59 Yes.

SUMMARY OF QUALIFICATIONS
FREDERICA HARVEY

I am a graduate of University of Nevada, Las Vegas having received a Bachelor of Science degree in Business Administration. I also hold the Certified Compensation Professional (CCP) designation from WorldatWork and the Senior Certified Professional designation from the Society of Human Resources Management (SHRM-SCP).

I have over 25 years of compensation and human resources experience. Prior to joining Southwest Gas, I've developed, implemented, and maintained compensation programs within the government, utilities, healthcare, and hospitality industries. The size of the organizations has ranged from approximately 2,000 to over 70,000 employees. In July 2019, I joined Southwest Gas as Director/Compensation and Benefits where I am responsible for all aspects of the Company's compensation and benefits administration.

2021
Salary Adjustment Recommendations

Agenda

- Current SWG Employee Pay Review
    - Non-Exempt Employee Wages, Grade Structures
    - Exempt Employee Compa-Ratios
- National Energy & Utility Industry Market Review
    - 2020 Salary Survey Results
    - 2021 Salary Survey Results
- SWG Salary Adjustment Review & Recommendation
    - SWG Historical Data
    - Recommendations

Employee Salaries

Non-Exempt Wage Schedules

Grandfathered Wage Schedule

- **568** Employees

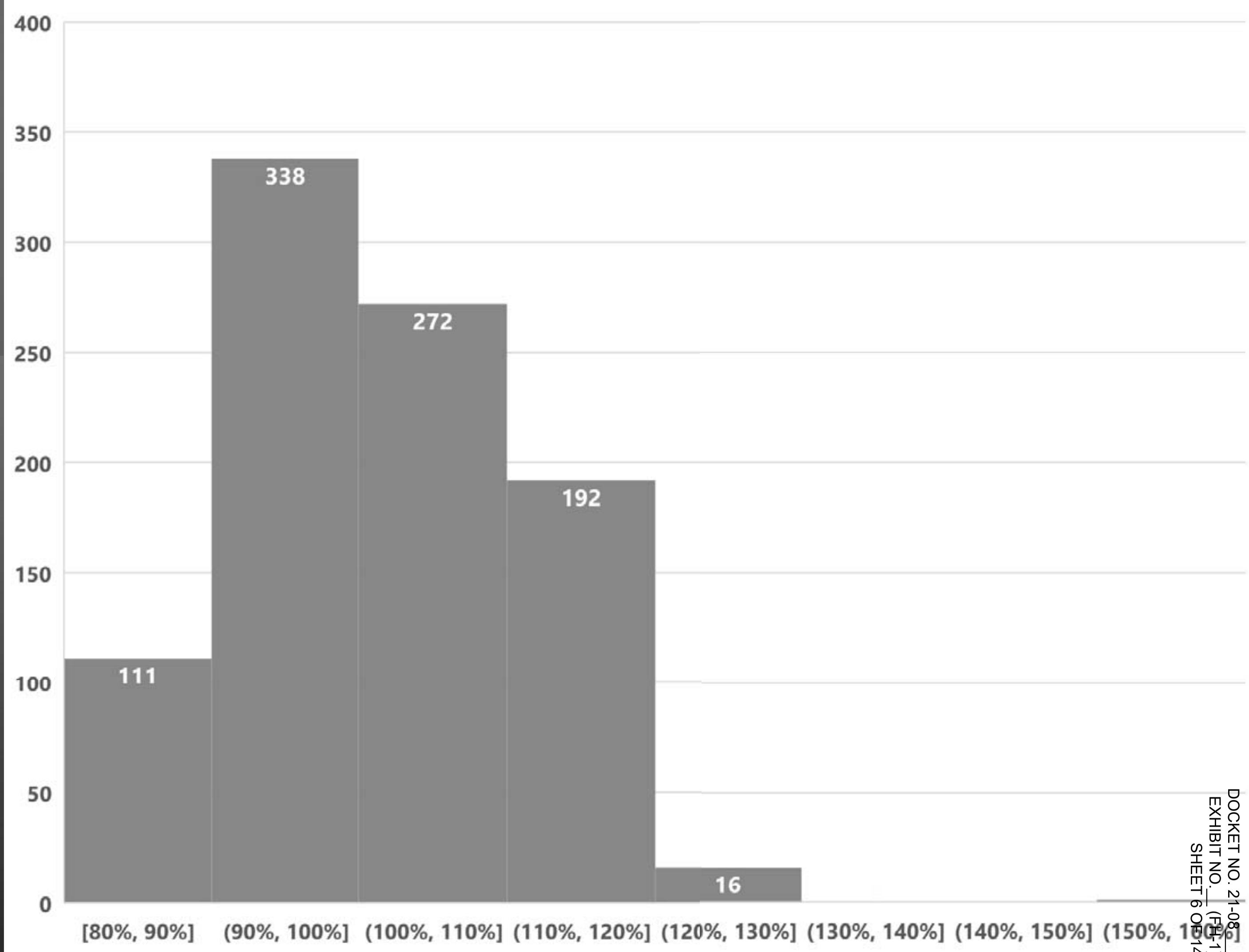
New Wage Schedule (effective 6/21/2010)

- **741** Employees

Non-Exempt Grade Step Details

Grade Step	Grandfathered Wage Schedule	New Wage Schedule	Total Headcount	Percent of Total
1	0	23	**23**	**1.8%**
2	0	61	**61**	**4.7%**
3	0	73	**73**	**5.6%**
4	0	88	**88**	**6.7%**
5	0	94	**94**	**7.2%**
6	1	118	**119**	**9.1%**
7	1	78	**79**	**6.0%**
8	5	71	**76**	**5.8%**
9	561	135	**696**	**53.2%**
Total	**568**	**741**	**1309**	**100%**

Exempt Compa-Ratios



Market Review

National Energy & Utility Industry
Salary Survey Results

2020 Projected *vs* Actuals

Projected Salary Increase Budget*		Actual Salary Increase Grant*	
Exempt	Non-exempt	Exempt	Non-exempt
3.0%	**3.0%**	**3.1%**	**3.0%**

Projected Structure Adjustment	Actual Structure Adjustment
Exempt	Exempt
2.0%	**2.1%**

***Represents National Energy/Utility Industry Average**

2021 Projected Structure Adjustments

National Survey Source	Scope	Exempt
AON Hewitt	Energy	**2.0%**
Conference Board	Utilities	**2.0%**
Korn Ferry	Utilities	**2.0%**
Mercer	Utilities	**2.2%**
PayFactors	Utilities	**1.7%**
Towers Watson	Utilities	**2.3%**
World@Work	Utilities	**2.1%**
Survey Average		**2.0%**

2021 Projected Salary Increase Budgets

National Survey Source	Scope	Exempt	Non-Exempt
AON Hewitt	Energy	3.2%	3.0%
Conference Board	Utilities	3.0%	2.9%
Korn Ferry	Utilities	3.0%	3.0%
Mercer	Utilities	2.8%	2.8%
PayFactors	Utilities	3.1%	3.0%
Towers Watson	Utilities	3.0%	3.0%
World@Work	Utilities	3.1%	3.1%
Survey Average		**3.0%**	**3.0%**

Wage & Salary Structure

Adjustment Recommendations

Historic

SWG Salary Adjustments

Year	Exempt *(Base + Discretionary)*	Non-Exempt *(+Step Increase)*
2016	2.2% + 1.3% = 3.5%	2.2% (+.45%)
2017	2.3% + 1.3% = 3.6%	2.3% (+.56%)
2018	2.3% + 1.3% = 3.6%	2.3% (+.61%)
2019	2.3% + 1.0% = 3.3%	2.3% (+.70%)
2020	2.0%	2.0% (+.74%)

Salary Adjustment Recommendations

(Represented in Thousands of Dollars)

Non-Exempt = 2.2% Base, 0.72% Step Increase; Exempt = 2.2% Base, 1.0% Discretionary (3.2% Total)	Total Salaries	Total Cost	2021 Year-End Cost	Total Budget	Variance	Adjusted Variance*
Non-Exempt	$90,425	$2,640	$1,320			
Exempt	$94,969	$3,039	$1,520			
Total	$185,394	$5,679	$2,840	$3,422	**$583**	**$429**

Non-Exempt = 2.3% Base, 0.72% Step Increase; Exempt = 2.3% Base, 1.0% Discretionary (3.3% Total)	Total Salaries	Total Cost	2021 Year-End Cost	Total Budget	Variance	Adjusted Variance*
Non-Exempt	$90,425	$2,731	$1,366			
Exempt	$94,969	$3,134	$1,567			
Company	$185,394	$5,865	$2,933	$3,422	**$490**	**$336**

Non-Exempt = 2.3% Base, 0.72% Step Increase; Exempt = 2.3% Base, 1.2% Discretionary (3.5% Total)	Total Salaries	Total Cost	2021 Year-End Cost	Total Budget	Variance	Adjusted Variance*
Nonexempt	$90,425	$2,731	$1,366			
Exempt	$94,969	$3,324	$1,662			
Company	$185,394	$6,055	$3,028	$3,422	**$395**	**$241**

Adjusted Variance = after estimated officer increases

June 24, 2021

Salary Adjustment Effective Date

**Payable on Paycheck Dated July 09, 2021*

Docket No. 21-08XXX:

General Rate Case

Confidential Exhibit No.___(FH-2)

CONFIDENTIAL

SOUTHWEST GAS CORPORATION

Docket No. 21-08XXX

Confidential Exhibit No.___(FH-2)

Southwest Gas is providing this information pursuant to the protective agreements executed with Staff and BCP in the above-referenced docket.

Docket No. 21-08XXX:

General Rate Case

Confidential Exhibit No.___(FH-3)

CONFIDENTIAL

SOUTHWEST GAS

CORPORATION Docket No.

21-08XXX

Confidential Exhibit No.___(FH-3)

Southwest Gas is providing this information pursuant to the protective agreements executed with Staff and BCP in the above-referenced docket.

Southwest Gas - Non-Cash Compensation Program Summary

Program	Paid By	Description	Eligible Employee Group			
			Officers	Exec	Exempt	Non-Exempt
Medical/RX Dental Vision	Employee	Coverage available to employees and eligible dependents one month following date of hire.	X	X	X	X
Life Insurance	Company	1.0 times annual base salary one month following date of hire	X	X	X	X
Supplemental Life Insurance	Employee	Employee can purchase additional life insurance for self up to 5 times annual base salary to a maximum of $2,500,000. Coverage for spouse and children also available.	X	X	X	X
Accidental Death & Dismemberment (AD&D)	Company	1.0 times annual base salary in the event of accidental death. Lump sum benefit is paid for dismemberment.	X	X	X	X
Supplemental AD&D	Employee	Employee can purchase additional AD&D insurance for self and family, up to a maximum of $500,000.	X	X	X	X
Business Travel Insurance	Company	1.0 times annual base salary beginning date of hire	X	X	X	X
Salary Continuation (Short-Term Disability)	Company	After 6 months of continuous employment, employees are eligible for Salary Continuation and receive a % of their salary for up to 26 weeks. The amount received is based on years of service and prior usage.	X	X	X	X
Long Term Disability (LTD)	Company	After one year of service, employees are eligible for LTD after experiencing six months of continuous disability. LTD is paid at 66-2/3% of basic monthly earnings during the period of disability.	X	X	X	X
Health Care Flexible Spending Account (FSA)	Employee	The Health Care FSA allows employees to set aside tax-free ddollars to pay for eligible health care expenses not covered by their health care plan.	X	X	X	X
Dependent Care Flexible Spending Account (FSA)	Employee	The Dependent Care FSA allows employees to set aside tax-free ddollars to pay for eligible dependent day care expenses.	X	X	X	X
Employee Assistance Program (EAP)	Company	The EAP is a confidential, short-term counseling and referral service designed to help employees and household members deal with personal or work-related problems, including but not limited to marriage/relationship problems, financial issues, elder care, and bereavement. Eligibility begins on date of hire.	X	X	X	X

Southwest Gas - Non-Cash Compensation Program Summary

Program	Paid By	Description	Eligible Employee Group			
			Officers	Exec	Exempt	Non-Exempt
Health Savings Account (HSA)	Employee	Allows employees to set aside pre-tax or tax-deductible dollars to pay for qualified health care expenses not covered by their health care plan. Maximum contribution limits are determined each year by the IRS. At the beginning of the calendar year, the Company contributes $1,000 to each employee's HSA account who met healthy biometic screening criteria during the previous calendar year.	X	X	X	X
Retirement (Pension)	Company	Tax-qualified, non-contributory defined benefit pension plan. Employees are fully vested after 5 years of service and can receive a pension at age 65. With 10 or more years of Company service, employee can elect early retirement at age 55.	X	X	X	X
Employees' Investment Plan (EIP) -- 401(k)	Employee / Company	Employees are eligible to participate in EIP on date of hire and can contribute from 2% to 60% of salary to a tax-deferred retirement account. After-tax Roth contributions are also available. The Company matches 50% of the first 7% that employee contributes.	X	X	X	X
Supplemental Executive Retirement Plan (SERP)	Company	Provides a benefit equal to the difference between the amount that would have been payable under the Retirement plan, in the absence of laws limiting pension benefits and earnings.	X	X		
Vacation	Company	Employees receive vacation time each year based on their years of service: 1 to <5years, 2 weeks; 5-<15 years, 3 weeks; 15-<25 years, 4 weeks; 25 years, 5 weeks	X	X	X	X
Sick Time	Company	Employees receive up to 40 hours of Sick Time each year after 90 days of continuous service. The amount of hours received is prorated based on the pay period when the 90 days ends.	X	X	X	X
Paid Absence Time	Company	Employees receive up to 40 hours of Paid Absence Time each year after 90 days of continuous service. The amount of hours received is prorated based on the pay period when the 90 days ends.	X	X	X	X
Company Holidays	Company	Employees are eligible for 10 holidays per year as of their first workday.	X	X	X	X
Personal Holidays	Company	Active employees as of January 1 of any calendar year are eligible for 2 personal holidays; employees hired between January 1 and June 30 of the calendar year, are eligible for 1 personal holiday; and employees hired after June 30 of the calendar year are not eligible for personal holidays.	X	X	X	X
Employee Appliance Purchase Program	Company	After one year of service, an employee may purchase a gas or combination gas/electric appliance and decide between two payment programs: pay cash and be reimbursed by the Company, or arrange for the Company to pay the dealer. The employee may then use payroll deductions to make payments for up to 5 years with no interest or finance charges.	X	X	X	X
Matching Gifts Program	Company	Each year, the Southwest Gas Foundation will match any eligible participant's contributions to colleges and universities between $25 and $2,500.			X	X

Southwest Gas - Non-Cash Compensation Program Summary

Program	Paid By	Description	Eligible Employee Group			
			Officers	Exec	Exempt	Non-Exempt
Employee Education Assistance Program	Company	Reimbursement for tuition, registration, lab fees, and books to a maximum of $5,250 per year.			X	X

AFFIRMATION

STATE OF NEVADA)

: ss.

COUNTY OF CLARK)

Frederica Harvey being first duly sworn, deposes and says:

That I am the person identified in the Prepared Direct Testimony, and the exhibits applicable to my testimony; that such testimony and exhibits were prepared by me or under my direction; that the answers and information set forth therein are true to the best of my own knowledge and belief.

Frederica Harvey

Signed and sworn to before me on this 24th day of August, 2021.

Notary Public

NOTARY PUBLIC
STATE OF NEVADA
County of Clark
STELLA MENESES
Appt. No. 99-51091-1
My Appt. Expires Dec. 8, 2022

IN THE MATTER OF
SOUTHWEST GAS CORPORATION
DOCKET NO. 21-08XXX

PREPARED DIRECT TESTIMONY
PRESTON WEAKLEND

ON BEHALF OF
SOUTHWEST GAS CORPORATION

AUGUST 31, 2021

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Prepared Direct Testimony
of
Preston Weaklend

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Prepared Direct Testimony
of
Preston Weaklend

I. INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is Preston Weaklend. My business address is 8360 S. Durango Drive, Las Vegas, Nevada 89113.

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

A. 2 I am employed by Southwest Gas Corporation (Southwest Gas or Company) in the Operations Planning & Analysis department. My title is Senior Manager.

Q. 3 Please summarize your educational background and relevant business experience.

A. 3 My educational background and relevant business experience are summarized in Appendix A to this testimony.

Q. 4 Have you previously testified before any regulatory commission?

A. 4 No.

Q. 5 What is the purpose of your prepared direct testimony in this proceeding?

A. 5 I sponsor, from an Operations perspective, the Company's continuous improvement to enhancing the data collection related to the Company's Management Incentive Plan (MIP) safety performance measures, incident response time within 30 minutes and damages per 1,000 locate tickets, and the reasonableness of the Company's request for recovery of MIP costs related to those metrics in this proceeding.

Q. 6 Please summarize your prepared direct testimony.

A. 6 My prepared direct testimony consists of the following key issues:

- An operational overview of the two MIP safety metrics, incident response time within 30 minutes and damages per 1,000 locate tickets;
- Discussion of the Company's performance results for the plan years 2018, 2019 and 2020 broken out by Company, state, and operating area;
- The development of specific targets for the Southern Nevada and Northern Nevada divisions (SND and NND, respectively).

II. Operational Overview of MIP Safety Metrics

Q. 7 Please describe the two MIP safety metrics and why they are part of the MIP.

A. 7 Our core values of "safety, quality and excellence" define how Southwest Gas operates, providing service to over two million customers in Arizona, California and Nevada. The strong safety culture is a priority established and modeled by our senior leadership - so much so that we have safety metrics pertaining to incident response and damages per 1,000 locate tickets incorporated into the management compensation plan. The two MIP safety metrics are:

(i) Safety – Damage Per 1,000 Tickets. Designed to reward success in minimizing damages per 1,000 tickets.

(ii) Safety – Incident Response Time within 30 minutes. Designed to reward improvement on incident response times.

Southwest Gas sets a strong and compelling tone from the top and establishes a continuous improvement mindset throughout management and in all employees, that sustains its safety culture and permeates all of our contractors.

As documented in the Company's 2021 proxy statement, Southwest Gas selected the two components of the safety performance measure because they are oriented toward minimizing incidents associated with the Company's gas distribution systems and thereby linked to risk reduction in areas such as regulation, operations, reputation and franchise value. High performance in these two areas strives to ensure the safety and protection of customers and the communities Southwest Gas serves.

Q. 8 Did the Company change the design of the MIP safety metrics since the last general rate case?

A. 8 No.

Q. 9 How are the MIP targets for each safety measure determined?

A. 9 As mentioned previously, safety is a key core value at Southwest Gas and continuous improvement is the fundamental factor when developing targets. The MIP safety performance measures are utilized across our industry to assess performance in damage prevention and emergency response. Targets are developed based upon historical performance and benchmarked against industry performance. Southwest Gas sets targets that are competitive against our peers and encourage improvement from the prior year's performance.

Q. 10 Does the Company assign specific MIP safety metric targets to each of its states or operating divisions for purposes of determining whether there is a payout for each metric?

A 10 No. The Company uses the companywide targets described above for purposes of determining payout under the MIP safety measures. As part of our culture of continuous operational improvement, Southwest Gas encourages companywide collaboration and synergy to explore, share and utilize best practices and strategies that support the overall objectives of reducing its number of damages and minimizing its incident response time companywide. The Company's current methodology is consistent with how the industry provides its benchmarking data, and how damage prevention and emergency response are assessed throughout the industry. In other words, information from other multi-jurisdictional utilities is provided, assessed, and benchmarked without breaking the data out by each utility's individual operating areas. Lastly, the Company's targets incorporate all state and jurisdictional differences, so all areas' results are reflected in MIP results.

As I discuss in further detail below, the Company has enhanced its internal processes since its last general rate case (GRC) such that it can now establish certain division-specific targets. While the division-specific targets do not influence payouts under the MIP, they can provide insight into each division's overall performance.

III. Actual Results for Plan Years 2018, 2019 and 2020

Q. 11 Does Southwest Gas have actual results for "damages per 1,000 locate tickets" and "incident response within 30 minutes" for Nevada and each Nevada operating division?

A. 11 Yes. As part of our culture of continuous improvement, the Company designed and implemented new processes to efficiently capture damage prevention data by jurisdiction. The actual results for damages per 1,000 locate tickets is jurisdictional and the incident response within 30 minutes actual results include response times from jurisdictions in Arizona and California that are served from Nevada divisions. The Company is currently working to develop an efficient process to capture incident response times by jurisdiction.

Q. 12 Please provide for plan years 2018, 2019, and 2020 the companywide, state and division actual results for the two MIP safety metric targets.

A. 12 The table below reflects the companywide targets, as well as companywide, Nevada state and Nevada division actual results for the two MIP safety metrics in plan years 2018, 2019, and 2020.

Table 1. Safety – Damages Per 1,000 Tickets

	2018	**2019**	**2020**
Minimum	1.80	1.60	1.40
MIP Target	1.50	1.40	1.15
Maximum	1.20	1.20	1.00
Actual Companywide	1.43	1.11	1.14
Actual Nevada	2.70	1.98	2.05
Actual SND	1.97	1.52	1.42
Actual NND	9.45	6.58	7.48

Table 2. Safety – Incident Response within 30 Minutes

	2018	**2019**	**2020**
Minimum	67.0%	67.0%	70.0%
MIP Target	70.0%	71.0%	74.0%
Maximum	73.0%	74.0%	77.0%
Actual Companywide	70.1%	74.6%	75.8%
Actual Nevada	74.9%	80.4%	82.9%
Actual SND	75.7%	81.2%	83.7%
Actual NND	68.9%	75.1%	77.2%

It is important to note that these tables do not present a completely accurate comparison of actual performance to target performance because they compare state and division-specific actuals to a companywide target. With respect to the "Damages per 1,000 tickets" metric in particular, each state has its own nuanced 811 regulations and processes that define ticket duration, length of locate, etc. These differences are accounted for when the companywide target is developed because companywide data is utilized, but that is not the case when looking at state or division specific data. This is a common metric that is well understood across our industry and is the most consistent measurement to benchmark against our peers.

Q. 13 Is there other data available to the Commission that supports the reasonableness of the Company's request to recover the MIP costs associated with the safety metrics?

A. 13 Yes. With respect to "damages per 1,000 locate tickets", Southwest Gas has a robust damage prevention program and, as the largest natural gas utility in Nevada, the Company has significantly contributed year after year to Nevada's ranking as one the top states on this metric. This statewide success has been reported to the Commission on an annual basis, as reflected in the Commission minutes and presentations on 2018, 2019 and 2020 damages, attached hereto as Exhibit No.____(PW-1). Indeed, as Exhibit No._____(PW-1) indicates, Nevada had one of the lowest damages per customer rates in the country in each of those 3 years. Moreover, as the Commission's Pipeline Safety Staff recently discussed, the 2020 statistics show Nevada as having its lowest ratio of damages per 1,000 tickets, "…at a remarkable all-time-low metric of 2.19…"[1] – and during a period where Nevada is experiencing, "…its highest amount of excavation activity in history over the past two years."[2] Notably, the Company's Nevada 2020 actual metric of 2.05 was below Nevada's statewide actual of 2.19. The 2.05 coupled with fact that Nevada is ranked second in damages per 10,000 services (Sheet 20 of Exhibit No.__(PW-1)) undoubtedly demonstrates Southwest Gas' commitment to safety and its strong safety culture I discussed above.

[1] See Exhibit No._____(PW-1), at Sheet 19.
[2] Id. at Sheet 18.

In addition, a clear improvement in both safety metrics is noticed when comparing actual data from 2018 through 2020, as shown in Tables 3 and 4 below. Year-to-date data for 2021 also shows continued improvement.

This information supports the reasonableness of the Company's request in that the Nevada-specific performance undoubtedly contributed to minimizing incidents associated with the Company's gas distribution systems and ensuring the safety and protection of customers and the communities Southwest Gas serves.

Table 3. Safety – Damages Per 1,000 Tickets

	2018	**2019**	**2020**	**July 2021 YTD Actuals**	**% of Improvement from 2018 to 2020**
Actual Companywide	1.43	1.11	1.15	.87	20%
Actual Nevada	2.70	1.98	2.05	1.71	24%
Actual SND	1.97	1.52	1.42	1.18	28%
Actual NND	9.45	6.58	7.48	5.97	21%

Table 4. Safety – Incident Response within 30 Minutes

	2018	**2019**	**2020**	**July 2021 YTD Actuals**	**% of Improvement from 2018 to 2020**
Actual Companywide	70.1%	74.6%	75.8%	74.7%	8%
Actual Nevada	74.9%	80.4%	82.9%	80.9%	11%
Actual SND	75.7%	81.2%	83.7%	81.7%	11%
Actual NND	68.9%	75.1%	77.2%	75.0%	12%

VI. Southern Nevada and Northern Nevada Division-Specific Targets

Q 14 Are you familiar with what the Commission ordered with respect to Nevada specific performance metrics in the last GRC?

A 14 Yes. The Commission ordered the Company, in its next general rate case, to include Northern Nevada Division and Southern Nevada Division goals or target levels of performance, as well as the actual level of achievement performance scores for the two safety-related MIP metrics.[3]

Q. 15 Has the Company developed division-specific performance targets?

A. 15 Although the Company has not changed its methodology for developing the MIP targets or paying out under the MIP plan, it did develop targets for damages per 1,000 locates specific to operating area to offer insight as to each division's performance. Beginning with 2021, and on a go-forward basis, the Company developed a more formalized process for setting its operating area targets. Operating area targets were established through a coordinated effort among the operating areas and approved by executive management to ensure the collective performance would achieve the overall company target. Each operating area's target is based upon year over year historical performance and the projected performance improvement results from company-wide initiatives. Company and operating area performance metrics are distributed weekly to operations management to ensure continuous engagement and oversight from key stakeholders. Table 5 highlights Southern Nevada and Northern Nevada division specific targets and twelve-month-to-date (TMTD) results as of July 2021. Southwest Gas continues to work toward developing division-specific targets for the incident response metric.

Table 5. Safety – Damages Per 1,000 Locates

	2021 Target	**July 2021 TMTD Actuals**
Companywide	1.00	1.03
NND	6.70	6.38
SND	1.23	1.32

[3] Order in Docket No. 20-02023, at Ordering Paragraph 4.

Q. 16 Has the Company provided the actual level of division-specific achievement performance scores?

A. 16 Yes. As discussed above, the division-specific actual data is provided in Tables 1 and 2, and the actual data evidencing overall improvement in both metrics from 2018 through 2020 is presented in Tables 3 and 4.

<u>IV. Conclusion</u>

Q. 17 Does this conclude your prepared direct testimony?

A. 17 Yes.

SUMMARY OF QUALIFICATIONS

PRESTON D. WEAKLEND

Preston D. Weaklend is the senior manager/Operations Planning & Analysis for Southwest Gas Corporation (Southwest Gas). He oversees and participates in the planning, analyzing, collaborating, implementing and overseeing of company-wide initiatives; the development of operations metrics; representing the Company to outside agencies and business associations; improving compliance activities; acting as liaison between corporate departments and operating divisions; recommending actions to senior management to facilitate continuous business improvements; and implementing best practices across operations.

Mr. Weaklend served as intern with Southwest Gas from 2003 to 2005 and was hired as an Operations Analyst in Phoenix, AZ in 2005. During this time, he aided in the creation of three-year budget plan for various departments and was responsible for the development and tracking of Central Arizona Division's performance metrics and operational efficiencies. He was subsequently promoted to Human Resource Analyst I in 2007, Human Resource Analyst II in 2008 and Customer Service Supervisor in 2012. As a Customer Service Supervisor, he was responsible for overseeing service and field technicians performing various field duties such as emergency response, service establishment, various maintenance orders, and he responded to incidents implementing incident management system and facilitated outage restoration efforts.

He was promoted to Administration Superintendent in 2014 and was responsible for the direction of the division's Transportation, Warehouse, Accounting and Facility departments and oversaw the creation and presentation of the division's three-year operating plan, monthly budget variance report and operational metrics. He was promoted to Manager

Operations Planning & Analysis in 2017 and subsequently to senior manager Operations Planning & Analysis in 2019.

He holds a Bachelor of Science degree in business management from Arizona State University and Master's degree in Business Administration from Grand Canyon University. Mr. Weaklend currently serves on the American Gas Association's Best Practices steering committee.

Agenda 5-19
Item 2A

MINUTES

of the Public Utilities Commission Agenda
held jointly at its Offices in Carson City
and Las Vegas, Nevada

Wednesday, February 27, 2019
10:00 AM
Agenda 4 - 19

Present: Commissioner Ann Pongracz (conducting the agenda for the Chairman)
Commissioner C.J. Manthe
Assistant Commission Secretary Trisha Osborne

Absent: Chairman Ann Wilkinson

ITEM 1 – PUBLIC COMMENT

A

Pursuant to NRS 241.020, a period of public comment will be allowed at the beginning of the meeting and again before the adjournment of the meeting. All public comment will be limited to no more than three (3) minutes per speaker.

No comments by the general public.

ITEM 2 – COMMISSION

A **PUBLIC UTILITIES COMMISSION OF NEVADA**

Approval of agenda meeting minutes.

FOR POSSIBLE DISCUSSION/ACTION: APPROVE OR REVISE FEBRUARY 15, 2019, AGENDA 3-19 MEETING MINUTES.

Commissioner Pongracz moved that the Commission accept the meeting minutes. Commissioner Manthe seconded the motion. Motion passed unanimously (2-0).

B 18-09010 **REGULATORY OPERATIONS STAFF**

Show Cause Proceeding to determine why Certificates of Public Convenience and Necessity, Licenses, or Permits should not be revoked, why administrative fines should not be imposed, and/or why administrative action should not be taken on certain companies that did not timely meet their regulatory obligations for calendar year 2017 and/or the period July 1, 2017, through June 30, 2018.

FOR POSSIBLE DISCUSSION/ACTION: APPROVE PRESIDING OFFICER'S PROPOSED ORDER AS FILED OR WITH MODIFICATIONS. ORDER MAY ISSUE.

Commissioner Manthe provided an overview of the proposed Order submitted as part of the Commission's briefing materials.

Commissioner Manthe moved that the Commission approve the Order as specified. Commissioner Pongracz seconded the motion. Motion passed unanimously (2-0).

C 18-12002 **NEVADA BELL TELEPHONE COMPANY**
AT&T NEVADA AND AT&T WHOLESALE
Matrix Telecom, LLC
Clear Choice Communications, et al.
Joint Petition of Nevada Bell Telephone Company d/b/a AT&T Nevada and AT&T Wholesale and Matrix Telecom, LLC d/b/a Clear Choice Communications, Excel Telecommunications, and VarTec Telecom for approval of Amendment No. 8 to their Interconnection Agreement pursuant to Section 252 of the Telecommunications Act of 1996.
FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY JOINT PETITION AS FILED OR WITH MODIFICATIONS. ORDER MAY ISSUE.
Commissioner Pongracz consolidated Items 2C and 2D for consideration.

Commissioner Pongracz moved that the Commission grant the Joint Petitions, approve the Amendments, and issue the corresponding Orders. Commissioner Manthe seconded the motion. Motion passed unanimously (2-0).

D 18-12006 **NEVADA BELL TELEPHONE COMPANY**
AT&T NEVADA AND AT&T WHOLESALE
Onvoy, LLC
Joint Petition of Nevada Bell Telephone Company d/b/a AT&T Nevada and AT&T Wholesale, Onvoy, LLC, and Neutral Tandem-Nevada, LLC for approval of Amendment No. 4 to their Interconnection Agreement pursuant to Section 252 of the Telecommunications Act of 1996.
FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY JOINT PETITION AS FILED OR WITH MODIFICATIONS. ORDER MAY ISSUE.

ITEM 3 – UTILITIES HEARINGS OFFICER

A 18-06008 **STATION CASINOS LLC**
Application of Station Casinos LLC to purchase energy, capacity, and/or ancillary services from a provider of new electric resources.
FOR POSSIBLE DISCUSSION/ACTION: APPROVE HEARING OFFICER'S PROPOSED ORDER AS FILED OR WITH MODIFICATIONS. GRANT OR DENY MOTION TO RUN COMPLIANCE SCHEDULE FROM THE DATE OF THE COMMISSION'S ORDER ON RECONSIDERATION AS FILED OR WITH MODIFICATIONS. ORDER MAY ISSUE.
Hearing Officer Donald Lomoljo provided an overview of the proposed Order submitted as part of the Commission's briefing materials.

Commissioner Pongracz moved that the Commission approve the proposed Order. Commissioner Manthe seconded the motion. Motion passed unanimously (2-0).

B 18-12014 **PUBLIC UTILITIES COMMISSION OF NEVADA**
Rulemaking to consider amending NAC 704.8877 and NAC 704.8881 to adjust the due date for annual portfolio standard compliance reports made by providers and to extend the time allotted for the Commission to issue an order determining whether a provider has complied with its portfolio standard requirements.

FOR POSSIBLE DISCUSSION/ACTION: APPROVE HEARING OFFICER'S PROPOSED ORDER AS FILED OR WITH MODIFICATIONS. ADOPT PROPOSED REGULATIONS AS TEMPORARY REGULATIONS. ORDER MAY ISSUE.

Hearing Officer Lomoljo provided an overview of the proposed Order submitted as part of the Commission's briefing materials.

Commissioner Manthe asked Mr. Garrett Weir, General Counsel, to confirm that the Commission had the proper authority to vote on rulemaking dockets having two Commissioners present.

Mr. Weir advised that he was unaware of any limitation on the Commission's authority to rule on rulemaking dockets so long as it has a quorum.

Commissioner Pongracz moved that the Commission approve the proposed Order. Commissioner Manthe seconded the motion. Motion passed unanimously (2-0).

ITEM 4 – DIVISION OF RESOURCE & MARKET ANALYSIS

A 18-10004 **SIERRA PACIFIC POWER COMPANY**

NV ENERGY

Application of Sierra Pacific Power Company d/b/a NV Energy filed under Advice Letter No. 611-E to revise Electric Tariff No. 1 to add four new Light Emitting Diode night guard light categories to Outdoor Lighting Service Schedule No. OLS.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS. ORDER MAY ISSUE.

Commissioner Pongracz moved that the Commission accept the recommendations contained in the briefing memo submitted by the Division of Resource & Market Analysis and issue the appropriate Order. Commissioner Manthe seconded the motion. Motion passed unanimously (2-0).

ITEM 5 – MISCELLANEOUS

A **REGULATORY OPERATIONS STAFF**

Presentation by the Commission's Regulatory Operations Staff regarding natural gas One Call statistics for calendar year 2018.

FOR DISCUSSION ONLY.

Mr. Paul Maguire, Manager of the Division of Engineering, provided an overview of the Summary of 2018 Natural Gas One-Call Statics provided as part of the Commission's briefing materials. Mr. Maguire stated that the number of excavation tickets for 2018 had increased for the fifth consecutive year. Mr. Maguire noted that the rate of increased load was expected to stay flat going forward and explained that, based on discussions with multiple contractors, there is work out there to be done but there are limited workers and equipment to do the work. Mr. Maguire stated that the number of One-Call tickets increased by approximately 7% and the number of excavation damages increased by approximately 8% in 2018, keeping damages at the historically low rate reported last year. Mr. Maguire further stated that Nevada ranked in the top three in the nation with respect to the number of damages per customer. Mr. Maguire added that, with respect to enforcement, the data shows that damages decrease as enforcement actions increase.

Commissioner Manthe commented that it was nice to see Nevada in the top of the ranking and, even though there has been increased activity, Nevada has been able to maintain the historically low incident rate.

Commissioner Pongracz asked for clarification that Nevada's ranking in the top two means Nevada is the second lowest, not the second highest, in the number of reported incidents.

Mr. Maguire confirmed that was correct. Mr. Maguire noted that he added Puerto Rico to this ranking list because it has a small, 500-customer jurisdictional system without any damages, but that it is not a state with a large gas infrastructure.

Commissioner Pongracz commented that she appreciated the efforts of the Regulatory Operations Staff and the industry and congratulated both on these results.

ITEM 6 – PUBLIC COMMENT

A

Pursuant to NRS 241.020, a period of public comment will be allowed at the beginning of the meeting and again before the adjournment of the meeting. All public comment will be limited to no more than three (3) minutes per speaker.

No comments by the general public.

Meeting adjourned.

Agenda 5-20
Item 2A

MINUTES

of the Public Utilities Commission Agenda
held jointly at its Offices in Carson City
and Las Vegas, Nevada

Wednesday, February 26, 2020
Agenda 4 - 20

Present: Chair Hayley Williamson
Commissioner C.J. Manthe
Assistant Commission Secretary Trisha Osborne

ITEM 1 – PUBLIC COMMENT

A

Pursuant to NRS 241.020, a period of public comment will be allowed at the beginning of the meeting and again before the adjournment of the meeting. All public comment will be limited to no more than three (3) minutes per speaker.

Comments by Jon Bailey (Item 5A) and Julie Ann Debenham (Item 5A).

ITEM 2 – COMMISSION

A **PUBLIC UTILITIES COMMISSION OF NEVADA**

Approval of agenda meeting minutes.

FOR POSSIBLE DISCUSSION/ACTION: APPROVE OR REVISE JANUARY 29, 2020, AGENDA 2-20 MEETING MINUTES. APPROVE OR REVISE FEBRUARY 14, 2020, SPECIAL AGENDA 3-20 MEETING MINUTES.

Chair Williamson moved that the Commission approve the January 29, 2020, and February 14, 2020, meeting minutes. Commissioner Manthe seconded the motion. Motion passed unanimously (2-0).

B 12-08023 **MOAPA SOLAR, LLC**

Application of Moapa Solar, LLC, under the provisions of the Utility Environmental Protection Act, for a permit to construct a 7.5 mile 230 kV overhead transmission line to the Harry Allen Substation and a 1.5 mile 500 kV overhead transmission line to connect a solar facility located on the Moapa River Indian Reservation to the existing Crystal Valley and Harry Allen Substations located in Clark County, Nevada.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY MOTION FOR TRANSFER OF AUTHORITY UNDER THE UTILITY ENVIRONMENTAL PROTECTION ACT TO ARROW CANYON SOLAR, LLC OF EDF RENEWABLES DEVELOPMENT, INC. AS FILED OR WITH MODIFICATIONS. ORDER MAY ISSUE.

Chair Williamson provided an overview of the proposed Order submitted as part of the Commission's briefing materials.

Chair Williamson moved that the Commission approve the proposed Order for Item 2B. Commissioner Manthe seconded the motion. Motion passed unanimously (2-0).

C 18-01018 **PUBLIC UTILITIES COMMISSION OF NEVADA**

Rulemaking regarding the amendment of NAC 704.2565 relating to significant service outage rules for telecommunications.

FOR POSSIBLE DISCUSSION/ACTION: ADOPT PROPOSED REGULATION AS PERMANENT REGULATION. ORDER MAY ISSUE.

Commissioner Manthe provided an overview of the proposed Order submitted as part of the Commission's briefing materials.

Commissioner Manthe moved that the Commission approve Item 2C which adopts the proposed regulation as permanent. Chair Williamson seconded the motion. Motion passed unanimously (2-0).

D 18-11013 **GREAT BASIN WATER CO.**

Petition of Great Basin Water Co., Pahrump Division for a Declaratory Order resolving questions regarding rates, service, and regulations as raised by William Lyon Homes in relation to an agreement approved by the Commission in Docket No. 04-4008.

FOR POSSIBLE DISCUSSION/ACTION: PURSUANT TO RECONSIDERATION, MODIFY OR AFFIRM ORDER ISSUED SEPTEMBER 16, 2019. ORDER MAY ISSUE.

Commissioner Manthe provided an overview of the proposed Order submitted as part of the Commission's briefing materials.

Commissioner Manthe moved that the Commission approve the Order on Reconsideration and issue a Modified Final Order. Chair Williamson seconded the motion. Motion passed unanimously (2-0).

E 19-06002 **SIERRA PACIFIC POWER COMPANY**

NV ENERGY

Application of Sierra Pacific Power Company d/b/a NV Energy for authority to adjust its annual revenue requirement for general rates charged to all classes of electric customers and for relief properly related thereto.

FOR POSSIBLE DISCUSSION/ACTION: PURSUANT TO RE-HEARING, MODIFY OR AFFIRM ORDER ISSUED DECEMBER 24, 2019. ORDER MAY ISSUE.

Item deferred.

F 19-12006 **FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC.**

NGA 911, L.L.C.

Joint Petition of Frontier Communications of the Southwest Inc. and NGA 911, L.L.C. for approval of an Interconnection and Traffic Interchange Agreement for Commercial Mobile Radio Service pursuant to Section 252 of the Telecommunications Act of 1996.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY JOINT PETITION AS FILED OR WITH MODIFICATIONS. ORDER MAY ISSUE.

Chair Williamson stated that Items 2F and 2G are brought to the Commission pursuant to Section 252 of the Telecommunications Act of 1996 and can voted upon without further discussion, unless any Commissioner wants to pull an item for further consideration.

No request was made to pull an item.

Chair Williamson moved that the Commission approve Items 2F and 2G. Commissioner Manthe seconded the motion. Motion passed unanimously (2-0).

G 19-12007 **CITIZENS TELECOMMUNICATIONS COMPANY OF NEVADA**
FRONTIER COMMUNICATIONS OF NEVADA
NGA 911, L.L.C.
Joint Petition of Citizens Telecommunications Company of Nevada d/b/a Frontier Communications of Nevada and NGA 911, L.L.C. for approval of an Interconnection and Traffic Interchange Agreement for Commercial Mobile Radio Service pursuant to Section 252 of the Telecommunications Act of 1996.
FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY JOINT PETITION AS FILED OR WITH MODIFICATIONS. ORDER MAY ISSUE.

ITEM 3 – UTILITIES HEARINGS OFFICER

A 19-10005 **REGULATORY OPERATIONS STAFF**
Show Cause Proceeding to determine why Certificates of Public Convenience and Necessity, Licenses, or Permits should not be revoked, why administrative fines should not be imposed, and/or why administrative action should not be taken on certain companies that did not timely met their regulatory obligations for calendar year 2018 and/or the period July 1, 2018, through June 30, 2019.
FOR POSSIBLE DISCUSSION/ACTION: APPROVE HEARING OFFICER'S PROPOSED ORDER AS FILED OR WITH MODIFICATIONS. ORDER MAY ISSUE.
Hearing Officer Donald Lomoljo provided an overview of the proposed Order submitted as part of the Commission's briefing materials.

Chair Williamson moved that the Commission approve the proposed Order for Item 3A. Commissioner Manthe seconded the motion. Motion passed unanimously (2-0).

ITEM 4 – OFFICE OF GENERAL COUNSEL

A 20-01013 **REGULATORY OPERATIONS STAFF**
Landscape Specialties Inc
LSI
Joint Petition of the Regulatory Operations Staff and Landscape Specialties Inc d/b/a LSI ("LSI") requesting the Commission accept a stipulation regarding violations of Nevada's One Call Law by LSI.
FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY JOINT PETITION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.
Chair Williamson stated that Items 4A and 4B are brought to the Commission by the Office of General Counsel ("General Counsel") and can be voted upon without further discussion, unless any Commissioner wants to pull an item for further consideration.

No request was made to pull an item.

Chair Williamson moved that the Commission accept the recommendations contained in General Counsel's briefing memos and issue the appropriate Orders for Items 4A and 4B. Commissioner Manthe seconded the motion. Motion passed unanimously (2-0).

B 20-01032 **REGULATORY OPERATIONS STAFF**

Petition of the Regulatory Operations Staff to open an investigation and rulemaking docket to adopt a new regulation in Chapter 455 of the Nevada Administrative Code regarding damage to subsurface installations while using hand tools.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY PETITION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

ITEM 5 – DIVISION OF CONSUMER COMPLAINT RESOLUTION

A 19-12028 **GREAT BASIN WATER CO.**

Klondike Holding, LLC vs. Great Basin Water Co., Spring Creek Division. Complaint regarding Great Basin Water Co. refusing to provide water service due to insufficient water right allocation.

FOR POSSIBLE DISCUSSION/ACTION: DETERMINATION OF NO PROBABLE CAUSE OR DETERMINATION OF PROBABLE CAUSE AND SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

Chair Williamson stated that Item 5A is brought to the Commission by the Division of Consumer Complaint Resolution and that she would like to pull this Item for a presentation from the Regulatory Operations Staff ("Staff").

Mr. Adam Roney, Senior Engineering Analyst for the Division of Engineering, stated that the appropriate course of action is to set this matter for further proceedings and that he does not think there would be a negotiation or settlement between the Parties until the Commission opines on this issue.

Commissioner Manthe stated that she appreciated Staff's work to provide a lot of agenda material for this Item and that it was very helpful. Commissioner Manthe further stated that she appreciated the public comments as well.

Chair Williamson moved that the Commission approve Item 5A, including Staff's recommendation to set this matter for further proceedings. Commissioner Manthe seconded the motion. Motion passed unanimously (2-0).

ITEM 6 – DIVISION OF STAFF COUNSEL

A 17-07014 **PUBLIC UTILITIES COMMISSION OF NEVADA**

Investigation and rulemaking to implement Senate Bill 204 (2017).

FOR POSSIBLE DISCUSSION/ACTION: APPROVE OR REJECT STAFF REPORT OF IMPACT ON SMALL BUSINESS. MAKE DETERMINATION ON PROPOSED REGULATION PURSUANT TO NRS 233B.0608(1)(A) AND (B). ORDER MAY ISSUE.

Chair Williamson stated that Items 6A, 6B, 6C, 7A, 7B, 7C, 7D, 7E, 7F, 7G, 7H, 7I, 8A, 8B, 9A, 9B, and 9C are brought to the Commission by the Regulatory Operations Staff and can be voted upon without further discussion, unless any Commissioner wants to pull an item for further consideration.

No request was made to pull an item.

Chair Williamson moved that the Commission approve Items 6A, 6B, 6C, 7A, 7B, 7C, 7D, 7E, 7F, 7G, 7H, 7I, 8A, 8B, 9A, 9B, and 9C, accept the recommendations contained in the briefing memos, and issue the appropriate Orders. Commissioner Manthe seconded the motion. Motion passed unanimously (2-0).

B 19-06006 **PUBLIC UTILITIES COMMISSION OF NEVADA**

Rulemaking to amend, adopt, and/or repeal regulations in accordance with Senate Bill 154 (2019).

FOR POSSIBLE DISCUSSION/ACTION: APPROVE OR REJECT STAFF REPORT OF IMPACT ON SMALL BUSINESS. MAKE DETERMINATION ON PROPOSED REGULATION PURSUANT TO NRS 233B.0608(1)(A) AND (B). ORDER MAY ISSUE.

C 19-08020 **AMERIGAS PROPANE, L.P.**

Application of AmeriGas Propane, L.P. for authority to provide liquefied petroleum gas service to Pineview Estates in Gardnerville, Nevada.

FOR POSSIBLE DISCUSSION/ACTION: ACCEPT OR REJECT STIPULATION. GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS. ORDER MAY ISSUE.

ITEM 7 – DIVISION OF RESOURCE & MARKET ANALYSIS

A 19-09003 **LOCAL ACCESS LLC**

Application of Local Access LLC to voluntarily discontinue telecommunication service conducted under Certificate of Public Convenience and Necessity ("CPC") 3030.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

B 19-10008 **SAFELINK INTERNET LLC**

Application of Safelink Internet LLC for authority to operate as a competitive supplier of telecommunication service within the State of Nevada.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

C 19-11006 **NEVADA POWER COMPANY**

NV ENERGY

Application of Nevada Power Company d/b/a NV Energy, filed under Advice Letter No. 498, to revise Interruptible Agricultural Irrigation Water Pumping Schedule No. IAIWP to increase the IAIWP rate.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

D 19-11007 **SIERRA PACIFIC POWER COMPANY**

NV ENERGY

Application of Sierra Pacific Power Company d/b/a NV Energy, filed under Advice Letter

No. 623-E, to revise Interruptible Irrigation Service Schedule No. IS-2 to increase the IS-2 rate.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

E 19-11012 **OCCIDENTAL ENERGY MARKETING, INC.**

Application of Occidental Energy Marketing, Inc. to voluntarily discontinue service as an alternative seller of natural gas conducted under License No. G-7.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

F 19-11023 **OPERATOR SERVICE COMPANY, LLC**

Application of Operator Service Company, LLC to voluntarily discontinue telecommunication service conducted under Certificate of Public Convenience and Necessity ("CPC") 1048 Sub 2.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

G 19-12002 **COMMON POINT LLC**

Application of Common Point LLC to voluntarily discontinue telecommunication service conducted under Certificate of Public Convenience and Necessity ("CPC") 2988.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

H 19-12004 **MATRIX TELECOM, LLC**

CLEAR CHOICE COMMUNICATIONS, ET AL.

Application of Matrix Telecom, LLC d/b/a Clear Choice Communications, Excel Telecommunications, and VarTec Telecom for approval to add fictitious business name Lingo for telecommunication service conducted under Certificate of Public Convenience and Necessity ("CPC") 994 Sub 6.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

I 19-12015 **CORRECT SOLUTIONS, LLC**

Application of Correct Solutions, LLC for authority to operate as a competitive supplier of telecommunication service within the State of Nevada.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

ITEM 8 – DIVISION OF ENGINEERING

A 18-06024 **DODGE FLAT SOLAR, LLC**

Application of Dodge Flat Solar, LLC, under the provisions of the Utility Environmental Protection Act, for a permit to construct the Dodge Flat Solar Energy Center Project consisting of an approximately 200 MW photovoltaic solar energy generating facility, a 345 kV generation-tie transmission line and switching station, and associated facilities to be located in Washoe County, Nevada.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

B 19-09002 **HARRY ALLEN SOLAR ENERGY LLC**

Application of Harry Allen Solar Energy LLC, under the provisions of the Utility Environmental Protection Act, for a permit to construct a temporary water pipeline associated with the Harry Allen Solar Energy Center Project to be located approximately 15 miles north of Las Vegas in Clark County, Nevada.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

ITEM 9 – DIVISION OF FINANCIAL ANALYSIS

A 19-12023 **NEVADA POWER COMPANY**

NV ENERGY

Application of Nevada Power Company d/b/a NV Energy, filed under Advice Letter No. 499, to revise Electric Line Extensions Rule No. 9 to adjust the Tax Gross-up Rate.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

B 19-12024 **SIERRA PACIFIC POWER COMPANY**

NV ENERGY

Application of Sierra Pacific Power Company d/b/a NV Energy, filed under Advice Letter No. 625-E, to revise Electric Line Extensions Rule No. 9 to adjust the Tax Gross-up Rate.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

C 19-12025 **SIERRA PACIFIC POWER COMPANY**

NV ENERGY

Application of Sierra Pacific Power Company d/b/a NV Energy, filed under Advice Letter No. 332-G, to revise Gas Main Extensions Rule No. 9 to adjust the Tax Gross-up Rate.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

ITEM 10 – MISCELLANEOUS

A **REGULATORY OPERATIONS STAFF**

Presentation by the Commission's Regulatory Operations Staff regarding natural gas One-Call statistics for calendar year 2019.

FOR DISCUSSION ONLY.

Mr. Paul Maguire, Manager of the Division of Engineering, provided highlights from the Summary of 2019 Natural Gas One-Call Statistics provided as part of the Commission's briefing materials. Mr. Maguire stated that the first two graphs on page 1 show the excavating activity occurring in Nevada in which it averaged about 12,000 tickets per month. Mr. Maguire noted that in 2019 there was probably the most excavation activity in the State within the last 20 years, but that it is difficult to compare different years because Nevada moved from 14-day tickets to 28-day tickets within that timeframe. Mr. Maguire stated that the table on page 2 shows the gas damages which, on a ratio of tickets, are the lowest they have ever been. Mr. Maguire explained that Nevada essentially has one damage per day where it used to have five damages per day, which is a substantial decrease. Mr. Maguire stated that the table on page 3 is based on 2018 data because other states do not report their data until May, but that Nevada has one of the lowest damage rates in the country when compared to the number of gas customers. Mr. Maguire reviewed the impact of fewer damages and the factors responsible for the damage rate reduction. Mr. Maguire stated that the table on page 5 shows the fines levied by the Commission and noted that there were 33 civil penalty cases, which were all stipulated cases. Mr. Maguire stated that the lowest damage rates have occurred in the years in which the most fines were assessed. Mr. Maguire added that damage rates are lowered through training and public awareness messaging, but it requires enforcement action to further lower them and that the Commission has always supported that effort.

Chair Williamson stated that she appreciated the Report and that the Regulatory Operations Staff ("Staff") does a fantastic job. Chair Williamson further stated that she is glad that Staff takes this issue so seriously and thanked Mr. Maguire for bringing this matter before the Commission.

Commissioner Manthe stated that she was impressed by the Report and the amazing accomplishments. Commissioner Manthe added that she appreciated the hard work of all parties involved, including the utilities and excavation community.

ITEM 11 – PUBLIC COMMENT

A

Pursuant to NRS 241.020, a period of public comment will be allowed at the beginning of the meeting and again before the adjournment of the meeting. All public comment will be limited to no more than three (3) minutes per speaker.

No comments by the general public.

Meeting adjourned.

MINUTES

of the Public Utilities Commission Agenda
held jointly at its Offices in Carson City
and Las Vegas, Nevada

Tuesday, March 9, 2021
10:00 AM
Agenda 5 - 21

Present: Chair Hayley Williamson
Commissioner C.J. Manthe (telephonically)
Commissioner Tammy Cordova
Assistant Commission Secretary Trisha Osborne (telephonically)

ITEM 1 – PUBLIC COMMENT

A

Pursuant to NRS 241.020, a period of public comment will be allowed at the beginning of the meeting and again before the adjournment of the meeting. All public comment will be limited to no more than three (3) minutes per speaker.

No comments by the general public.

ITEM 2 – COMMISSION

A **PUBLIC UTILITIES COMMISSION OF NEVADA**

Approval of agenda meeting minutes.

FOR POSSIBLE DISCUSSION/ACTION: APPROVE OR REVISE FEBRUARY 23, 2021, AGENDA 4-21 MEETING MINUTES.

Chair Williamson moved that the Commission approve the meeting minutes. Commissioner Cordova seconded the motion. Motion passed unanimously (3-0).

B 20-07008 **NEVADA POWER COMPANY**

NV ENERGY

Application of Nevada Power Company d/b/a NV Energy, filed under Advice Letter No. 507, to revise Tariff No. 1-B to modify Net Metering Rider-405 Schedule No. NMR-405 to allow customers residing in condominium buildings to receive electric service under Schedule No. NMR-405.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS. ORDER MAY ISSUE.

Commissioner Manthe provided an overview of the proposed Order and the Proposed Modifications to Paragraph 117 submitted as part of the Commission's briefing materials.

Commissioner Cordova stated that, with the proposed modifications provided by Commissioner Manthe, she supports the proposed Order. Commissioner Cordova further stated that Nevada law allows individuals to have access to rooftop solar but that she appreciates the efforts of NV Energy, the Regulatory Operations Staff, and the Commission to ensure consistency within the tariffs and regulations.

Chair Williamson stated that she echoes Commissioner Cordova's comments and that the clarity provided in the proposed modifications is important.

Commissioner Manthe moved that the Commission approve Item 2B which denies the Application. Chair Williamson seconded the motion with the amendments added to the proposed Order. Motion passed unanimously (3-0).

C 20-07035 **SIMPLE POWER, INC.**

Petition of Simple Power, Inc. for an Advisory Opinion or Declaratory Order finding that the owner and operator of rooftop solar systems to be constructed at 3400 Gypsum Road is not a public utility and that the residents do not need to own the premises on which they are built to be eligible to enroll in NMR-405.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY PETITION FOR RECONSIDERATION OF SIERRA PACIFIC POWER COMPANY D/B/A NV ENERGY AS FILED OR WITH MODIFICATIONS. PURSUANT TO RECONSIDERATION, MODIFY OR AFFIRM ORDER ISSUED JANUARY 26, 2021. ORDER MAY ISSUE.

Commissioner Manthe provided an overview of the proposed Order submitted as part of the Commission's briefing materials. Commissioner Manthe stated that, considering the directive added to the Order for Item 2B (Docket No. 20-07008), it makes sense to postpone issuance of a final decision in this Docket until after the Commission addresses the issue of whether there is a conflict between the intent of the statutes governing net energy metering and the definition of the "premises" in Sierra Pacific Power Company's ("Sierra Pacific") tariffs. Commissioner Manthe recommended that the Commission vote on reconsideration but not issue a final order until the underlying issue of the tariff language has been resolved in Docket No. 20-07009, Sierra Pacific's companion filing that mirrors the advice letter of Nevada Power Company ("Nevada Power") in Item 2B. Commissioner Manthe stated that if reconsideration is granted, a draft modified order will be brought back before the Commission for consideration at a future agenda meeting.

Chair Williamson stated that she agrees with Commissioner Manthe's recommendation given the outcome in Item 2B and that it would allow the Commission to move forward with consistency between Nevada Power and Sierra Pacific.

Commissioner Manthe moved that the Commission grant the Petition for Reconsideration. Chair Williamson seconded the motion. Motion passed unanimously (3-0).

ITEM 3 – OFFICE OF GENERAL COUNSEL

A 21-01017 **SIERRA PACIFIC POWER COMPANY**

NV ENERGY

Petition of Sierra Pacific Power Company d/b/a NV Energy ("SPPC") requesting deviation from SPPC's Electric Line Extensions Rule No. 9 requirement that a utility engineer, design, and construct utility-owned facilities as part of a Line Extension Agreement.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY PETITION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

Chair Williamson stated that Items 3A and 3B are brought to the Commission by the Office of General Counsel ("General Counsel") and can be voted upon without further discussion unless any Commissioner wants to pull either item for further consideration.

No request was made to pull either item.

Chair Williamson moved that the Commission accept the recommendations contained in General Counsel's briefing memos and issue the Orders for Items 3A and 3B. Commissioner Cordova seconded the motion. Motion passed unanimously (3-0).

B 21-01019 **REGULATORY OPERATIONS STAFF**

Petition of the Regulatory Operations Staff for an Advisory Opinion or Declaratory Order regarding the applicability of the Utility Environmental Protection Act to standalone energy storage projects.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY PETITION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

ITEM 4 – DIVISION OF STAFF COUNSEL

A 19-06010 **PUBLIC UTILITIES COMMISSION OF NEVADA**

Rulemaking to amend, adopt, and/or repeal regulations in accordance with Senate Bill 358 (2019).

FOR POSSIBLE DISCUSSION/ACTION: APPROVE OR REJECT STAFF REPORT OF IMPACT ON SMALL BUSINESS. MAKE DETERMINATION ON PROPOSED REGULATION PURSUANT TO NRS 233B.0608(1)(A) AND (B). ORDER MAY ISSUE.

Chair Williamson stated that Items 4A, 5A, and 6A are brought to the Commission by the Regulatory Operations Staff ("Staff") and can be voted upon without further discussion unless any Commissioner wants to pull any item for further consideration.

No request was made to pull any item.

Chair Williamson moved that the Commission accept Staff's recommendations and issue the appropriate Orders in Items 4A, 5A, and 6A. Commissioner Manthe seconded the motion. Motion passed unanimously (3-0).

ITEM 5 – DIVISION OF RESOURCE & MARKET ANALYSIS

A 20-12013 **FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC.**

Application of Frontier Communications of the Southwest Inc., filed under Advice Letter No. NV-20-02, to revise Tariff No. 4-C to reduce the Federal Lifeline discount for Lifeline customers pursuant to Federal Communications Commission Docket No. FCC 16-38.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

ITEM 6 – DIVISION OF FINANCIAL ANALYSIS

A 21-01018 **COTTONWOOD MOBILE HOME PARK, INC.**

Application of Cottonwood Mobile Home Park, Inc. to withdraw $15,625.51 from the tenant service charge account for reimbursement of expenses incurred to repair and maintain the electrical system.

FOR POSSIBLE DISCUSSION/ACTION: GRANT OR DENY APPLICATION AS FILED OR WITH MODIFICATIONS AND/OR SET FOR FURTHER PROCEEDINGS. ORDER MAY ISSUE.

ITEM 7 – MISCELLANEOUS

A **REGULATORY OPERATIONS STAFF**

Presentation by the Commission's Regulatory Operations Staff regarding natural gas One-Call statistics for calendar year 2020.

FOR DISCUSSION ONLY.

Mr. Paul Maguire, Manager of the Division of Engineering, provided highlights from the Summary of 2020 Natural Gas One-Call Statistics provided as part of the Commission's briefing materials. Mr. Maguire stated that on page 1 the One-Call ticket counts for 2020 were essentially the same as 2019 at about 150,000 tickets requested. Mr. Maguire stated that this shows that construction activities in Nevada were not significantly impacted by the pandemic or, if so, rebounded quickly in the summer. Mr. Maguire stated that page 3 shows the gas damage statistics which have continued a downward trend resulting in the lowest damage rate to date. Mr. Maguire stated that on page 4 Nevada ranks among the top states for the fewest number of damages compared to the number of customers in the State. Mr. Maguire stated that page 5 shows the key roles that have led to reducing the number of damages in Nevada and the Commission's enforcement statistics.

Commissioner Cordova thanked Mr. Maguire, the Commission's gas pipeline division, the utilities, and the excavator community and stated that she is very proud that the whole community is working together to communicate effectively and make it safer for everyone. Commissioner Cordova added that she is grateful for all the hard work of all the participants.

Commissioner Manthe congratulated everyone involved for ensuring the safety of the public. Commissioner Manthe added that she is impressed that these numbers continue to go down, especially during the challenging times of the pandemic.

Chair Williamson thanked Mr. Maguire for all the hard work and for bringing this matter before the Commission.

ITEM 8 – PUBLIC COMMENT

A

Pursuant to NRS 241.020, a period of public comment will be allowed at the beginning of the meeting and again before the adjournment of the meeting. All public comment will be limited to no more than three (3) minutes per speaker.

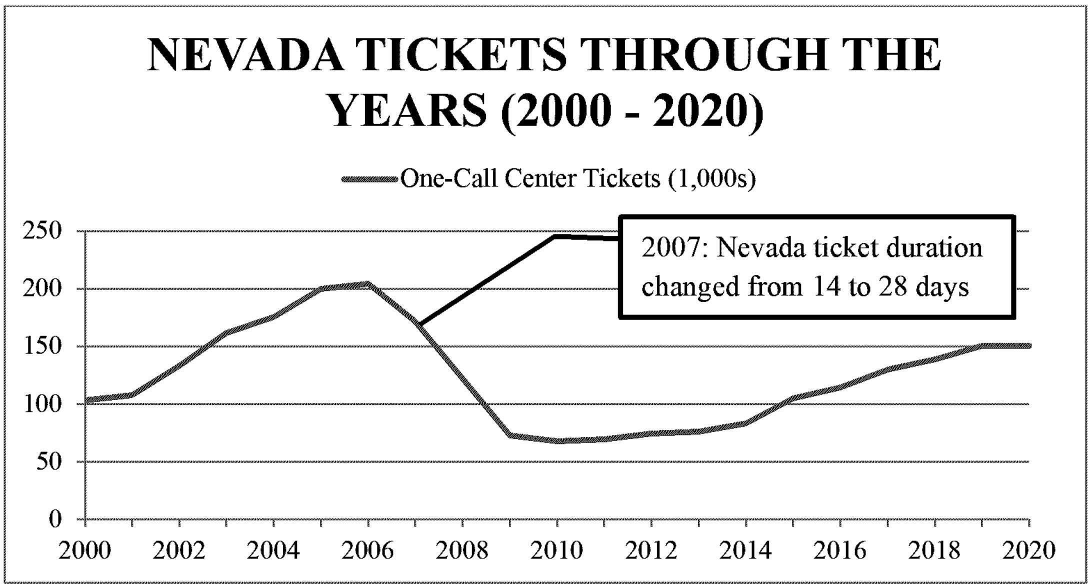
No comments by the general public.

Meeting adjourned.

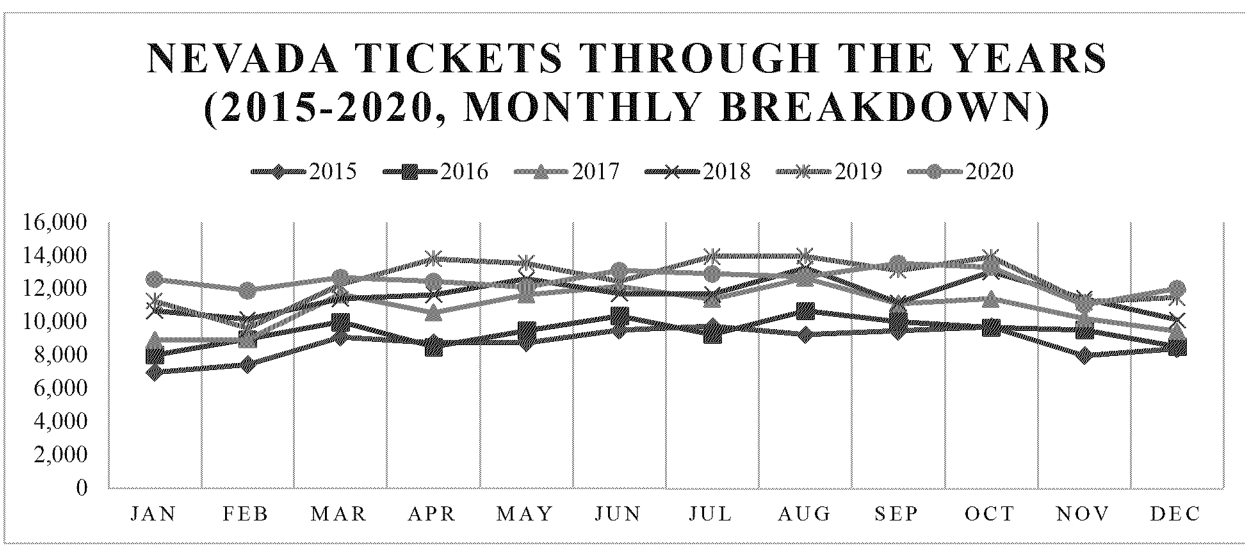
SUMMARY OF 2020 NATURAL GAS ONE-CALL STATISTICS

Nevada Revised Statutes ("NRS") Chapter 455 gives the Public Utilities Commission of Nevada ("Commission" or "PUCN") authority to oversee and issue civil penalties for entities who fail to adhere to and follow Nevada's One-Call Law. NRS Chapter 455 also allows the Regulatory Operations Staff ("Staff") to bring enforcement cases to the Commission regarding non-compliance with NRS Chapter 455.

The following graphs show the number of One-Call ticket requests that were received by the USA North One-Call Center:



Graph 1. Source: 2000-2014 data gathered by Staff through the years (see Table 2 below). 2015-2020 data from January 27, 2021, USA North Board of Directors Meeting presentation, page 9 of 77.



Graph 2. Source: January 27, 2021, USA North Board of Directors Meeting presentation, page 9 of 77.

The graphs above show that the amount of excavation activity in the State remained stable in 2020, despite the overall slowdown of the economy due to the COVID-19 pandemic. It is worth noting that it would be unfair to compare the number of One-Call tickets today to the number of One-Call tickets leading up to 2007 as that was the year the duration of Nevada's dig tickets had been extended from a 14-calendar day period to a 28-calendar day period before ticket expiration. With an extended period to perform excavation-related activities, the need to call USA North for a subsequent dig ticket has been reduced, because those activities are likely to be completed in the given amount of time. Thus, it is likely Nevada experienced its highest amount of excavation activity in history over the past two years.

Regarding the number of natural gas pipeline damages that occurred in 2020, the following table shows the total number of One-Call tickets made in Nevada going back to 2000, and the corresponding number of natural gas damages that occurred each year, as well as the key performance metric "Gas Damages per 1,000 Tickets."

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Nevada Gas Damages per 1,000 Tickets Table:

STATE OF NEVADA GAS EXCAVATION DAMAGE NUMBERS

Year	One-Call Center Tickets	One-Call Center Tickets (1,000s)	Change from Prev. YR	% Change from Prev. YR	Number of Gas Damages Reported	Gas Damages (10s)	Change from Prev. YR	% Change from Prev. YR	Gas Damages per 1,000 Tickets
2000	**103,365**	**103**			**1472**	**147.2**			**14.24**
2001	**107,785**	**108**	4,420	4.28%	**1389**	**138.9**	-83	-5.64%	**12.89**
2002	**133,030**	**133**	25,245	23.42%	**1495**	**149.5**	106	7.63%	**11.24**
2003	**161,360**	**161**	28,330	21.30%	**1333**	**133.3**	-162	-10.84%	**8.26**
2004	**175,075**	**175**	13,715	8.50%	**1237**	**123.7**	-96	-7.20%	**7.07**
2005	**199,630**	**200**	24,555	14.03%	**1200**	**120**	-37	-2.99%	**6.01**
2006	**204,485**	**204**	4,855	2.43%	**1140**	**114**	-60	-5.00%	**5.57**
2007	**171,550**	**172**	-32,935	-16.11%	**768**	**76.8**	-372	-32.63%	**4.48**
2008	**121,815**	**122**	-49,735	-28.99%	**550**	**55**	-218	-28.39%	**4.52**
2009	**72,250**	**72**	-49,565	-40.69%	**346**	**34.6**	-204	-37.09%	**4.79**
2010	**67,460**	**67**	-4,790	-6.63%	**319**	**31.9**	-27	-7.80%	**4.73**
2011	**69,010**	**69**	1,550	2.30%	**306**	**30.6**	-13	-4.08%	**4.43**
2012	**74,246**	**74**	5,236	7.59%	**305**	**30.5**	-1	-0.33%	**4.11**
2013	**75,531**	**76**	1,285	1.73%	**328**	**32.8**	23	7.54%	**4.34**
2014	**82,965**	**83**	7,434	9.84%	**356**	**35.6**	28	8.54%	**4.29**
2015	**105,143**	**105**	22,178	26.73%	**431**	**43.1**	75	21.07%	**4.10**
2016	**114,101**	**114**	8,958	8.52%	**385**	**38.5**	-46	-10.67%	**3.37**
2017	**129,991**	**130**	15,890	13.93%	**398**	**39.8**	13	3.38%	**3.06**
2018	**138,910**	**139**	8,919	6.86%	**431**	**43.1**	33	8.29%	**3.10**
2019	**150,593**	**151**	11,683	8.41%	**341**	**34.1**	-90	-20.88%	**2.26**
2020	**150,145**	**150**	-448	-0.30%	**329**	**32.9**	-12	-3.52%	**2.19**

Table 2. Gas Damages per 1,000 Tickets. Data derived from utility excavation damage reports and USA North.

As the above data shows, 2020 exhibited a slight decrease in One-Call Center tickets, moving down 448 tickets from the previous year. Markedly, 2020 also exhibits Nevada's lowest ratio of Gas Damages per 1,000 Tickets at a remarkable all-time-low metric of 2.19, which results in a 3.2% decrease from the previous year or a 53.7% decrease from one decade ago.

The following table compares Nevada's gas damages (based on the ratio of damages/customers) to that of other states.[1]

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[1] A comparison of damages per 1,000 tickets between States is not possible because some States have tickets that expire in 14 days, some States have tickets that expire in 28 days, and some States have tickets that never expire. So, a proper comparison cannot be made.

2019 PDM Data (Data as of end of 2020)

Region	State	2019 Number of Services	Excavation Damages	Damages Per 10,000 Services	National Rank (Low to High)	PHMSA[2] Adequacy Determination
SOUTHERN	PUERTO RICO	515	0	0.00	1	Adequate
WESTERN	NEVADA	801,854	341	4.25	2	Adequate
EASTERN	VERMONT	41,182	19	4.61	3	Adequate
EASTERN	NEW YORK	3,268,509	1,613	4.93	4	Adequate
EASTERN	RHODE ISLAND	194,550	102	5.24	5	Adequate
WESTERN	ARIZONA	1,342,718	708	5.27	6	Adequate
EASTERN	CONNECTICUT	458,001	245	5.35	7	Adequate
EASTERN	MASSACHUSETTS	1,352,943	802	5.93	8	Adequate
WESTERN	CALIFORNIA	9,036,398	5,449	6.03	9	Inadequate
SOUTHWEST	NEW MEXICO	660,830	437	6.61	10	Adequate
EASTERN	WEST VIRGINIA	388,471	278	7.16	11	Inadequate
EASTERN	NEW JERSEY	2,345,157	1,727	7.36	12	Adequate
EASTERN	NEW HAMPSHIRE	95,158	71	7.46	13	Adequate
CENTRAL	WISCONSIN	1,702,138	1,355	7.96	14	Inadequate
EASTERN	MARYLAND	1,063,944	857	8.05	15	Adequate
EASTERN	VIRGINIA	1,308,527	1,078	8.24	16	Adequate
EASTERN	PENNSYLVANIA	2,870,261	2,396	8.35	17	Adequate
EASTERN	MAINE	38,250	36	9.41	18	Adequate
CENTRAL	MINNESOTA	1,581,104	1,518	9.60	19	Adequate
WESTERN	OREGON	825,063	811	9.83	20	Adequate
CENTRAL	NEBRASKA	597,189	591	9.90	21	Adequate
CENTRAL	ILLINOIS	3,696,332	3,720	10.06	22	Adequate
WESTERN	WYOMING	208,798	211	10.11	23	Adequate
WESTERN	COLORADO	1,649,046	1,708	10.36	24	Inadequate
CENTRAL	INDIANA	2,005,010	2,083	10.39	25	Adequate
WESTERN	WASHINGTON	1,301,663	1,375	10.56	26	Adequate
CENTRAL	NORTH DAKOTA	175,026	190	10.86	27	Adequate
EASTERN	DELAWARE	202,789	224	11.05	28	Inadequate
CENTRAL	KANSAS	968,805	1,104	11.40	29	Adequate
EASTERN	OHIO	3,554,812	4,057	11.41	30	Adequate
EASTERN	DISTRICT OF COLUMBIA	125,287	151	12.05	31	Inadequate
CENTRAL	MICHIGAN	3,319,015	4,117	12.40	32	Adequate
WESTERN	MONTANA	308,188	391	12.69	33	Adequate
SOUTHERN	KENTUCKY	863,250	1,161	13.45	34	Adequate
WESTERN	UTAH	945,638	1,367	14.46	35	Adequate
SOUTHWEST	OKLAHOMA	1,243,442	1,846	14.85	36	Adequate
CENTRAL	IOWA	968,012	1,541	15.92	37	Adequate
WESTERN	ALASKA	135,007	216	16.00	38	Inadequate
CENTRAL	MISSOURI	1,538,859	2,471	16.06	39	Adequate
SOUTHWEST	LOUISIANA	1,164,614	1,974	16.95	40	Adequate
WESTERN	IDAHO	468,932	821	17.51	41	Adequate
SOUTHERN	GEORGIA	2,126,680	3,834	18.03	42	Adequate
SOUTHWEST	TEXAS	5,510,627	10,079	18.29	43	Adequate
CENTRAL	SOUTH DAKOTA	214,048	406	18.97	44	Adequate
SOUTHERN	MISSISSIPPI	608,631	1,248	20.51	45	Adequate
SOUTHERN	NORTH CAROLINA	1,514,651	3,239	21.38	46	Adequate
SOUTHERN	TENNESSEE	1,415,906	3,187	22.51	47	Adequate
SOUTHWEST	ARKANSAS	691,326	1,681	24.32	48	Adequate
SOUTHERN	SOUTH CAROLINA	868,062	2,713	31.25	49	Adequate
SOUTHERN	ALABAMA	1,101,241	3,496	31.75	50	Inadequate
SOUTHERN	FLORIDA	941,006	3,483	37.01	51	Inadequate
WESTERN	HAWAII	34,329	132	38.45	52	Adequate

Table 3. Data from the Gas Distribution Annual Data 2010 to 2019 raw data file found at https://www.phmsa.dot.gov/data-and-statistics/pipeline/gas-distribution-gas-gathering-gas-transmission-hazardous-liquids. Adequacy determination was updated on August 13, 2020, and can be found at http://phmsa.dot.gov/pipeline/safety-awareness-and-outreach/excavator-enforcement/determinations-of-adequacy.

[2] The Pipeline and Hazardous Material Safety Administration.

As the above table shows, in 2019, Nevada had the second lowest ratio of natural gas pipeline damages to customers of any state/territory. Based on the number of damages that occurred in 2020, Staff would expect Nevada to once again be at the top of this list. The 2020 data will be available in May of 2021 from the PHMSA Pipeline Data Mart for all states.

Fewer natural gas pipeline damages have the following impact:

- Lower potential of causing significant injuries and property damage. Recent examples of the cost impact of such damages include:
    - February 6, 2019, San Francisco, California, gas main line damaged, multi-million dollars in property damage;
    - April 10, 2019, Raleigh, North Carolina, gas line damaged, $20 million in property damage including two fatalities.
- Lower costs for first responders (i.e. fire departments) to calls of damaged/blowing natural gas pipelines. If one assumes that the average cost per fire department response is $1,500, local taxpayers have saved significant dollars when compared to prior years given the reduced number of damages.

Factors Playing Key Roles in the Damage Rate Reduction

There are many factors that played key roles in keeping this metric steady, including:

- Increased public education, outreach, and training (gas utilities, PUCN, Nevada Regional Common Ground Alliance, USA North One-Call Center, contractor/builder groups, etc.);
- Increased enforcement activities (PUCN);
- Improvements in line locating efforts and marking accuracy (gas utilities and line locating companies);
- Improvements in excavation practices by the excavating community; and
- Improvements in communication between key stakeholders (gas utilities, PUCN and other regulators, line locating companies, and excavators).

2020 – PUCN One-Call Compliance/Enforcement

The following table provides a recap of the PUCN's compliance/enforcement actions from 2015 through 2020.

Description	YEAR					
	2015	2016	2017	2018	2019	2020
# Verbal Warnings Issued in Field	75	162	209	256	235	248
# Written Warnings Sent	7	13	21	16	14	10
# Civil Penalties Assessed	7	7	24	19	33	16
# Civil Penalty Dollars Assessed	$31k	$78.5k	$112k	$74.5k	$149.75k	$94k

Table 4. Civil penalties assessed annually. These include all facilities, not just gas and pipeline facilities.

Based upon the available data, there appears to be a direct correlation between enforcement actions, including civil penalties, and the reductions in the overall damage rates as the highest civil penalty years correspond directly with the lowest recorded damage rates. Undertaking enforcement actions has been one of the key points that PHMSA has advocated for the past several years—enforcement has to play a key role in any State Damage Prevention Program—and PHMSA has urged States to utilize their civil penalty enforcement authority when circumstances warrant.

AFFIRMATION

STATE OF NEVADA)

: ss.

COUNTY OF CLARK)

Preston Weaklend being first duly sworn, deposes and says:

That I am the person identified in the Prepared Direct Testimony, and the exhibits applicable to my testimony; that such testimony and exhibits were prepared by me or under my direction; that the answers and information set forth therein are true to the best of my own knowledge and belief.

Preston Weaklend

Signed and sworn to before me on this 24th day of August, 2021.

Stella Meneses
Notary Public

NOTARY PUBLIC
STATE OF NEVADA
County of Clark
STELLA MENESES
Appt. No. 99-51091-1
My Appt. Expires Dec. 8, 2022

IN THE MATTER OF

SOUTHWEST GAS CORPORATION

DOCKET NO. 21-08___

PREPARED DIRECT TESTIMONY

OF

LISA MCRAE

ON BEHALF OF

SOUTHWEST GAS CORPORATION

August 31, 2021

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Prepared Direct Testimony
of
Lisa McRae

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Prepared Direct Testimony
of
Lisa McRae

I. INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is Lisa McRae. My business address is 17875 Von Karman Avenue Suite 300, Irvine, California 92614.

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

A. 2 I am employed by Aon. My title is Senior Partner.

Q. 3 Please summarize your educational background and relevant business experience.

A. 3 My educational background and relevant business experience are summarized in Appendix A to this testimony.

Q. 4 Have you previously testified before any regulatory commission?

A. 4 Yes. I testified before the Public Utilities Commission of Nevada on behalf of Southwest Gas in 2020.

Q. 5 What is the purpose of your prepared direct testimony in this proceeding?

A. 5 Aon is the actuary for Southwest Gas Corporation (Southwest Gas or Company) and I have been personally involved in preparing the Company's annual actuarial report for the past ten years. I therefore support the Company's pension expense for years 2019 through 2021 as presented in the annual Actuarial Reports (Reports), primarily the reasonableness of the discount rate used to determine each year's pension expense and compliance with established accounting standards. Copies of the Reports for each year are attached as Exhibit Nos.__(LM-1) through (LM-3). Company witness, Gregory K. Waller, supports the Company's pension expense from a ratemaking perspective.

Q. 6 Please summarize your prepared direct testimony.

A. 6 My prepared direct testimony consists of the following key issues:

- *An overview of the 2019,2020 and 2021 Reports;*
- *The process used to determine the pension expense; and*
- *The reasonableness of the discount rate used.*

II. OVERVIEW OF THE ACTUARIAL REPORTS

Q. 7 Please describe the purpose of the Reports prepared by Aon for Southwest Gas.

A. 7 The Reports document the results of the actuarial valuation of the Company's pension plan for the prior calendar year. The information provided in the Reports is intended strictly for documenting: 1) pension cost for the fiscal year; and 2) information relating to Company and plan disclosure and reporting requirements.

Q. 8 Is the actuarial valuation conducted in accordance with established standards and requirements?

A. 8 Yes. The valuation completed each year is conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. The valuation results are also based on Aon's understanding of the financial accounting and reporting requirements under U.S Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC)

Topic 715 (ASC 715), including any guidance or interpretation provided by the Company and reviewed by its auditors prior to the issuance of this report.

Q. 9 How are the Reports relevant to the instant docket?

A. 9 The Reports provide the reasonably incurred pension expense that is used to develop the 3-year average expense amount[1] proposed by the Company, as further discussed by Company witness, Gregory K. Waller.

<u>III. DETERMINATION OF THE PENSION EXPENSE</u>

Q. 10 How is pension expense determined?

A. 10 Generally speaking, pension expense is determined by evaluating two key variables - plan liabilities and plan assets. Plan liabilities are driven by plan design, plan demographics, and actuarial assumptions. The market-related value of plan assets is used to determine the component of net periodic pension cost that reflects the expected return on plan assets. This process, including the relevance of each of these variables is discussed in detail in the Reports provided in Exhibit Nos.__(LM-1) through (LM-3).

Q. 11 Please describe the discount rate.

A. 11 One of the key actuarial assumptions within the plan liabilities variable is the discount rate. The pension discount rate is used to determine the present value of future benefits anticipated to be paid from the plan. ASC 715 requires the discount rate to be updated each year to reflect yields on high-quality, corporate bonds as of the measurement date.

ASC 715-30-35-43 requires the discount rate to reflect rates at which the pension obligation could be effectively settled. In the estimation of those rates,

[1] 3-year average expense for the test year uses years 2019, 2020 and 2021.

it would be appropriate for a company to use information about rates implicit in current prices of annuity contracts that could be used to settle the obligation. Alternatively, a company may look to rates of return on high-quality fixed-income investments that are currently available and expected to be available during the plan's pension benefit payment period to maturity.

Q. 12 How is the discount rate determined?

A. 12 As the actuary for the Company's pension plan, Aon determines the appropriate pension discount rate for the plan using one of its proprietary yield curves. Aon publishes three standard yield curves – the "AA-AAA Bond Universe Curve"; the "AA Only Bond Universe Curve; and the "AA Above Median Yield Curve". The derivation of these curves is transparent as Aon provides detailed documentation for each of the curves it publishes and makes a full listing of the bonds included available upon request. Southwest Gas selected the "AA Above Median Yield Curve" (Curve), to derive the pension expense for Southwest Gas. The Curve is based on above median yielding AA-rated bonds which produces a higher discount rate (i.e., lower pension liability and expense) than yield curves based on the full universe of AA and AAA-rated bonds. Had Southwest Gas selected either of the other two curves, they would have produced lower discount rates and higher pension expense. The Curve is updated each measurement date and is widely used across Aon's client base – it is not unique to Southwest Gas. In fact, it is used by over 54% of Aon's clients based on its most recent client survey (data from 225 clients as of fiscal year-end 2020).

Q. 13 Does Southwest Gas influence the result yielded from the Curve?

A. 13 No. The Curve is proprietary to Aon and no client, including Southwest Gas, has the ability to influence or alter the result.

Q. 14 Does Aon round the results generated from the Curve?

A. 14 Yes. We simply take the unrounded result from the Curve and round to the nearest 25 basis points so as not to imply an overly precise result. This rounding does not have a material impact on pension liabilities or expense. Southwest Gas has consistently used similar rounding methodology and follows the requirements of the Financial Accounting Standards Board and the SEC for discounting pension and other postretirement obligations. Based on its most recent client survey, approximately 37% of Aon clients also round the yield curve result.

Q. 15 Do accounting standards require that the discount rate methodology be applied consistently?

A. 15 Yes. While different methodologies may be acceptable, accounting standards (namely, ASC 715) require that the discount rate methodology (including the yield curve used) be applied consistently year after year, unless the plan's circumstances have materially changed such that the methodology no longer provides management's best estimate.

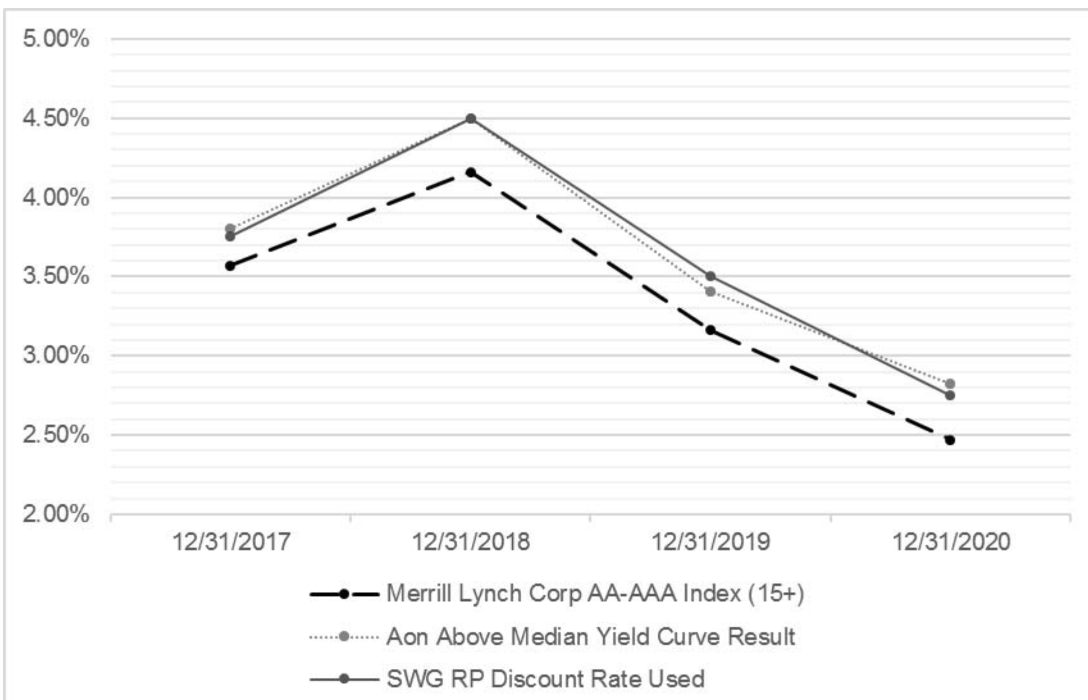
Q. 16 Do the accounting standards allow companies to manipulate the level of pension expense?

A. 16 No. Pension accounting is highly regulated. The standards and rules governing pension accounting, along with the scrutiny from external auditors and the actuarial standards of practice governing the valuation performed by an external actuary, do not allow a company to manipulate pension expense.

IV. REASONABLENESS OF THE DISCOUNT RATES USED TO DETERMINE SOUTHWEST GAS' PENSION EXPENSE

Q. 17 Are the discount rates that have been used in determining Southwest Gas' pension expense since 2019 reasonable[2]?

A. 17 Yes. The Curve is based on above median yielding AA-rated bonds which are representative of the bonds that Southwest Gas would use to settle its pension obligations. The chart below shows a comparison of the discount rate yielded from the Curve used to derive the Southwest Gas pension expense (solid line) and the Merrill Lynch Corp AA-AAA Index (15+) curve. This demonstrates the year-to-year changes in the Southwest Gas discount rate have tied to overall movements in the high-quality bond market.



[2] The Commission approved the Company's proposed pension expense at Certification in its most recent general rate case filing (Docket No. 20-02023), which was based on 3-year average that included 2019 and 2020.

Q. 18 Why is it appropriate for Southwest Gas to use the Curve rather than an index such as the Merrill Lynch Corp AA-AAA Index (15+) curve?

A. 18 As I previously indicated, Southwest Gas' selection of the discount rate based on the Curve is a conservative and reasonable approach because the Curve is based on above median yielding AA-rated bonds, it produces a higher discount rate (i.e., lower pension liability and expense). Further, using a yield curve approach is preferable to an index because the yield curve methodology reflects the anticipated cash flows for Southwest Gas' pension plan.

Q. 19 What was Southwest Gas' annual pension expense for 2019 through 2021?

A. 19 The Company's net periodic pension expense, along with the discount rates used to derive the expense, are shown in the table below.

Table 1
Southwest Gas
Pension Expense Years 2019 Through 2021

As of 12/31 Measurement Date	**Pension Expense Year**	**Aon Above Median Yield Curve Result**	**Actual Discount Rate Used**	**Net Periodic Pension Expense**
2018	2019	4.50%	4.50%	$36,981,568
2019	2020	3.41%	3.50%	$50,582,984
2020	2021	2.82%	2.75%	$51,194,227

Q. 20 What is your conclusion regarding the Company's proposed recovery of pension expense in this proceeding?

A. 20 The annual pension expense reflected in the Reports for years 2018-2021 and summarized in the table above are reasonable and are appropriately used to calculate the 3-year average pension expense discussed in the prepared direct testimony of Company witness, Gregory K. Waller. These amounts were derived by Aon using the objective and consistently applied methodology described above and reflect appropriate discount rates that comply with the requirements of ASC 715.

Q. 21 Does this conclude your prepared direct testimony?

A. 21 Yes.

SUMMARY OF QUALIFICATIONS
LISA MCRAE

I have over 31 years of experience performing actuarial valuations and consulting with clients on pension-related topics including assumption setting, plan design strategy, financial modeling and pension risk. I am a Fellow of the Society of Actuaries and an Enrolled Actuary. I am a Senior Partner at Aon where I lead Aon's West Region retirement practice. In my role, I lead several client relationships, including Southwest Gas.

I have served as the Enrolled Actuary for the Southwest Gas Retirement Plan since 2010.

I graduated magna cum laude and Phi Beta Kappa from St. Olaf College with a Bachelor of Arts degree in Mathematics and Economics. I joined Aon in 1990.

Proprietary and Confidential

2018 ASC 715 Disclosure

Southwest Gas Corporation

Retirement Plan for Employees of Southwest Gas Corporation

2019 Pension Cost and 2018 Year-end Disclosure

February 2019

AON
Empower Results®

Introduction

This report documents the results of the December 31, 2018 actuarial valuation of the pension plan for Southwest Gas Corporation. The information provided in this report is intended strictly for documenting:

- Pension cost for the 2018 fiscal year
- Information relating to company and plan disclosure and reporting requirements

Determinations for purposes other than the financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 715, including any guidance or interpretations provided by Southwest Gas and reviewed by its auditors prior to the issuance of this report. The information in this report is not intended to supersede or supplant the advice and interpretations of Southwest Gas Corporation's auditors.

Future actuarial measurements may differ significantly from the current measurements presented in this report due (but not limited to) to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions
- Changes in actuarial methods or in economic or demographic assumptions
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status)
- Changes in plan provisions or applicable law

Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Funded status measurements shown in this report are determined based on various measures of plan assets and liabilities. For company and plan disclosure and reporting purposes, funded status is determined using plan assets measured at market value. Plan liabilities are measured based on the interest rates and other assumptions summarized in the Actuarial Assumptions and Methods section of this report.

These funded status measurements may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, and funded status measurements for company and plan disclosure and reporting purposes may not be appropriate for assessing the need for or the amount of future contributions.

In determining information relating to plan disclosure and reporting requirements, Aon may be assisting the appropriate plan fiduciary as it performs tasks that are required for the administration of an employee benefit plan. Aon also may be consulting with the employer/plan sponsor Southwest Gas as it considers alternative strategies for funding the plan, or as it evaluates information relating to employer reporting requirements. Thus, Aon potentially will be providing assistance to Southwest Gas (and/or certain of its employees) acting in a fiduciary capacity (for the benefit of plan participants and beneficiaries) and to Southwest Gas (and/or its executives) acting in a settlor capacity (for the benefit of the employer sponsoring the Retirement Plan for the Southwest Gas Corporation).

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by Southwest Gas as of the valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions and Methods section of this report. Each significant assumption used in this actuarial valuation represents, in our opinion, a reasonable expectation of anticipated experience under the plan.

The undersigned are familiar with the near-term and long-term aspects of pension valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

To our knowledge, no colleague of Aon providing services to Southwest Gas has any material direct or indirect financial interest in Southwest Gas. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for Southwest Gas.

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February 8, 2019

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ASC 715 Pension Cost/(Income)

	2018	2019
Current service cost	$ 28,555,463	$ 25,863,464
Interest cost	44,174,374	49,005,699
Expected asset return	(58,754,839)	(60,243,540)
Amortization of:		
Unrecognized transition obligation/(asset)	0	0
Unrecognized prior service cost	0	0
Unrecognized net loss/(gain)	32,114,803	22,355,945
Net periodic pension cost	$ 46,089,801	$ 36,981,568
Expected benefit payments	$ 51,000,000	$ 54,000,000
Expected contributions	$ 44,000,000	$ 52,000,000
Key assumptions:		
Discount rate	3.75%	4.50%
Expected rate of return on plan assets	7.00%	7.00%
Amortization period for unrecognized net loss/(gain)	10.44	10.64

Market-Related Value of Assets

The market-related value of assets is used to determine the component of net periodic pension cost that reflects the expected return on plan assets. This value can be either fair market value or a smoothed value that recognizes unexpected changes in fair value over a period not exceeding five years. The following presents the development of the plan's market-related value of assets as January 1, 2019.

Development of Market Related Value of Assets

(1)	Market value of assets, January 1, 2019		$ 790,615,129
	Four-fifths of 2018 gain/(loss) of $(126,524,363)	(101,219,490)	
	Three-fifths of 2017 gain/(loss) of $88,867,570	53,320,542	
	Two-fifths of 2016 gain/(loss) of $(16,602,090)	(6,640,836)	
	One-fifth of 2015 gain/(loss) of $(71,502,115)	(14,300,423)	
(2)	Total		(68,840,207)
	Market related value of assets, January 1, 2019, (1) – (2)		$ 859,455,336

Development of Asset (Gain)/Loss

Market value, January 1, 2018	$ 871,664,817
Benefit payments during 2018	(57,280,164)
Employer contributions during 2018	44,000,000
Expected return to December 31, 2018 at 7.00%	58,754,839
Expected market value, January 1, 2019	$ 917,139,492
Actual market value, January 1, 2019	790,615,129
Asset gain/(loss) during 2018	$ (126,524,36)

ASC 715 Disclosure

	2017	2018
Change in Projected Benefit Obligation (PBO)		
Benefit obligation at beginning of year	$ 1,048,353,563	$ 1,203,483,311
Service cost	23,391,902	28,555,463
Interest cost	46,082,410	44,174,374
Plan amendments	0	0
Special termination benefits	0	0
Curtailment gain	0	0
Actuarial (gain)/loss	133,016,848	(102,917,443)
Benefits paid	(47,361,412)	(57,280,164)
Benefit obligation at end of year	$ 1,203,483,311	$ 1,116,015,541
Accumulated Benefit Obligation, End of Year	$ 1,088,202,722	$ 1,024,029,875
Change in Plan Assets		
Fair value of plan assets at beginning of year	$ 738,962,265	$ 871,664,817
Actual return on plan assets	144,063,964	(67,769,524)
Company contributions	36,000,000	44,000,000
Benefits paid	(47,361,412)	(57,280,164)
Fair value of plan assets at end of year	$ 871,664,817	$ 790,615,129
Funded Status	$ (331,818,494)	$ (325,400,412)
Amounts Recognized in the Statement of Financial Position		
Noncurrent assets	$ 0	$ 0
Current liabilities	0	0
Noncurrent liabilities	(331,818,494)	(325,400,412)
Net pension asset/(liability) at year-end	$ (331,818,494)	$ (325,400,412)
Amounts Recognized in Accumulated Other Comprehensive Income (AOCI)		
Net actuarial loss/(gain)	$ 426,816,900	$ 418,309,017
Prior service cost/(credit)	0	0
Net transition obligation/(asset)	0	0
	$ 426,816,900	$ 418,309,017
Weighted-Average Assumptions as of December 31		
Discount rate	3.75%	4.50%
Rate of compensation increase	3.25%	3.25%

ASC 715 Disclosure

	2017	2018
Components of Net Periodic Pension Cost		
Service cost	$ 23,391,902	$ 28,555,463
Interest cost	46,082,410	44,174,374
Expected return on plan assets	(55,196,394)	(58,754,839)
Amortization of:		
Unrecognized net (gain)/loss	24,003,718	32,114,803
Unrecognized prior service cost	0	0
Unrecognized net (asset)/obligation	0	0
Net periodic pension cost	$ 38,281,636	$ 46,089,801
Special termination benefits	0	0
Curtailment (gain)/charge	0	0
Total net periodic pension cost	$ 38,281,636	$ 46,089,801
Other Changes in Plan Assets and PBO Recognized in AOCI		
Net actuarial loss/(gain)	$ 44,149,278	$ 23,606,920
Amortization of net actuarial (loss)/gain	(24,003,718)	(32,114,803)
Prior service cost/(credit)	0	0
Amortization of prior service cost	0	0
Amortization of net transition obligation	0	0
Total recognized in AOCI	$ 20,145,560	$ (8,507,883)
Total recognized in net periodic pension cost and AOCI	$ 58,427,196	$ 37,581,918

The estimated net loss, prior service cost and transition obligation that will be amortized from accumulated other comprehensive income into net periodic benefit cost during fiscal 2019 are $22 million, $0 and $0, respectively.

Weighted-Average Assumptions Used to Determine Net Periodic Pension Cost for Year Ended December 31	2017	2018
Discount rate (pension cost)	3.75%	4.50%
Expected rate of return on plan assets	7.00%	7.00%
Rate of compensation increase	3.25%	3.25%

Estimated Future Benefit Payments	Pension Benefits
2019	$ 54,000,000
2020	$ 55,000,000
2021	$ 56,000,000
2022	$ 58,000,000
2023	$ 59,000,000
Years 2024-2028	$ 319,000,000

Participant Data

The actuarial valuation was based on personnel information from Southwest Gas records as of August 1, 2018. Following are some of the pertinent characteristics from the personnel data as of that date. Prior year characteristics are also provided for comparison purposes. Both age and service have been determined using years and months as of the valuation date.

	August 1, 2017	August 1, 2018
Active Participants		
Number	2,236	2,279
Average present age	44.7	44.3
Average service since hire	13.1	12.4
Average compensation	$ 80,355	$ 85,410
Disabled Participants		
Number	37	38
Average age	57.0	57.5
Deferred Vested Participants		
Number	390	306
Average age	51.1	51.3
Average monthly benefit	$ 872	$ 926
Retired Participants		
Number	1,923	1,994
Average age	68.9	69.1
Average monthly benefit	$ 2,290	$ 2,358

Plan Provisions

Effective Date

This summary reflects the plan document amended and restated effective January 1, 2015 and the fifth amendment signed April 2, 2018.

Plan Participation

Employees participate on the first of the month following date of hire.

Normal Retirement

Eligibility

Age 65 and five years of vesting service.

Benefit Amount

An annual benefit amount equal to 1.75% of final average pay times benefit service up to 30 years.

Early Retirement

Eligibility

Age 55 and ten years of vesting service.

Benefit Amount

Early retirement benefits are determined by reducing the normal retirement benefit as follows:

(a) No reduction for employees who retire on or after age 60.

(b) No reduction applies for employees who retire with 85 points (i.e., age plus benefit service).

(c) The following reductions apply for employees who retire prior to age 60 with at least 20 years of benefit service but less than 85 points:

Retirement Age	**Early Retirement Factor**
59	0.97
58	0.94
57	0.91
56	0.88
55	0.85

(d) For all early retirement eligible participants who do not satisfy (a), (b) or (c), the following reductions apply:

Retirement Age	**Early Retirement Factor**
59	0.95
58	0.90
57	0.85
56	0.80
55	0.75

Disability Retirement	
Eligibility	Vested and total and permanent disability.
Benefit Amount	Normal or early retirement benefits described above commence as of the date long-term disability benefits cease. Benefit service accrues during the period of disability prior to commencement, and the benefit is calculated based on final average pay at time of disability. Benefits commence at age 65 or upon election to begin early retirement.
Deferred Vested Termination	
Eligibility	Five years of vesting service.
Benefit Amount	Accrued normal retirement benefit payable at age 65 or as early as age 55 on an actuarially reduced basis.
Preretirement Survivor Annuity	
Eligibility	Vested participants married one year or more.
Benefit Amount	A survivor benefit equal to 50% of the normal retirement benefit reduced for early commencement and 50% joint and survivor form of benefit is paid to the spouse of the participant.
Benefit Commencement Date	Later of the first of the month following the participant's date of death or the first of the month following the date the participant would have attained age 55.
Final Average Pay	Average annual compensation during the five highest-paid consecutive calendar years of the employee's last ten years of vesting service.
Compensation	Calendar year compensation from the Company, including base pay, overtime, sales incentive payments, and amounts deferred by salary reduction pursuant to Code Sections 401(k) and 125, but excluding incentive pay, commissions, car allowances, amounts deferred into non-qualified deferred compensation plans, flexible benefit dollars, moving expenses, paid-out vacation and nonrecurring payments such as (but not limited to) bonuses and performance awards.
Benefit Service	One year for each plan year with 1,000 hours of service. Fractional service is accrued in the year of hire and year of termination.
Vesting Service	One year for each plan year with 1,000 hours of service.
Unreduced Form of Payment	Life annuity.

Normal Form of Payment	
Married	50% joint and survivor annuity.
Unmarried	Life annuity.
Optional Forms of Payment	5-year certain and life annuity, age 62 or 65 level income annuity, and large amount lump sum (TEP transferred employees only).
Lump Sums	Lump sums of up to $5,000. Lump sums of $1,000 or less are paid automatically.
Actuarial Equivalence	
General	6.5% interest and the RP2000 Combined Healthy Mortality Table weighted 50% for males and 50% for females.
Lump Sums	IRC section 417(e) mortality table for the applicable year and interest based on the 3-segment curve.

Actuarial Assumptions and Methods

For ASC 715 Requirements

Measurement Date December 31, 2018.

Actuarial Method Projected unit credit.

Market Related Value of Assets Market value adjusted to smooth asset gains or losses. Smoothing is done by reflecting gains or losses 20% per year until fully recognized.

Discount Rate 4.50% at December 31, 2018.

Expected Return on Assets 7.00% for 2019 expense.

Salary Increases Sample pay increases are shown below.

Age	Rate
30	4.0%
40	3.5%
50	3.0%
60	2.5%

Mortality Rates

Healthy Lives: RP-2014 Mortality Table for Employees and Healthy Annuitants without collar adjustments, and with fully generational mortality projection starting in 2006 using the Mortality Improvement Scale MP-2018 for 2018 year-end.

Disabled Lives: RP-2014 Mortality Table for Disabled Retirees without collar adjustments, and with fully generational mortality projection starting in 2006 using the Mortality Improvement Scale MP-2018 for 2018 year-end.

Termination Rates Sample termination rates are as follows:

	Rate by Years of Service					
Age	**0**	**1**	**2**	**3**	**4**	**5+**
30	11.4%	10.7%	9.9%	9.7%	9.7%	9.7%
40	11.4%	10.7%	9.9%	9.2%	8.6%	5.0%
50	11.4%	10.7%	9.9%	9.2%	8.6%	2.4%

Disability Rates

Sample disability rates are as follows:

Age	Male	Female
30	0.03%	0.04%
40	0.08%	0.13%
50	0.33%	0.40%
60	1.15%	0.90%

Retirement Age

Rates of retirement as shown below:

	Rate by Service			Rate by Service	
Age	**Under 20**	**20+**	**Age**	**Under 20**	**20+**
55	3%	15%	63	20%	20%
56	3%	12%	64	40%	40%
57	3%	12%	65	40%	40%
58	3%	12%	66	40%	40%
59	10%	15%	67	40%	40%
60	15%	15%	68	40%	40%
61	15%	15%	69	40%	40%
62	30%	30%	70	100%	100%

Marital Status

85% of male participants and 65% of female participants are assumed to be married with wives two years younger than husbands.

Maximum Benefit

As described in IRC 415, $220,000 for 2018, projected 2.50% per year.

Maximum Pensionable Pay

$275,000 for 2018 projected 2.50% per year.

Expenses

Expected asset return is net of investment expenses and net of a 0.4% reduction to reflect administrative expenses paid out of the trust.

Changes in Accounting Assumptions/Methods Since the Prior Year

Assumption Changes

Discount Rate	Changed from 3.75% to 4.50% as of December 31, 2018
Mortality–Healthy Lives	Changed from the RP-2014 Mortality Table for Employees and Healthy Annuitants without collar adjustments, and with fully generational mortality projection starting in 2006 using the Mortality Improvement Scale MP-2017 to the RP-2014 Mortality Table for Employees and Healthy Annuitants without collar adjustments, and with fully generational mortality projection starting in 2006 using the Mortality Improvement Scale MP-2018 effective December 31, 2018.
Mortality–Disabled Lives	Changed the RP-2014 Mortality Table for Disabled Retirees without collar adjustments, and with fully generational mortality projection starting in 2006 using the Mortality Improvement Scale MP-2017 to the RP-2014 Mortality Table for Disabled Retirees without collar adjustments, and with fully generational mortality projection starting in 2006 using the Mortality Improvement Scale MP-2018 effective December 31, 2018.

Actuarial Assumptions and Methods

Discussion of Actuarial Assumptions and Methods

Southwest Gas selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with ASC 715. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience. The actuarial cost method used is prescribed by ASC 715. While the method used to value assets is prescribed by Southwest Gas, Aon provided guidance with respect to the use of this method, and it is our belief that the method is appropriate for financial accounting purposes.

Calculation of Normal Costs and Liabilities

The method used to calculate the service cost and projected benefit obligation for determining pension expense is the projected unit credit cost method. Under this method, benefits are estimated at each decrement age by crediting future accruals based on projected pay as applicable. The liability is determined as the present value of the projected benefit based on service at the valuation date. The service cost is the amount of the present value of projected benefits attributable to the valuation year.

Accounting Information Under ASC 715

Benefit obligations and expense/(income) are calculated under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 715.

The accumulated benefit obligation represents the actuarial present value of benefits based on service and pay earned as of the measurement date. The projected benefit obligation represents the actuarial present value of benefits based on service earned through the measurement date reflecting the effect of assumed future pay increases on ultimate benefit amounts.

The service cost represents the actuarial present value of benefits that are attributed to a fiscal year, reflecting the effect of assumed future pay increases. The service cost includes interest to the end of the measurement period at the ASC 715 discount rate.

The net periodic pension expense/(income) is the annual amount to be recognized in the income statement as the cost of pension benefits for this plan for the fiscal year.

Settlement/curtailment expense/(income) is the amount to be recognized in the income statement as the cost of special events such as settlements, curtailments, and the provision of certain termination benefits during a fiscal year.

Proprietary and Confidential

2019 ASC 715 Disclosure

Southwest Gas Corporation

Retirement Plan for Employees of Southwest Gas Corporation

2020 Pension Cost and 2019 Year-end Disclosure

February 2020

Empower Results®

Introduction

This report documents the results of the December 31, 2019 actuarial valuation of the pension plan for Southwest Gas Corporation. The information provided in this report is intended strictly for documenting:

- Pension cost for the 2019 fiscal year
- Information relating to company and plan disclosure and reporting requirements

Determinations for purposes other than the financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 715, including any guidance or interpretations provided by Southwest Gas and reviewed by its auditors prior to the issuance of this report. The information in this report is not intended to supersede or supplant the advice and interpretations of Southwest Gas Corporation's auditors.

Future actuarial measurements may differ significantly from the current measurements presented in this report due (but not limited to) to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions
- Changes in actuarial methods or in economic or demographic assumptions
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status)
- Changes in plan provisions or applicable law

Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Funded status measurements shown in this report are determined based on various measures of plan assets and liabilities. For company and plan disclosure and reporting purposes, funded status is determined using plan assets measured at market value. Plan liabilities are measured based on the interest rates and other assumptions summarized in the Actuarial Assumptions and Methods section of this report.

These funded status measurements may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, and funded status measurements for company and plan disclosure and reporting purposes may not be appropriate for assessing the need for or the amount of future contributions.

In determining information relating to plan disclosure and reporting requirements, Aon may be assisting the appropriate plan fiduciary as it performs tasks that are required for the administration of an employee benefit plan. Aon also may be consulting with the employer/plan sponsor Southwest Gas as it considers alternative strategies for funding the plan, or as it evaluates information relating to employer reporting requirements. Thus, Aon potentially will be providing assistance to Southwest Gas (and/or certain of its employees) acting in a fiduciary capacity (for the benefit of plan participants and beneficiaries) and to Southwest Gas (and/or its executives) acting in a settlor capacity (for the benefit of the employer sponsoring the Retirement Plan for the Southwest Gas Corporation).

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by Southwest Gas as of the valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions and Methods section of this report. Each significant assumption used in this actuarial valuation represents, in our opinion, a reasonable expectation of anticipated experience under the plan.

The undersigned are familiar with the near-term and long-term aspects of pension valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

To our knowledge, no colleague of Aon providing services to Southwest Gas has any material direct or indirect financial interest in Southwest Gas. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for Southwest Gas.

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February 5, 2020

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ASC 715 Pension Cost/(Income)

	2019	2020
Current service cost	$ 25,863,464	$ 34,298,967
Interest cost	49,005,699	45,555,186
Expected asset return	(60,243,540)	(65,296,459)
Amortization of:		
Unrecognized transition obligation/(asset)	0	0
Unrecognized prior service cost	0	0
Unrecognized net loss/(gain)	22,355,945	36,025,290
Net periodic pension cost	$ 36,981,568	$ 50,582,984
Expected benefit payments	$ 54,000,000	$ 56,000,000
Expected contributions	$ 52,000,000	$ 102,000,000
Key assumptions:		
Discount rate	4.50%	3.50%
Expected rate of return on plan assets	7.00%	6.75%
Amortization period for unrecognized net loss/(gain)	10.64	10.73

Market-Related Value of Assets

The market-related value of assets is used to determine the component of net periodic pension cost that reflects the expected return on plan assets. This value can be either fair market value or a smoothed value that recognizes unexpected changes in fair value over a period not exceeding five years. The following presents the development of the plan's market-related value of assets as January 1, 2020.

Development of Market Related Value of Assets

(1)	Market value of assets, January 1, 2020		$ 974,993,048
	Four-fifths of 2019 gain/(loss) of $125,857,896	100,686,317	
	Three-fifths of 2018 gain/(loss) of $(126,524,363)	(75,914,618)	
	Two-fifths of 2017 gain/(loss) of $88,867,570	35,547,028	
	One-fifth of 2016 gain/(loss) of $(16,602,090)	(3,320,418)	
(2)	Total		56,998,309
	Market related value of assets, January 1, 2020, (1) – (2)		$ 917,994,739

Development of Asset (Gain)/Loss

Market value, January 1, 2019	$ 790,615,129
Benefit payments during 2019	(53,723,517)
Employer contributions during 2019	52,000,000
Expected return to December 31, 2019 at 7.00%	60,243,540
Expected market value, January 1, 2020	$ 849,135,152
Actual market value, January 1, 2020	974,993,048
Asset gain/(loss) during 2019	$ 125,857,896

ASC 715 Disclosure

	2018	2019
Change in Projected Benefit Obligation (PBO)		
Benefit obligation at beginning of year	$ 1,203,483,311	$ 1,116,015,541
Service cost	28,555,463	25,863,464
Interest cost	44,174,374	49,005,699
Plan amendments	0	0
Special termination benefits	0	0
Curtailment gain	0	0
Actuarial (gain)/loss	(102,917,443)	192,415,545
Benefits paid	(57,280,164)	(53,723,517)
Benefit obligation at end of year	$ 1,116,015,541	$ 1,329,576,732
Accumulated Benefit Obligation, End of Year	$ 1,024,029,875	$ 1,219,988,651
Change in Plan Assets		
Fair value of plan assets at beginning of year	$ 871,664,817	$ 790,615,129
Actual return on plan assets	(67,769,524)	186,101,436
Company contributions	44,000,000	52,000,000
Benefits paid	(57,280,164)	(53,723,517)
Fair value of plan assets at end of year	$ 790,615,129	$ 974,993,048
Funded Status	$ (325,400,412)	$ (354,583,684)
Amounts Recognized in the Statement of Financial Position		
Noncurrent assets	$ 0	$ 0
Current liabilities	0	0
Noncurrent liabilities	(325,400,412)	(354,583,684)
Net pension asset/(liability) at year-end	$ (325,400,412)	$ (354,583,684)
Amounts Recognized in Accumulated Other Comprehensive Income (AOCI)		
Net actuarial loss/(gain)	$ 418,309,017	$ 462,510,721
Prior service cost/(credit)	0	0
Net transition obligation/(asset)	0	0
	$ 418,309,017	$ 462,510,721
Weighted-Average Assumptions as of December 31		
Discount rate	4.50%	3.50%
Rate of compensation increase	3.25%	3.25%

ASC 715 Disclosure

	2018	2019
Components of Net Periodic Pension Cost		
Service cost	$ 28,555,463	$ 25,863,464
Interest cost	44,174,374	49,005,699
Expected return on plan assets	(58,754,839)	(60,243,540)
Amortization of:		
Unrecognized net (gain)/loss	32,114,803	22,355,945
Unrecognized prior service cost	0	0
Unrecognized net (asset)/obligation	0	0
Net periodic pension cost	$ 46,089,801	$ 36,981,568
Special termination benefits	0	0
Curtailment (gain)/charge	0	0
Total net periodic pension cost	$ 46,089,801	$ 36,981,568
Other Changes in Plan Assets and PBO Recognized in AOCI		
Net actuarial loss/(gain)	$ 23,606,920	$ 66,557,649
Amortization of net actuarial (loss)/gain	(32,114,803)	(22,355,945)
Prior service cost/(credit)	0	0
Amortization of prior service cost	0	0
Amortization of net transition obligation	0	0
Total recognized in AOCI	$ (8,507,883)	$ 44,201,704
Total recognized in net periodic pension cost and AOCI	$ 37,581,918	$ 81,183,272

The estimated net loss, prior service cost and transition obligation that will be amortized from accumulated other comprehensive income into net periodic benefit cost during fiscal 2020 are $36 million, $0 and $0, respectively.

Weighted-Average Assumptions Used to Determine Net Periodic Pension Cost for Year Ended December 31	2018	2019
Discount rate (pension cost)	3.75%	4.50%
Expected rate of return on plan assets	7.00%	7.00%
Rate of compensation increase	3.25%	3.25%

Estimated Future Benefit Payments	Pension Benefits
2020	$ 56,000,000
2021	$ 58,000,000
2022	$ 59,000,000
2023	$ 60,000,000
2024	$ 61,000,000
Years 2025-2029	$ 331,000,000

Participant Data

The actuarial valuation was based on personnel information from Southwest Gas records as of August 1, 2019. Following are some of the pertinent characteristics from the personnel data as of that date. Prior year characteristics are also provided for comparison purposes. Both age and service have been determined using years and months as of the valuation date.

	August 1, 2018	August 1, 2019
Active Participants		
Number	2,279	2,281
Average present age	44.3	44.1
Average service since hire	12.4	12.0
Average compensation	$ 85,410	$ 93,139
Disabled Participants		
Number	38	40
Average age	57.5	57.4
Deferred Vested Participants		
Number	306	316
Average age	51.3	50.8
Average monthly benefit	$ 926	$ 936
Retired Participants		
Number	1,994	2,064
Average age	69.1	69.5
Average monthly benefit	$ 2,358	$ 2,439

Plan Provisions

Effective Date

This summary reflects the plan document amended and restated effective January 1, 2016 and the fifth amendment signed April 2, 2019.

Plan Participation

Employees participate on the first of the month following date of hire.

Normal Retirement

Eligibility

Age 65 and five years of vesting service.

Benefit Amount

An annual benefit amount equal to 1.75% of final average pay times benefit service up to 30 years.

Early Retirement

Eligibility

Age 55 and ten years of vesting service.

Benefit Amount

Early retirement benefits are determined by reducing the normal retirement benefit as follows:

(a) No reduction for employees who retire on or after age 60.

(b) No reduction applies for employees who retire with 85 points (i.e., age plus benefit service).

(c) The following reductions apply for employees who retire prior to age 60 with at least 20 years of benefit service but less than 85 points:

Retirement Age	Early Retirement Factor
59	0.97
58	0.94
57	0.91
56	0.88
55	0.85

(d) For all early retirement eligible participants who do not satisfy (a), (b) or (c), the following reductions apply:

Retirement Age	Early Retirement Factor
59	0.95
58	0.90
57	0.85
56	0.80
55	0.75

Disability Retirement

Eligibility	Vested and total and permanent disability.
Benefit Amount	Normal or early retirement benefits described above commence as of the date long-term disability benefits cease. Benefit service accrues during the period of disability prior to commencement, and the benefit is calculated based on final average pay at time of disability. Benefits commence at age 65 or upon election to begin early retirement.

Deferred Vested Termination

Eligibility	Five years of vesting service.
Benefit Amount	Accrued normal retirement benefit payable at age 65 or as early as age 55 on an actuarially reduced basis.

Preretirement Survivor Annuity

Eligibility	Vested participants married one year or more.
Benefit Amount	A survivor benefit equal to 50% of the normal retirement benefit reduced for early commencement and 50% joint and survivor form of benefit is paid to the spouse of the participant.
Benefit Commencement Date	Later of the first of the month following the participant's date of death or the first of the month following the date the participant would have attained age 55.
Final Average Pay	Average annual compensation during the five highest-paid consecutive calendar years of the employee's last ten years of vesting service.
Compensation	Calendar year compensation from the Company, including base pay, overtime, sales incentive payments, and amounts deferred by salary reduction pursuant to Code Sections 401(k) and 125, but excluding incentive pay, commissions, car allowances, amounts deferred into non-qualified deferred compensation plans, flexible benefit dollars, moving expenses, paid-out vacation and nonrecurring payments such as (but not limited to) bonuses and performance awards.
Benefit Service	One year for each plan year with 1,000 hours of service. Fractional service is accrued in the year of hire and year of termination.
Vesting Service	One year for each plan year with 1,000 hours of service.
Unreduced Form of Payment	Life annuity.

Normal Form of Payment	
Married	50% joint and survivor annuity.
Unmarried	Life annuity.
Optional Forms of Payment	5-year certain and life annuity, age 62 or 65 level income annuity, and large amount lump sum (TEP transferred employees only).
Lump Sums	Lump sums of up to $5,000. Lump sums of $1,000 or less are paid automatically.
Actuarial Equivalence	
General	6.5% interest and the RP2000 Combined Healthy Mortality Table weighted 50% for males and 50% for females.
Lump Sums	IRC section 417(e) mortality table for the applicable year and interest based on the 3-segment curve.

Actuarial Assumptions and Methods

For ASC 715 Requirements

Measurement Date December 31, 2019.

Actuarial Method Projected unit credit.

Market Related Value of Assets Market value adjusted to smooth asset gains or losses. Smoothing is done by reflecting gains or losses 20% per year until fully recognized.

Discount Rate 3.50% at December 31, 2019.

Expected Return on Assets 6.75% for 2020 expense.

Salary Increases Sample pay increases are shown below.

Age	Rate
30	4.0%
40	3.5%
50	3.0%
60	2.5%

Mortality Rates

Healthy Lives: Pri-2012 Private Retirement Plan Mortality Table for Employees and Healthy Annuitants without collar adjustments, and with fully generational mortality projection using the Mortality Improvement Scale MP-2019 for 2019 year-end.

Disabled Lives: Pri-2012 Private Retirement Plan Mortality Table for Disabled Retirees without collar adjustments, and with fully generational mortality projection using the Mortality Improvement Scale MP-2019 for 2019 year-end.

Termination Rates Sample termination rates are as follows:

	Rate by Years of Service					
Age	**0**	**1**	**2**	**3**	**4**	**5+**
30	11.4%	10.7%	9.9%	9.7%	9.7%	9.7%
40	11.4%	10.7%	9.9%	9.2%	8.6%	5.0%
50	11.4%	10.7%	9.9%	9.2%	8.6%	2.4%

Disability Rates

Sample disability rates are as follows:

Age	Male	Female
30	0.03%	0.04%
40	0.08%	0.13%
50	0.33%	0.40%
60	1.15%	0.90%

Retirement Age

Rates of retirement as shown below:

	Rate by Service			Rate by Service	
Age	Under 20	20+	Age	Under 20	20+
55	3%	15%	63	20%	20%
56	3%	12%	64	40%	40%
57	3%	12%	65	40%	40%
58	3%	12%	66	40%	40%
59	10%	15%	67	40%	40%
60	15%	15%	68	40%	40%
61	15%	15%	69	40%	40%
62	30%	30%	70	100%	100%

Marital Status

85% of male participants and 65% of female participants are assumed to be married with wives two years younger than husbands.

Maximum Benefit

As described in IRC 415, $225,000 for 2019, projected 2.50% per year.

Maximum Pensionable Pay

$280,000 for 2019 projected 2.50% per year.

Expenses

Expected asset return is net of investment expenses and net of a 0.4% reduction to reflect administrative expenses paid out of the trust.

Changes in Accounting Assumptions/Methods Since the Prior Year

Assumption Changes

Discount Rate	Changed from 4.50% to 3.50% as of December 31, 2019
Mortality–Healthy Lives	Changed from the RP-2014 Mortality Table for Employees and Healthy Annuitants without collar adjustments, and with fully generational mortality projection starting in 2006 using the Mortality Improvement Scale MP-2018 to the Pri-2012 Private Retirement Plan Mortality Table for Employees and Healthy Annuitants without collar adjustments, and with fully generational mortality projection using the Mortality Improvement Scale MP-2019 effective December 31, 2019.
Mortality–Disabled Lives	Changed from the RP-2014 Mortality Table for Disabled Annuitants without collar adjustments, and with fully generational mortality projection starting in 2006 using the Mortality Improvement Scale MP-2018 to the Pri-2012 Private Retirement Plan Mortality Table for Disabled Annuitants without collar adjustments, and with fully generational mortality projection using the Mortality Improvement Scale MP-2019 effective December 31, 2019.

Actuarial Assumptions and Methods

Discussion of Actuarial Assumptions and Methods

Southwest Gas selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with ASC 715. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience. The actuarial cost method used is prescribed by ASC 715. While the method used to value assets is prescribed by Southwest Gas, Aon provided guidance with respect to the use of this method, and it is our belief that the method is appropriate for financial accounting purposes.

Calculation of Normal Costs and Liabilities

The method used to calculate the service cost and projected benefit obligation for determining pension expense is the projected unit credit cost method. Under this method, benefits are estimated at each decrement age by crediting future accruals based on projected pay as applicable. The liability is determined as the present value of the projected benefit based on service at the valuation date. The service cost is the amount of the present value of projected benefits attributable to the valuation year.

Accounting Information Under ASC 715

Benefit obligations and expense/(income) are calculated under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 715.

The accumulated benefit obligation represents the actuarial present value of benefits based on service and pay earned as of the measurement date. The projected benefit obligation represents the actuarial present value of benefits based on service earned through the measurement date reflecting the effect of assumed future pay increases on ultimate benefit amounts.

The service cost represents the actuarial present value of benefits that are attributed to a fiscal year, reflecting the effect of assumed future pay increases. The service cost includes interest to the end of the measurement period at the ASC 715 discount rate.

The net periodic pension expense/(income) is the annual amount to be recognized in the income statement as the cost of pension benefits for this plan for the fiscal year.

Settlement/curtailment expense/(income) is the amount to be recognized in the income statement as the cost of special events such as settlements, curtailments, and the provision of certain termination benefits during a fiscal year.

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Southwest Gas Corporation

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Introduction

This report documents the results of the December 31, 2020 actuarial valuation of the pension plan for Southwest Gas Corporation. The information provided in this report is intended strictly for documenting:

- Pension cost for the 2020 fiscal year
- Information relating to company and plan disclosure and reporting requirements

Determinations for purposes other than the financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 715, including any guidance or interpretations provided by Southwest Gas and reviewed by its auditors prior to the issuance of this report. The information in this report is not intended to supersede or supplant the advice and interpretations of Southwest Gas Corporation's auditors.

Future actuarial measurements may differ significantly from the current measurements presented in this report due (but not limited to) to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions
- Changes in actuarial methods or in economic or demographic assumptions
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status)
- Changes in plan provisions or applicable law

Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Funded status measurements shown in this report are determined based on various measures of plan assets and liabilities. For company and plan disclosure and reporting purposes, funded status is determined using plan assets measured at market value. Plan liabilities are measured based on the interest rates and other assumptions summarized in the Actuarial Assumptions and Methods section of this report.

These funded status measurements may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, and funded status measurements for company and plan disclosure and reporting purposes may not be appropriate for assessing the need for or the amount of future contributions.

In determining information relating to plan disclosure and reporting requirements, Aon may be assisting the appropriate plan fiduciary as it performs tasks that are required for the administration of an employee benefit plan. Aon also may be consulting with the employer/plan sponsor Southwest Gas as it considers alternative strategies for funding the plan, or as it evaluates information relating to employer reporting requirements. Thus, Aon potentially will be providing assistance to Southwest Gas (and/or certain of its employees) acting in a fiduciary capacity (for the benefit of plan participants and beneficiaries) and to Southwest Gas (and/or its executives) acting in a settlor capacity (for the benefit of the employer sponsoring the Retirement Plan for the Southwest Gas Corporation).

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by Southwest Gas as of the valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions and Methods section of this report. Each significant assumption used in this actuarial valuation represents, in our opinion, a reasonable expectation of anticipated experience under the plan.

The undersigned are familiar with the near-term and long-term aspects of pension valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

To our knowledge, no colleague of Aon providing services to Southwest Gas has any material direct or indirect financial interest in Southwest Gas. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for Southwest Gas.

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February 2021

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ASC 715 Pension Cost/(Income)

	2020	2021
Current service cost	$ 34,298,967	$ 41,158,965
Interest cost	45,555,186	40,431,566
Expected asset return	(65,296,459)	(72,351,521)
Amortization of:		
Unrecognized transition obligation/(asset)	0	0
Unrecognized prior service cost	0	0
Unrecognized net loss/(gain)	36,025,290	41,955,217
Net periodic pension cost	$ 50,582,984	$ 51,194,227
Expected benefit payments	$ 56,000,000	$ 58,000,000
Expected contributions	$ 102,000,000	$ 102,000,000
Key assumptions:		
Discount rate	3.50%	2.75%
Expected rate of return on plan assets	6.75%	6.50%
Amortization period for unrecognized net loss/(gain)	10.73	10.60

Market-Related Value of Assets

The market-related value of assets is used to determine the component of net periodic pension cost that reflects the expected return on plan assets. This value can be either fair market value or a smoothed value that recognizes unexpected changes in fair value over a period not exceeding five years. The following presents the development of the plan's market-related value of assets as January 1, 2021.

Development of Market Related Value of Assets

(1) Market value of assets, January 1, 2021		$ 1,186,432,726
Four-fifths of 2020 gain/(loss) of $99,775,702	79,820,562	
Three-fifths of 2019 gain/(loss) of $125,857,896	75,514,738	
Two-fifths of 2018 gain/(loss) of $(126,524,363)	(50,609,745)	
One-fifth of 2017 gain/(loss) of $88,867,570	17,773,514	
(2) Total		122,499,069
Market related value of assets, January 1, 2021, (1) – (2)		$ 1,063,933,657

Development of Asset (Gain)/Loss

Market value, January 1, 2020	$ 974,993,048
Benefit payments during 2020	(55,632,483)
Employer contributions during 2020	102,000,000
Expected return to December 31, 2020 at 6.75%	65,296,459
Expected market value, January 1, 2021	$ 1,086,657,024
Actual market value, January 1, 2021	1,186,432,726
Asset gain/(loss) during 2020	$ 99,775,702

ASC 715 Disclosure

	2019	2020
Change in Projected Benefit Obligation (PBO)		
Benefit obligation at beginning of year	$ 1,116,015,541	$ 1,329,576,732
Service cost	25,863,464	34,298,967
Interest cost	49,005,699	45,555,186
Plan amendments	0	0
Special termination benefits	0	0
Curtailment gain	0	0
Actuarial (gain)/loss	192,415,545	145,440,378
Benefits paid	(53,723,517)	(55,632,483)
Benefit obligation at end of year	$ 1,329,576,732	$ 1,499,238,780
Accumulated Benefit Obligation, End of Year	$ 1,219,988,651	$ 1,367,179,064
Change in Plan Assets		
Fair value of plan assets at beginning of year	$ 790,615,129	$ 974,993,048
Actual return on plan assets	186,101,436	165,072,161
Company contributions	52,000,000	102,000,000
Benefits paid	(53,723,517)	(55,632,483)
Fair value of plan assets at end of year	$ 974,993,048	$ 1,186,432,726
Funded Status	$ (354,583,684)	$ (312,806,054)
Amounts Recognized in the Statement of Financial Position		
Noncurrent assets	$ 0	$ 0
Current liabilities	0	0
Noncurrent liabilities	(354,583,684)	(312,806,054)
Net pension asset/(liability) at year-end	$ (354,583,684)	$ (312,806,054)
Amounts Recognized in Accumulated Other Comprehensive Income (AOCI)		
Net actuarial loss/(gain)	$ 462,510,721	$ 472,150,107
Prior service cost/(credit)	0	0
Net transition obligation/(asset)	0	0
	$ 462,510,721	$ 472,150,107
Weighted-Average Assumptions as of December 31		
Discount rate	3.50%	2.75%
Rate of compensation increase	3.25%	3.00%

ASC 715 Disclosure

		2019		2020
Components of Net Periodic Pension Cost				
Service cost	$	25,863,464	$	34,298,967
Interest cost		49,005,699		45,555,186
Expected return on plan assets		(60,243,540)		(65,296,459)
Amortization of:				
Unrecognized net (gain)/loss		22,355,945		36,025,290
Unrecognized prior service cost		0		0
Unrecognized net (asset)/obligation		0		0
Net periodic pension cost	$	36,981,568	$	50,582,984
Special termination benefits		0		0
Curtailment (gain)/charge		0		0
Total net periodic pension cost	$	36,981,568	$	50,582,984
Other Changes in Plan Assets and PBO Recognized in AOCI				
Net actuarial loss/(gain)	$	66,557,649	$	45,664,676
Amortization of net actuarial (loss)/gain		(22,355,945)		(36,025,290)
Prior service cost/(credit)		0		0
Amortization of prior service cost		0		0
Amortization of net transition obligation		0		0
Total recognized in AOCI	$	44,201,704	$	9,639,386
Total recognized in net periodic pension cost and AOCI	$	81,183,272	$	60,222,370
Weighted-Average Assumptions Used to Determine Net Periodic Pension Cost for Year Ended December 31				
Discount rate (pension cost)		4.50%		3.50%
Expected rate of return on plan assets		7.00%		6.75%
Rate of compensation increase		3.25%		3.25%

Estimated Future Benefit Payments		Pension Benefits
2021	$	58,000,000
2022	$	60,000,000
2023	$	61,000,000
2024	$	62,000,000
2025	$	63,000,000
Years 2026-2030	$	339,000,000

Participant Data

The actuarial valuation was based on personnel information from Southwest Gas records as of August 1, 2020. Following are some of the pertinent characteristics from the personnel data as of that date. Prior year characteristics are also provided for comparison purposes. Both age and service have been determined using years and months as of the valuation date.

	August 1, 2019	August 1, 2020
Active Participants		
Number	2,281	2,257
Average present age	44.1	44.3
Average service since hire	12.0	12.3
Average compensation	$ 93,139	$ 94,217
Disabled Participants		
Number	40	33
Average age	57.4	58.3
Deferred Vested Participants		
Number	316	329
Average age	50.8	50.7
Average monthly benefit	$ 936	$ 918
Retired Participants		
Number	2,064	2,103
Average age	69.5	69.9
Average monthly benefit	$ 2,439	$ 2,486

Plan Provisions

Effective Date	This summary reflects the plan document amended and restated effective January 1, 2016 and the fifth amendment signed April 2, 2019.
Plan Participation	Employees participate on the first of the month following date of hire.
Normal Retirement	
Eligibility	Age 65 and five years of vesting service.
Benefit Amount	An annual benefit amount equal to 1.75% of final average pay times benefit service up to 30 years.
Early Retirement	
Eligibility	Age 55 and ten years of vesting service.
Benefit Amount	Early retirement benefits are determined by reducing the normal retirement benefit as follows:

(a) No reduction for employees who retire on or after age 60.

(b) No reduction applies for employees who retire with 85 points (i.e., age plus benefit service).

(c) The following reductions apply for employees who retire prior to age 60 with at least 20 years of benefit service but less than 85 points:

Retirement Age	Early Retirement Factor
59	0.97
58	0.94
57	0.91
56	0.88
55	0.85

(d) For all early retirement eligible participants who do not satisfy (a), (b) or (c), the following reductions apply:

Retirement Age	Early Retirement Factor
59	0.95
58	0.90
57	0.85
56	0.80
55	0.75

Disability Retirement	
Eligibility	Vested and total and permanent disability.
Benefit Amount	Normal or early retirement benefits described above commence as of the date long-term disability benefits cease. Benefit service accrues during the period of disability prior to commencement, and the benefit is calculated based on final average pay at time of disability. Benefits commence at age 65 or upon election to begin early retirement.
Deferred Vested Termination	
Eligibility	Five years of vesting service.
Benefit Amount	Accrued normal retirement benefit payable at age 65 or as early as age 55 on an actuarially reduced basis.
Preretirement Survivor Annuity	
Eligibility	Vested participants married one year or more.
Benefit Amount	A survivor benefit equal to 50% of the normal retirement benefit reduced for early commencement and 50% joint and survivor form of benefit is paid to the spouse of the participant.
Benefit Commencement Date	Later of the first of the month following the participant's date of death or the first of the month following the date the participant would have attained age 55.
Final Average Pay	Average annual compensation during the five highest-paid consecutive calendar years of the employee's last ten years of vesting service.
Compensation	Calendar year compensation from the Company, including base pay, overtime, sales incentive payments, and amounts deferred by salary reduction pursuant to Code Sections 401(k) and 125, but excluding incentive pay, commissions, car allowances, amounts deferred into non-qualified deferred compensation plans, flexible benefit dollars, moving expenses, paid-out vacation and nonrecurring payments such as (but not limited to) bonuses and performance awards.
Benefit Service	One year for each plan year with 1,000 hours of service. Fractional service is accrued in the year of hire and year of termination.
Vesting Service	One year for each plan year with 1,000 hours of service.
Unreduced Form of Payment	Life annuity.

Normal Form of Payment	
Married	50% joint and survivor annuity.
Unmarried	Life annuity.
Optional Forms of Payment	5-year certain and life annuity, age 62 or 65 level income annuity, and large amount lump sum (TEP transferred employees only).
Lump Sums	Lump sums of up to $5,000. Lump sums of $1,000 or less are paid automatically.
Actuarial Equivalence	
General	6.5% interest and the RP2000 Combined Healthy Mortality Table weighted 50% for males and 50% for females.
Lump Sums	IRC section 417(e) mortality table for the applicable year and interest based on the 3-segment curve.

Actuarial Assumptions and Methods

For ASC 715 Requirements

Measurement Date — December 31, 2020.

Actuarial Method — Projected unit credit.

Market Related Value of Assets — Market value adjusted to smooth asset gains or losses. Smoothing is done by reflecting gains or losses 20% per year until fully recognized.

Discount Rate — 2.75% at December 31, 2020.

Expected Return on Assets — 6.50% for 2021 expense.

Salary Increases — Sample pay increases are shown below.

Age	Rate
30	3.75%
40	3.25%
50	2.75%
60	2.25%

Mortality Rates

Healthy Lives — Pri-2012 Private Retirement Plan Mortality Table for Employees and Healthy Annuitants without collar adjustments, and with fully generational mortality projection using the Mortality Improvement Scale MP-2020 for 2020 year-end.

Disabled Lives — Pri-2012 Private Retirement Plan Mortality Table for Disabled Retirees without collar adjustments, and with fully generational mortality projection using the Mortality Improvement Scale MP-2020 for 2020 year-end.

Termination Rates — Sample termination rates are as follows:

	Rate by Years of Service					
Age	**0**	**1**	**2**	**3**	**4**	**5+**
30	11.4%	10.7%	9.9%	9.7%	9.7%	9.7%
40	11.4%	10.7%	9.9%	9.2%	8.6%	5.0%
50	11.4%	10.7%	9.9%	9.2%	8.6%	2.4%

Disability Rates

Sample disability rates are as follows:

Age	Male	Female
30	0.03%	0.04%
40	0.08%	0.13%
50	0.33%	0.40%
60	1.15%	0.90%

Retirement Age

Rates of retirement as shown below:

	Rate by Service			Rate by Service	
Age	**Under 20**	**20+**	**Age**	**Under 20**	**20+**
55	3%	15%	63	20%	20%
56	3%	12%	64	40%	40%
57	3%	12%	65	40%	40%
58	3%	12%	66	40%	40%
59	10%	15%	67	40%	40%
60	15%	15%	68	40%	40%
61	15%	15%	69	40%	40%
62	30%	30%	70	100%	100%

Marital Status

85% of male participants and 65% of female participants are assumed to be married with wives two years younger than husbands.

Maximum Benefit

As described in IRC 415, $230,000 for 2020, projected 2.25% per year.

Maximum Pensionable Pay

$285,000 for 2020 projected 2.25% per year.

Expenses

Expected asset return is net of investment expenses and net of a 0.4% reduction to reflect administrative expenses paid out of the trust.

Changes in Accounting Assumptions/Methods Since the Prior Year

Assumption Changes

Discount Rate	Changed from 3.50% to 2.75% as of December 31, 2020
Salary Increases	Inflation rate reduced 0.25% for all ages as of December 31, 2020.
Mortality–Healthy Lives	Changed the fully generational mortality projection using the Mortality Improvement Scale MP-2019 to the Mortality Improvement Scale MP-2020 effective December 31, 2020.
Mortality–Disabled Lives	Changed the fully generational mortality projection using the Mortality Improvement Scale MP-2019 to the Mortality Improvement Scale MP-2020 effective December 31, 2020.

Actuarial Assumptions and Methods

Discussion of Actuarial Assumptions and Methods

Southwest Gas selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with ASC 715. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience. The actuarial cost method used is prescribed by ASC 715. While the method used to value assets is prescribed by Southwest Gas, Aon provided guidance with respect to the use of this method, and it is our belief that the method is appropriate for financial accounting purposes.

Calculation of Normal Costs and Liabilities

The method used to calculate the service cost and projected benefit obligation for determining pension expense is the projected unit credit cost method. Under this method, benefits are estimated at each decrement age by crediting future accruals based on projected pay as applicable. The liability is determined as the present value of the projected benefit based on service at the valuation date. The service cost is the amount of the present value of projected benefits attributable to the valuation year.

Accounting Information Under ASC 715

Benefit obligations and expense/(income) are calculated under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 715.

The accumulated benefit obligation represents the actuarial present value of benefits based on service and pay earned as of the measurement date. The projected benefit obligation represents the actuarial present value of benefits based on service earned through the measurement date reflecting the effect of assumed future pay increases on ultimate benefit amounts.

The service cost represents the actuarial present value of benefits that are attributed to a fiscal year, reflecting the effect of assumed future pay increases. The service cost includes interest to the end of the measurement period at the ASC 715 discount rate.

The net periodic pension expense/(income) is the annual amount to be recognized in the income statement as the cost of pension benefits for this plan for the fiscal year.

Settlement/curtailment expense/(income) is the amount to be recognized in the income statement as the cost of special events such as settlements, curtailments, and the provision of certain termination benefits during a fiscal year.

AFFIRMATION

STATE OF CALIFORNIA)

: ss.

COUNTY OF Orange)

Lisa McRae being first duly sworn, deposes and says:

That I am the person identified in the Prepared Direct Testimony, and the exhibits applicable to my testimony; that such testimony and exhibits were prepared by me or under my direction; that the answers and information set forth therein are true to the best of my own knowledge and belief.

Lisa McRae

Signed and sworn to before me on this 24 day of August, 2021.

Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of ORANGE)

On AUG 24 2021 before me, J.B. Swan III, Notary Public
(Date) (Here Insert Name and Title of the Officer)

personally appeared LISA McRAE
(Name(s) of Signer(s))

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature __________ (Seal)
(Signature of Notary Public)

J. B. SWAN III
Notary Public - California
Orange County
Commission # 2250382
My Comm. Expires Aug 15, 2022

IN THE MATTER OF

SOUTHWEST GAS CORPORATION

DOCKET NO. 21-08___

PREPARED DIRECT TESTIMONY

NICK Y. LIU

ON BEHALF OF

SOUTHWEST GAS CORPORATION

AUGUST 31, 2021

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Prepared Direct Testimony
of
Nick Y. Liu

Southwest Gas Corporation
Docket No. 21-08___

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Prepared Direct Testimony
of
Nick Y. Liu

I. INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is Nick Y. Liu. My business address is 1600 East Northern Avenue, Phoenix, Arizona 85020.

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

A. 2 I am employed by Southwest Gas Corporation (Southwest Gas or Company) in the Regulation & Energy Efficiency department. My title is Supervisor.

Q. 3 Please summarize your educational background and relevant business experience.

A. 3 My educational background and relevant business experience are summarized in Appendix A to this testimony.

Q. 4 Have you previously testified before any regulatory commission?

A. 4 Yes. I have previously testified before the Arizona Corporation Commission.

Q. 5 What is the purpose of your prepared direct testimony in this proceeding?

A. 5 My prepared direct testimony supports the reasonableness of the Company's annualization of labor and related labor loadings in Adjustment No. 3 applicable to the Southern Nevada and Northern Nevada rate jurisdictions from a ratemaking perspective.

Q. 6 Please summarize your prepared direct testimony.

A. 6 My prepared direct testimony consists of the following key issues:

- Development of the test year labor and labor loading annualization in Adjustment No. 3 related to both Southern Nevada and Northern Nevada.
- Development of the certification period labor and labor loading annualization and Adjustment No. C2 related to both Southern Nevada and Northern Nevada.

II. LABOR AND BENEFITS ANNUALIZATION

Q. 7 Please explain and discuss Schedule H-3, Labor and Benefits Annualization.

A. 7 Adjustment No. 3 annualizes the labor and related labor loadings of Southern Nevada, Northern Nevada and Corporate employees employed by the Company at the end of the May 31, 2021 test period. The table below provides a comparison of the number of employees in each of these three areas at the end of the test year in the instant docket and at the end of the test year in the Company's most recent general rate case (GRC).[1]

	Twelve Months Ended November 30, 2019	Twelve Months Ended May 31, 2021
Southern Nevada	329	328
Northern Nevada	160	154
Corporate [1]	886	840

[1] Also referred to as System Allocable.

The labor and labor loading annualization adjustment includes two components. On Schedule H-3, Sheet 1, a salary annualization is made for all Southern Nevada, Northern Nevada and Corporate employees with salaries in effect at the end of the last pay period beginning prior to May 31, 2021. Second, labor

[1] Docket No. 20-02023.

loadings are annualized at the end of the test period and those costs are applied to the employees on Southwest Gas' payroll at the end of the test period. Schedule H-3, Sheet 2, annualizes the non-service-related pension costs based on a three-year average and allocates the amount using the Modified Massachusetts Formula ("MMF") and the 4-Factor Allocation Methodology (4-Factor) to Southern Nevada and Northern Nevada. Non-service pension costs are those costs referenced in Financial Accounting Standards Board's Accounting Standards Update, Topic 715 No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires non-service-related pension costs to be expensed. The overall impact of Adjustment No. 3 is a decrease to operating expenses of $1,661,641 and $692,602 for Southern Nevada and Northern Nevada, respectively.

Q. 8 Please describe the labor loading process.

A. 8 Service-related pension costs, benefits and payroll taxes are accumulated at the corporate level. These costs are then distributed among the various rate jurisdictions through a labor loading process. The labor loading rate is adjusted at the beginning of each year, based on budgeted pensions, benefits, paid time off, payroll taxes, and expected employee levels. The labor loading process applies the labor loading rate to each labor dollar, assigning an appropriate amount of pensions, benefits, paid time off, and payroll taxes to each account to which labor has been charged.

Q. 9 How were labor loadings for Southern Nevada, Northern Nevada and Corporate employees annualized in this proceeding?

A. 9 For benefits with premiums or regular monthly payments, the amount recorded in May 2021 was multiplied by 12 months to more accurately reflect current expenses. Southwest Gas used the most recent actuarial amounts, which are also used by the Company to accrue related expenses, as the basis for normalizing the service-related costs for pension, post-employment benefits other than pension (PBOP), and supplemental executive retirement plan (SERP)[2] based on a three-year average. The use of a three-year average for the Company's pension expense is consistent with the methodology adopted by the Commission in the Company's most recent GRC filing. Consistent with prior Commission decisions, the Company removed certain items recorded in the Miscellaneous Benefits subaccount from the cost of service, such as costs related to service awards, retirement gifts and parties, and employee recognition. Also, adjustments were made to remove out of period charges as necessary from the test year, and to bring in test year charges recorded out of period. In addition, payroll taxes, employee investment plan (401(k)) match, and indirect time were adjusted for the impact of annualizing payroll and overtime. For the remaining costs in Account 926, recorded test year costs were used as the basis for the annualization. These adjustments are consistent with prior Commission decisions.

There were two methods used to allocate labor loading costs to Southern Nevada and Northern Nevada. First, the three-year average (2019, 2020, and

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[2] Consistent with the Commission's Decision in Docket No. 20-02023, the Company is only seeking the restorative SERP benefit.

2021) service-related cost of pensions, PBOP and SERP, along with executive deferred compensation and 401(k), were allocated based on each rate jurisdiction's labor cost as a percentage of total Company labor. Second, for the remaining benefits, a cost per employee was calculated based on the adjusted costs divided by the total number of Company employees at the end of the test year. The cost per employee was multiplied by the number of Southern Nevada and Northern Nevada jurisdictional employees at the end of the test year to determine the amount allocated to each rate jurisdiction for ratemaking purposes. Company witness Frederica Harvey supports the Company's compensation and benefits programs and the prudency of the related expenses.

Q 10 How has the Company normalized service-related pension costs in this application?

A. 10 The Company normalized service-related pension costs consistent with prior Commission directives and Company cases by utilizing a three-year average of expense. Company witness Lisa McRae supports the derivation of the Company's pension expense.

Q. 11 Once the annualized labor and labor loadings were calculated, how was the adjustment determined?

A. 11 The annualized labor and labor loadings were assigned to each account based on the historical test year relationships. For example, during the test year, approximately 63 percent of Southern Nevada and 76 percent of Northern Nevada direct labor and loadings were charged to O&M accounts. Therefore, 63 percent of the annualized Southern Nevada and 76 percent of the annualized Northern Nevada direct labor and loadings were assigned to O&M accounts. The difference between the annualized labor and loadings assigned to the O&M

accounts and the recorded labor and loadings is the adjustment for that account. Since 63 percent of the annualized Southern Nevada and 76 percent of the annualized Northern Nevada direct labor and loadings were assigned to O&M, the remaining 37 percent and 24 percent, respectively, were assigned to capital and deferred accounts, and do not impact the annualized labor and labor loadings requested in this application. A similar assignment was performed for corporate staff annualized labor and loadings to determine the adjustment required.

Q. 12 Has the Company made any adjustments related to severance pay during the test year in this application?

A. 12 Yes. The Company incurred a total of $1,286,667 severance pay expense during the test year, of which $44,869 is related to regular severance pay and $1,241,798 is related to the Voluntary Retirement Incentive Program (VRIP). Company witness Raied N. Stanley supports the prudency of the VRIP in his prepared direct testimony. The Company amortized the test year VRIP-related severance pay over a two-year period and is requesting recovery of $620,899 (before allocation) during the test year. This adjustment is reflected in Workpaper Sch H-3, Sheet 6.

Q. 13 Are you sponsoring any adjustments within the certification period ending November 30, 2021?

A. 13 Yes. I am sponsoring Adjustment No. C2 which is contained in Schedule H-C2. The test year number of employees was used in the certification period labor and labor loading annualization adjustment. A general wage increase effective during the certification period was applied to test year employees. The general wage increase also impacts wages subject to FICA and other payroll taxes, as well as the Company 401(k) match. Company witness Frederica Harvey supports the prudency of the general wage increase. The Company also included an amortization of $481,909 certification VRIP severance pay over a two-year period, requesting for recovery of $240,955 (before allocation) during the certification period.

After allocation, the labor and labor loading annualization adjustment at certification is estimated to increase operating expense by $1,360,457 in Southern Nevada and $315,200 in Northern Nevada. All Certification adjustments will be certified in Statement I.

III. CONCLUSION

Q. 14 Does this conclude your prepared direct testimony?

A. 14 Yes.

SUMMARY OF QUALIFICATIONS
NICK Y. LIU

I am a graduate of the University of Minnesota, Twin Cities having received a Bachelor of Arts in Economics, Mathematics and Statistics in 2013. In 2015, I earned a Master's in Statistics from the University of California, Berkeley.

In 2015, I joined the Arizona Corporation Commission as a Public Utilities Analyst in the Utilities Division. In June 2019, I joined Southwest Gas Corporation as a Senior Analyst in the Regulation and Energy Efficiency department and was promoted to Supervisor in May 2021. I am responsible for preparing and reviewing regulatory rate filings and revenue requirement analyses for Southwest Gas' Arizona, California and Nevada jurisdictions.

I have been a Certified Rate of Return Analyst (CRRA) by the Society of Utility and Regulatory Financial Analysts (SURFA) since 2018.

AFFIRMATION

STATE OF ARIZONA)

: ss.

COUNTY OF MARICOPA)

Nick Yue Liu being first duly sworn, deposes and says:

That I am the person identified in the Prepared Direct Testimony, and the exhibits applicable to my testimony; that such testimony and exhibits were prepared by me or under my direction; that the answers and information set forth therein are true to the best of my own knowledge and belief.

Nick Yue Liu

Signed and sworn to before me on this 26 day of August, 2021.

Notary Public

DEVON BATISTA
Notary Public - Arizona
Maricopa County
Commission # 591487
My Comm. Expires Nov 8, 2024

IN THE MATTER OF

SOUTHWEST GAS CORPORATION

DOCKET NO. 21-08___

PREPARED DIRECT TESTIMONY

BYRON C. WILLIAMS

ON BEHALF OF

SOUTHWEST GAS CORPORATION

AUGUST 31, 2021

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of
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Southwest Gas Corporation
Docket No. 21-08XXX

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Prepared Direct Testimony
of
Byron C. Williams

I. INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is Byron C. Williams. My business address is 8360 S. Durango Drive, Las Vegas, Nevada 89113.

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

A. 2 I am employed by Southwest Gas Corporation (Southwest Gas or Company) in the Tax Department. My title is Director/Tax.

Q. 3 Please summarize your educational background and relevant business experience.

A. 3 My educational background and relevant business experience are summarized in Appendix A to this testimony.

Q. 4 Have you previously testified before any regulatory commission?

A. 4 Yes. I have previously provided testimony to the Arizona Corporation Commission (ACC), the California Public Utilities Commission (CPUC), the Federal Energy Regulatory Commission (FERC) and the Public Utilities Commission of Nevada (PUCN or Commission).

Q. 5 What is the purpose of your prepared direct testimony in this proceeding?

A. 5 The purpose of my prepared direct testimony is to provide information concerning Southwest Gas' federal income tax, and state and local taxes.

Q. 6 Are you sponsoring any statements or schedules in support of your prepared direct testimony?

A. 6 Yes. I am sponsoring Statement M and Schedules M-1 through M-5 for the Company's Northern and Southern Nevada rate jurisdictions. I also support the Property Tax Adjustments and Nevada Annual Regulatory Assessment (Nevada Mill Assessment) certification adjustment, included on Schedule No. H-17 and Schedule H-C8, respectively.

Q. 7 Are these statements and schedules required by the Commission's regulations?

A. 7 Yes. Nevada Administrative Code (NAC) 703.2265 sets forth filing requirements for utilities with annual gross operating revenues of $250K or more, which includes the filing of Statement M, and its respective schedules, with a general rate case application.

Q. 8 Please summarize your prepared direct testimony.

A. 8 My prepared direct testimony consists of the following key issues:

- The Company's calculation of the provision of federal income taxes;
- The Company's calculation and treatment of Excess Accumulated Deferred Income Taxes (EADIT);
- The impact of the Company's collection of contributions in aid of construction on deferred taxes; and
- The Company's calculation of its property, franchise, business, mill assessments and miscellaneous taxes, in addition to its proposed tax adjustments.

II. TAX STATEMENTS AND SCHEDULES

Q. 9 Please describe Statement M.

A. 9 Pursuant to NAC 703.2411, Statement M must include the following information:

> *Statement M must contain a statement that shows the computation of allowances for federal income taxes for the period of testing. To indicate the accounting classification applicable to the amount claimed, the computation of the allowance for federal income tax must show separately the amounts designated as current tax and deferred tax.*

Q. 10 Has the Company provided Statement M consistent with NAC 703.2411?

A. 10 Yes. Statement M, Sheets 1 through 3 provides the computation of the provision for federal income tax for the twelve (12) months ended May 31, 2021, for the certification period, and after rate relief. Supporting the computation, Sheet 2 shows the book/tax temporary differences and the resulting calculation of the deferred income tax provision. The calculation of the provision for federal income tax on Sheets 1 and 2 reflects a reduction for the amortization of EADIT, which is supported on Sheet 3.

Q. 11 Please describe Schedule M-1.

A. 11 Pursuant to NAC 703.2415:

> *Schedule M-1 must contain a complete reconciliation of the book net income with taxable net income as reported to the United States Internal Revenue Service for the most recent year for which a tax return was filed and the 3 preceding years. A complete examination of all items in the reconciliation must be submitted. If the tax allowances claimed give effect to omission of items appearing in the reconciliations for the most*

recent tax return or to inclusion of items not appearing in therein, the reasons for the omissions or inclusions must be submitted.

Q. 12 Has the Company provided Schedules M-1 consistent with NAC 703.2415?

A. 12 Yes. Schedule M-1 reconciles financial accounting (book) income with taxable income as reported on Southwest Gas' federal income tax returns for the years 2016 through 2019. Generally, the reconciling amounts represent timing items because of different periods in which an item may be reported as income or claimed as a deduction for federal income tax purposes as compared to financial accounting purposes.

Q. 13 Please describe Schedule M-2.

A. 13 Pursuant to NAC 703.2421:

1. If tax depreciation differs from book depreciation, the applicant must file schedule M-2 showing the computation of the tax depreciation indicating:

(a) Differences between book and tax depreciation on a straight-line basis; and

(b) The excess of any accelerated depreciation and amortization used for tax purposes over straight-line depreciation.

2. The schedule must pertain to the most recent year for which a tax return was filed and for the 3 previous years.

Q. 14 Has the Company provided Schedule M-2 consistent with NAC 703.2421?

A. 14 Yes. Schedule M-2 provides the depreciation expense calculated for financial accounting and for federal income tax purposes for Southwest Gas' most recent year for which an income tax return was filed (2019) and the three previous years

(2016 through 2018). Depreciation is shown for plant assets by significant category.

Q. 15 Please describe Schedule M-3.

A. 15 Pursuant to NAC 703.2425:

1. If the applicant joins in the filings of a consolidated federal income tax return, the applicant must file Schedule M-3 showing the net taxable income or loss for each company or regulated entity in the consolidation, including an adjustment of excess of accelerated depreciation and amortization of emergency facilities over straight-line deprecation for each company involved.

2. The applicant must also submit the details of consolidation adjustment and a computation of the system tax liability based on the consolidated net income for the last tax year ending within the period of testing, or immediately prior thereto, for which a tax return was filed. In addition, the applicant must include a computation showing the percentage of tax savings arising from consolidation for the taxable year covered by such a period.

Q. 16 Has the Company provided Schedule M-3 consistent with NAC 703.2425?

A. 16 Yes. Schedule M-3 provides net taxable income or loss for each entity included in the Southwest Gas Holdings, Inc. 2019 consolidated federal income tax return, as well as the other required information.

Q. 17 Please describe Schedule M-4.

A. 17 Pursuant to NAC 703.2431:

> *Schedule M-4 must contain a schedule that shows monthly book balances of accumulated deferred income taxes for each of the 12 months during the period of testing.*

Q. 18 Has the Company provided Schedule M-4 consistent with NAC 703.2431?

A. 18 Yes. Schedule M-4 provides, by month, deferred tax balances by Nevada rate jurisdiction. The deferred taxes are recorded in the 282 and 283 series accounts as prescribed by the FERC Uniform System of Accounts. In addition, the corporate alternative minimum tax (AMT) credit historically was recorded in the 190 series accounts.

Q. 19 What is the corporate AMT and the corporate AMT credit?

A. 19 AMT was a separate method of determining income tax. It was devised to ensure that at least a minimum amount of tax would be paid by corporate taxpayers. Generally, all corporate taxpayers who were subject to regular income tax were also subject to the AMT. To the extent that a corporate taxpayer generated an AMT liability in one year, an equal credit was available to reduce regular tax in future years. The corporate AMT was repealed by the Tax Cuts and Jobs Act (TCJA), effective January 1, 2018 and the Company utilized all remaining AMT credits in association with its 2019 tax return.

Q. 20 Please describe Schedule M-5.

A. 20 Pursuant to NAC 703.2435:

> *1. Schedule M-5 must contain a schedule that shows the taxes paid by the applicant, other than income taxes in separate columns, as follows:*
>
> *(a) Tax expense per books for the period of testing;*

(b) Any adjustments to the amounts booked; and

(c) The total adjusted taxes claimed.

2. The taxes must be shown by states and by kind of taxes.

Q. 21 Has the Company provided Schedule M-5 consistent with NAC 703.2435?

A. 21 Yes. Schedule M-5, Sheet 1, shows taxes other than income taxes for the 12 months ended May 31, 2021. Sheets 2 and 3 provide the detail of taxes other than income taxes by type for each month of the test year.

Q. 22 Are there any post-year adjustments for the Nevada Mill Assessment?

A. 22 Yes. The Company is proposing a certification adjustment on Schedule H-C8 to update the Nevada Mill Assessment with the most recent Annual Regulatory Assessment received from the Commission.

III. EXCESS ACCUMULATED DEFERRED INCOME TAXES (EADIT)

Q. 23 What is EADIT?

A. 23 EADIT is the portion of the deferred tax liability that existed at the end of 2017 (calculated at the 35 percent federal income tax rate) that, barring any other rate changes, will not be paid to the federal government because the tax rate was reduced to 21 percent. At the end of 2017, as a result, the income tax deferred liability accounts were revalued assuming a 21 percent federal tax rate. The EADIT was reclassified from the deferred income tax liability account to a regulatory liability account, to be refunded to customers of Southwest Gas.

Q. 24 How will the Company's EADIT be returned to customers?

A. 24 The Company proposes to continue to adjust the revenue requirement by the maximum amount of plant-related EADIT amortization using the Average Rate Assumption Method (ARAM) as defined in the Internal Revenue Code and the associated Treasury Regulations. The Company also proposes to adjust the revenue requirement to fully amortize the remaining non-plant EADIT consistent with the Company's two-year amortization period supported by Company witness Christopher M. Brown.

Q. 25 What is the ARAM?

A. 25 Under federal income tax law provisions, the ARAM is the methodology used to calculate the maximum amount of protected EADIT returned to customers without triggering penalties for a normalization violation.

Q. 26 How does the ARAM calculate the amortization of EADIT?

A. 26 The ARAM calculation consists of two parts: (1) the calculation of the ratio of aggregate deferred taxes for the property to the aggregate timing differences for the property; and (2) the multiplication of that resulting percentage ratio by the amount of timing differences turning around during the year.

Q. 27 Why must Southwest Gas return EADIT to customers over time, rather than immediately?

A. 27 The Internal Revenue Code penalizes the return of protected EADIT to customers more rapidly, or to a greater extent, than the amount computed using the ARAM. A refund faster than ARAM limitations is recognized as a normalization violation according to the Internal Revenue Code and Treasury Regulations. The estimated turnaround required by ARAM for the Company's plant-related EADIT is approximately 40 years (i.e., the book life of the underlying plant).

Q. 28 What are the penalties for a normalization violation if the EADIT is returned to customers too quickly?

A. 28 The penalties for a normalization violation are severe and include the following: (1) a current tax penalty equal to the amount by which the entity returned the EADIT to customers more rapidly than permitted under ARAM; and (2) the entity will no longer be able to claim accelerated depreciation for income tax purposes. These penalties would increase cash tax payments, potentially leading to increased borrowing costs and future customer rate increases.

Q. 29 Has the Commission adopted the ARAM method for returning EADIT to customers?

A. 29 Yes. In 1989, the Commission required the use of ARAM, as provided in Section 203(3) of the Tax Reform Act of 1986, for utilities maintaining vintage accounts. This requirement was codified in NAC 704.6534. In addition, in Docket Nos. 18-05031 and 20-02023, the Commission authorized the use of ARAM for the Company's EADIT resulting from the TCJA.

Q. 30 Please explain the ARAM computations shown on Statement M, Sheet 3.

A. 30 Line 7, column (c) of Sheet 3 shows the annual change in the balance of EADIT caused by the application of the ARAM calculation described in A26 above. This calculation is performed within utility specific property accounting software (PowerTax) at the vintage and Federal Energy Regulatory Commission (FERC) account level. Numerous calculations are required to determine the amortization amount. The last annual ARAM amount known (2019) was used to reflect a 12-month period of amortization. This amortization amount reduces the federal income tax component of cost of service, thus passing these savings to our customers.

IV. CONTRIBUTIONS IN AID OF CONSTRUCTION

Q. 31 Was there an effect on deferred taxes from the Company's collection of a tax liability factor with respect to taxable contributions in aid of construction?

A. 31 Yes. The amount of the tax liability factor is included in taxable income. Deferred taxes are recorded on the tax liability factor in accordance with NAC 704.6532(5) and the deferred taxes are considered in computing rate base.

Q. 32 Are there any other accounts that relate to these contributions that have a ratemaking implication?

A. 32 Yes. Consistent with NAC 704.6532(5), the deferred income is recorded in accounts 253001473 and 254001472, and the deferred taxes related to the amounts in these accounts are considered in calculating rate base.

V. PROPERTY TAXES

A. Centrally Assessed Property

Q. 33 How are Nevada property taxes assessed on Southwest Gas' utility property?

A. 33 Nevada's public utilities are included in a group of large companies comprised of utilities, railroads, airlines, mining operations, etc., which are assessed property taxes directly by the state of Nevada. The term "centrally assessed" is used to describe this method of taxation and can be contrasted with assessments made by county governments on individual property owners which are termed "locally assessed."

Q. 34 What procedures are used to establish the property tax liabilities of centrally assessed taxpayers?

A. 34 Centrally assessed taxpayers provide several annual information reports to the Nevada Department of Taxation (Department), which are used by that agency to determine unitary property values. The reports also include information by geographic location that is used by the Department to identify the portion of a company's assessed value within Nevada by specific tax areas. The first report, due in April each year, requires centrally assessed taxpayers to provide the book value of net plant-in-service and audited financial statements. The data provided is for the 12 months ended, or as of, December 31 of the previous calendar year.

Q. 35 What other reports are prepared by Southwest Gas for the Department?

A. 35 Southwest Gas also provides an annual report detailing the monthly additions to construction work-in-progress (CWIP Report) for the 12-month period beginning July of the previous calendar year and ending with June of the current year. The CWIP Report is filed with the Department each August.

Q. 36 What does the Department do with the information provided by centrally assessed taxpayers?

A. 36 Based on the information provided by centrally assessed taxpayers, the Department appraises the property using the cost and income valuation indicators. The Department reports the final appraised value to centrally assessed taxpayers in or around October. Assuming no disagreement, the taxpayer is billed property taxes in the subsequent fiscal year based on the appraised value.

Q. 37 Please provide an example of the timing of the valuation and the related property tax bills.

A. 37 Southwest Gas received a valuation report from the Department in October 2019, based on financial information at December 31, 2018 and adjusted for CWIP additions through June 30, 2019. Southwest Gas then received a property tax bill in July 2020, nine months after receiving the valuation report, which was paid quarterly during the 12 months beginning July 1, 2020 and ended June 30, 2021.

Q. 38 Does the CWIP Report result in an additional property tax bill to centrally assessed taxpayers?

A. 38 Yes. In addition to the annual property tax bill, which includes CWIP additions through the previous June, centrally assessed taxpayers also receive an annual property tax bill in and around October/November for CWIP monthly additions through June of that year. Continuing the tax example above, Southwest Gas received a bill in November 2020, which was paid in December 2020 for CWIP additions from July 2019 through June 2020.

Q. 39 Is property tax expense shown on Schedule M-5?

A. 39 Yes. As previously stated, Schedule M-5 shows taxes other than income taxes for the 12 months ended May 31, 2021. Column (g) of this schedule identifies the amount of the adjustment for property taxes proposed in this rate case.

B. Proposed Property Tax Adjustments

Q. 40 Are you proposing within test year adjustments to cost of service to annualize Nevada property tax expense in this rate case?

A. 40 Yes. Test year adjustments are proposed for both the Northern Nevada and Southern Nevada rate jurisdictions. The calculation of these adjustments is shown on Schedule H-17.

Q. 41 Are you utilizing the same property tax rate in the adjustment computation on Schedule H-17 as was determined and utilized for the test period?

A. 41 Yes.

Q. 42 How were these rates determined?

A. 42 The rates were determined by dividing the amounts on the property tax bills received in July and November 2020 for the tax year ended June 30, 2021 by the related plant in service at June 30, 2020. This assures that the most recent rates were applied to current property balances.

Q. 43 Please describe the within test year adjustment.

A. 43 Property tax expense recorded by the Company for the June 1, 2020 to May 31, 2021 test year in this rate case is based substantially on property in service at June 30, 2020. Utility plant placed in service from July 1, 2020 through May 31, 2021 is not yet reflected in property tax expense.

Q. 44 Does the proposed adjustment represent a known and measurable expense?

A. 44 Yes. The proposed adjustment is based on known and measurable amounts for plant in service at the end of the test year. In addition, the property tax rate used in calculating the proposed adjustment is the property tax used by the Department in its 2020/2021 tax bills. The plant in service at May 31, 2021 combined with the property tax rate derived from the most recent property tax bills, provides a known and measurable basis for determining the property tax adjustment.

Q. 45 Are there any post-test year adjustments to property tax expense?

A. 45 Yes. The Company is proposing a certification adjustment in Schedule H-C5 to update rate base through November 30, 2021. The change in property taxes is calculated within that adjustment, using the property tax rate developed for the test period.

Q. 46 Why are these adjustments to property tax expense necessary?

A. 46 The need to adjust property tax expense in the cost of service is primarily due to the requirement to synchronize property tax expense with the amount of plant in rate base at the end of the test period and certification period. This requirement is provided in NAC 704.6528.

VI. CONCLUSION

Q. 47 Does this conclude your prepared direct testimony?

A. 47 Yes.

SUMMARY OF QUALIFICATIONS
BYRON C. WILLIAMS

I am a graduate of Brigham Young University having received a Bachelor of Sciences in Accounting in 2001. In 2003, I earned a Master's in Business Taxation from the University of Southern California.

In 2002, I joined the tax department of PricewaterhouseCoopers LLP in Los Angeles. In 2010, I joined the Las Vegas office, and was promoted to Director in 2011. In 2013, I joined Southwest Gas Corporation as Director/Tax. I am responsible for all phases of the Company's taxes, including preparation of all federal, state and local tax returns and tax provisions, researching tax matters and preparation of tax-related testimony and exhibits for rate proceedings, including rate cases.

I have been licensed as a Certified Public Accountant by the State of California since 2007. In 2011, I was also licensed as a Certified Public Accountant by the State of Nevada. I am also a member of the American Institute of Public Accountants, as well as the Nevada Society of CPAs.

AFFIRMATION

STATE OF NEVADA)

: ss.

COUNTY OF CLARK)

Byron C. Williams being first duly sworn, deposes and says:

That I am the person identified in the Prepared Direct Testimony, and the exhibits applicable to my testimony; that such testimony and exhibits were prepared by me or under my direction; that the answers and information set forth therein are true to the best of my own knowledge and belief.

Byron C. Williams

Byron C. Williams

Signed and sworn to before me on

this 23 day of August, 2021.

Pamela Jo Phillips

Notary Public

NOTARY PUBLIC
STATE OF NEVADA
County of Clark
PAMELA JO PHILLIPS
Appt. No. 06-107220-1
My Appt. Expires July 19, 2022

IN THE MATTER OF
SOUTHWEST GAS CORPORATION
DOCKET NO. 21-08___

PREPARED DIRECT TESTIMONY
GREGORY K. WALLER

ON BEHALF OF
SOUTHWEST GAS CORPORATION

AUGUST 31, 2021

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of
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BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Prepared Direct Testimony
of
Gregory K. Waller

I. INTRODUCTION

Q. 1 Please state your name, affiliation and business address.

A. 1 My name is Gregory K. Waller. I am a Director at ScottMadden, Inc., a general management consultancy firm. My business address is 1900 West Park Drive Suite 250, Westborough, MA 01581.

Q. 2 On whose behalf are you submitting this testimony?

A. 2 I am submitting this prepared direct testimony before the Public Utilities Commission of Nevada (PUCN or Commission) on behalf of Southwest Gas Corporation (Southwest Gas or Company).

Q. 3 Please summarize your educational background and relevant business experience.

A. 3 My educational background and relevant business experience are summarized in Appendix A to this testimony.

Q. 4 Have you previously testified before any regulatory commission?

A. 4 Yes. I have previously testified before the Public Utilities Commission of Nevada (PUCN or Commission), the Tennessee Public Utility Commission (formally the Tennessee Regulatory Authority), the Kentucky Public Service Commission, the Georgia Public Service Commission, the Virginia State Corporation Commission, and the Regulatory Commission of Alaska.

Q. 5 What is the purpose of your prepared direct testimony in this proceeding?

A. 5 I sponsor the Company's overall revenue requirement and deficiency calculation. Specifically, I am sponsoring the following components of revenue requirement:

- Operations and Maintenance (O&M) and Administrative and General (A&G) expenses;
- Depreciation and Amortization expense; and
- Rate Base.

I sponsor various statements, schedules, and adjustments as described below.

In addition, I am serving as the witness for the Company's allocation methodology with respect to the expenses of its parent company, Southwest Gas Holdings, Inc. (HoldCo) as required by the Order in Docket No. 20-02023.

Q. 6 Do other witnesses sponsor testimony regarding Southwest Gas' revenue requirement?

A. 6 Yes. Company witnesses Amy L. Timperley, Nick Y. Liu, Randi L. Cunningham, Dylan W. D'Ascendis, Byron C. Williams and Timothy Lyons sponsor testimony for various statements, schedules and adjustments supporting the Company's revenue requirement.

Q. 7 Please summarize your prepared direct testimony.

A. 7 My prepared direct testimony consists of the following key issues:

- A summary of the results of operations for the Company's Southern Nevada rate jurisdiction (Southern Nevada) and Northern Nevada rate jurisdiction (Northern Nevada), including the determination of revenue deficiencies, as presented in Statement H;

- Test year adjustments, with the exception of the adjustments in Schedules H-1 and H-2 which are sponsored by Company witness Timothy Lyons, H-3 which is sponsored by Company witness Nick Y. Liu, H-17 which is sponsored by Company witness Byron C. Williams, and H-24 which is sponsored by Company witness Randi L. Cunningham.
- Certification Period Adjustments, with the exception of the adjustments in Schedule H-C1, which is sponsored by Company witness Timothy Lyons, H-C2 which is sponsored by Company witness Nick Y. Liu, and H-C8 which is sponsored by Byron C. Williams;
- Statement G, Rate Base;
- Statement K, Operations and Maintenance Expense;
- Statement L, Depreciation and Amortization Expenses;
- Statement N, Methodologies Employed for Cost Responsibility and Allocation (excluding the Company's class cost of service study);
- Statement P, Ratemaking and Accounting Changes; and
- Support of the Company's HoldCo allocation methodology.

Q. 8 How are the rate jurisdictions treated in the statements, schedules and workpapers?

A. 8 Differences in adjustments or amounts are separately identified for each rate jurisdiction. In addition, each rate jurisdiction has its own set of statements, schedules and workpapers supporting the revenue requirement applicable to each rate jurisdiction. Each statement or schedule discussed in this testimony is applicable to both Southern Nevada and Northern Nevada unless otherwise indicated.

II. STATEMENTS

Q. 9 Which statements are you sponsoring?

A. 9 I am sponsoring Statements H, G, K, L, N and P.

Q. 10 Are these statements required per the Commission's regulations?

A. 10 Yes. Nevada Administrative Code (NAC) 703.2265 sets forth filing requirements for utilities with annual gross operating revenues of $250K or more, which includes the filing of Statements H, G, K, L, N and P with a general rate case application.

Q. 11 Has the Company provided Statement H consistent with NAC 703.2345?

A. 11 Yes. Consistent with the requirements of NAC 703.2345, Statement H presents a summary of the overall results of operations, including the amounts recorded on the Company's books and records as of May 31, 2021, test year and certification adjustments developed from the supporting schedules and statements, and the requested rate of return and the application of the requested rate of return to the overall rate base.

Q. 12 Has the Company provided Statement G and Schedules G-1 through G-5 consistent with NAC 703.2321 and the related G Schedules?

A. 12 Yes. Consistent with the requirements of NAC 703.2321, Statement G presents a summary of the overall rate base developed from supporting Schedules G-1 through G-5[1] and G-6.

Q. 13 Has the Company provided Statement K consistent with NAC 703.2361 and the related K Schedules?

A. 13 Yes. Consistent with NAC 703.2361, Statement K presents operation and maintenance expenses recorded by account developed from supporting

[1] NAC 703.2325, 703.2331, 703.2335, 703.2341, and 703.2343.

Schedules K-1 through K-7.[2]

Q. 14 Has the Company provided Statement N consistent with NAC 703.2441?

A. 14 Yes. Consistent with the requirements of NAC 703.2441, Statement N shows the allocation of both rate base components and components of the results of operations between or among departments, jurisdictions or regulated and nonregulated operations.

Q. 15 Has the Company provided Statement P consistent with NAC 703.2451?

A. 15 Yes. Consistent with the requirements of NAC 703.2451, Statement P discloses, as applicable, any changes in presentation for rate making and any change in accounting methods, procedures and allocations implemented since the Company's last general rate case (GRC) and identifies expenses previously considered and disallowed in a GRC by the Commission, including new facts and policy considerations offered for each item proposed.

III. SUMMARY OF RESULTS OF OPERATIONS

Q. 16 Please explain Statement H, Sheet 1, Summary of the Overall Results of Operations.

A. 16 Statement H, Sheet 1 provides a comprehensive overview of the Company's results of operations and overall rate of return for the end of the test year at May 31, 2021 and projected at the end of the certification period at November 30, 2021. It also presents the Company's proposed revenue requirement and margin deficiency. The following table provides a summary of adjusted test year results for Statement H:

[2] NAC 703.2365, 703.2371, 703.2375, 703.2381, 703.2385, 703.2391and 703.2395.

Description	Southern Nevada	Northern Nevada
Net Operating Income	$82.9M	$9.5M
Rate Base	$1.48B	$169M
Overall Rate of Return (ROR)	5.60%	5.61%

The following table provides a summary of projected results at the end of the certification period for Statement H, and includes the Company's resulting margin deficiency:

Description	Southern Nevada	Northern Nevada
Net Operating Income	$82.1M	$9.3M
Rate Base	$1.54B	$188M
Overall ROR	5.33%	4.96%
Margin Deficiency[3]	$24.5M	$4.4M

The Company has not proposed any expected changes in circumstances (ECIC) adjustments in this Application.

The Company's requested overall rate of return (ROR) is 6.57 percent in Southern Nevada and 6.82 percent in Northern Nevada. Company witness Dylan W. D'Ascendis provides testimony supporting the requested ROR as presented in Statement F.

Q. 17 Please explain Statement H, Sheets 2 through 6.

A. 17 Sheets 2 through 4 summarize the adjustments to the recorded results for the test

[3] The term "margin" refers to the billed revenue Southwest Gas receives, less the cost of gas. Since Southwest Gas has a separate quarterly deferred energy account adjustment mechanism to ensure the Company recovers its actual cost of gas, revenues and gas cost associated with the cost of gas are excluded from this application.

year. Sheet 5 summarizes the adjustments expected to occur during the certification period. Sheet 6 shows the calculation of the Gross Revenue Conversion Factor used to calculate the requested increase in operating margin. The requested increase is required to generate net income sufficient to produce the ROR requested in this application.

Q. 18 Please describe the purpose in having within test year expense adjustments.

A. 18 Actual incurred expenses within the test year may not accurately represent operating expenses on a going forward basis. Therefore, some operating expenses must be annualized or normalized to reflect expected levels of these expenses on a going forward basis.

Q. 19 Please describe the adjustments to the amounts recorded during the test year.

A. 19 The Company proposes thirty adjustments to test year recorded data. Two of the thirty adjustments have separate Southern and Northern Nevada components. Twenty-one of the thirty proposed adjustments are in compliance with prior Commission decisions or consistent with adjustments that the Company made in its most recent GRC, (Docket No. 20-02023) and were approved by the Commission. In some instances, as noted in the description of each adjustment, the Company is presenting evidence from a Company witness in support of the merits of its proposed methodology or ratemaking position. Finally, two are new adjustments.

Q. 20 Please describe the adjustments to the amounts recorded during the certification period.

A. 20 The Company proposes nine certification adjustments, eight of which are common to both rate jurisdictions and one that is specific to Northern Nevada. Four of these proposed adjustments are in compliance with prior Commission decisions or consistent with adjustments that the Company made in its most recent GRC (Docket No. 20-02023) and were approved by the Commission. In some instances, as noted in the description of each adjustment, the Company is presenting evidence from a Company witness in support of the merits of its proposed methodology or ratemaking position.

Q. 21 What is Southwest Gas' proposed increase in each rate jurisdiction as a percentage of revenue at present rates?

A. 21 The proposed Southern Nevada increase of $24,471,385 represents a 6.16 percent increase in revenue. The proposed Northern Nevada increase of $4,441,315 represents a 4.41 percent increase in revenue.

IV. WITHIN TEST YEAR ADJUSTMENTS

Q. 22 Please identify the within test year adjustments you are supporting.

A. 22 I am supporting all of the within test year adjustments with the exception of the adjustments in Schedules H-1 and H-2 which are sponsored by Company witness Timothy Lyons, H-3 which is sponsored by Company witness Nick Y. Liu, H-17 which is sponsored by Company witness Byron C. Williams, and H-24 which is sponsored by Company witness Randi L. Cunningham. Each of the adjustments is described below. In some instances, as noted in the description of each adjustment, the Company is presenting evidence from a Company witness in support of the merits of its proposed methodology or ratemaking position.

Q. 23 Please explain Schedule H-4, Call Center and Support Function Reallocation Adjustment.

A. 23 This adjustment is required because the expenses related to the Company's customer support functions are charged primarily to the two divisions (Northern

Nevada and Southern California) that provide support to Southwest Gas' three-state service territory. It also properly allocates the costs for the Company's Call Centers, which are now corporate departments, based on the end of the period allocation factor. To ensure that the costs are properly allocated to the rate jurisdiction that incurred the cost, the subaccounts are totaled for the entire Company and reallocated to each ratemaking jurisdiction based on the number of customers utilized in the 4-Factor allocation methodology (or Factor IV) at the end of the test period. The impact of this adjustment on operating expense is an increase of $312,466 in Southern Nevada and a decrease of $62,934 in Northern Nevada.

Q. 24 Please explain Schedule H-5, Cost of Service Analysis.

A. 24 This adjustment was made after an extensive review of test year expenses. As it did in its most recent GRC, the Company combined the adjustments for the Accounts Payable Analysis, Ratemaking Adjustment, and Non-Recurring Expenses into a single adjustment, since all three relate to analyzing costs of service items that are appropriate to recover in rates. The purpose of the review and adjustment is to identify and include only those expenditures appropriate to recover as part of its cost of service to Nevada customers. Please see the prepared direct testimony of Company witness Amy L. Timperley for further discussion and support. The impact of this adjustment is a decrease of $195,849 in Southern Nevada's operating expenses and a decrease of $55,401 in Northern Nevada's operating expenses.

Q. 25 Please explain Schedule H-6, Company-Owned Vehicles.

A. 25 This adjustment removes the rate base and operations and maintenance costs related to Company-provided vehicles. This adjustment reduces rate base in

Southern Nevada and Northern Nevada by $197,226 and $53,397, respectively, and decreases operating expense in Southern Nevada and Northern Nevada by $1,961 and $194, respectively. Furthermore, and consistent with the Order in Docket No. 20-02023, the Company is not seeking recovery of the vehicle stipends that replaced the Company-owned vehicles. The removal of vehicle stipends from revenue requirement is included in Schedule H-3.

Q. 26 Please explain and describe Schedule H-7, Uncollectibles Expense.

A. 26 This adjustment smooths out fluctuations and/or abnormal conditions experienced during the test year by utilizing a two-year historic average rate of Uncollectibles Expense. This adjustment uses the average net write-off percentage (the sum of gross write-offs, net of recoveries) for the two years ended May 31, 2020 and 2021. This average write-off percentage was applied to test year margin at present rates (annualized and weather-normalized) to determine the normalized uncollectible expense for this case. The adjustment was computed as the difference between the actual uncollectible expense recorded in the test year recorded in Account 904, determined by applying a two-year average write-off percentage. The two-year average write-off percentage is 0.5230 percent in Southern Nevada and 0.2550 percent in Northern Nevada. The impact of the normalization portion of this adjustment on operating expense is a decrease of $60,195 in Southern Nevada and a decrease of $196,779 Northern Nevada. This adjustment is calculated consistent with prior general rate cases.

Q. 27 Please explain Schedule H-8, Promotional Advertising.

A. 27 This adjustment removes advertising costs that do not fall within the guidelines established by the Commission. The effect of this adjustment is to decrease operating expenses by $38,317 and $12,919 in Southern Nevada and Northern

Nevada, respectively. This adjustment is in compliance with prior Commission directives.

Q. 28 Please explain Schedule H-9, Self-Insured Retention Normalization.

A. 28 Adjustment No. 9 adjusts the recorded self-insured accruals charged to Account 925 during the test year to a normalized level.

Q. 29 What was the Company's level of self-insurance for general liability claims at the end of the test year?

A. 29 The Company is self-insured up to $1 million of claims expense for each occurrence (per occurrence component). To the extent that a specific claim exceeds $1 million, the Company is self-insured for the excess over $1 million up to an aggregate (aggregate component) of $4 million. Once the $4 million aggregate is reached, any amount paid above the $4 million is the responsibility of the insurance carrier up to the Company's insurance coverage limits.

Q. 30 Please explain the accounting for the self-insured portion of liability claims.

A. 30 When an incident is identified that may require payment, the Company accrues the estimated payment as a self-insured retention expense. The entry is a debit to Account 925, Injuries and Damages, and a credit to Account 228.2, Accumulated Provision for Injuries and Damages. Once the outcome of the claim becomes final, any costs paid are charged against the accrual in Account 228.2. If the amounts paid are different than the amount accrued, then the net difference is removed from Account 228.2 and charged back against Account 925.

Q. 31 Given the method used to account for the self-insured portion of liability claims, does the test year expense reflect on-going operations?

A. 31 No. It is not unusual to have fluctuations in the net charges to Account 925 from period-to-period due to the nature of the method used to account for this process and the fact that large claims that reach the $4 million aggregate do not occur every year. This can result in Account 925 having an expense level during any given recorded period that is not representative of on-going operations. For this reason, it is appropriate to normalize this cost based on claims experience over the last ten years.

Q. 32 Please explain the normalized adjustment to self-insured expense.

A. 32 The Company uses a ten-year average of self-insured amounts to normalize this expense for ratemaking purposes. Schedule H-9, Sheet 2, shows that the ten-year average of Southern Nevada and Northern Nevada direct claims is $124,106 and $6,750, respectively, compared to the test year amounts of $0 for Southern Nevada and $0 for Northern Nevada, requiring a $124,106 and $6,750 adjustment, respectively. The ten-year average system allocable expense is $165,885 compared to the test year amount of $50,000, requiring a $115,885 adjustment. After allocating a portion of this expense to Paiute Pipeline Company ("Paiute"), the Southern Nevada and Northern Nevada portions of this adjustment result in an increase of $30,996 and $5,908, respectively. The total impact of this adjustment on Southern Nevada's and Northern Nevada's operating expenses is $155,101 and $12,658, respectively.

Q. 33 Please explain Schedule H-10, Paiute Allocation Annualization.

A. 33 Adjustment No. 10 annualizes the system allocable A&G amounts allocated to Paiute through the Modified Massachusetts Formula ("MMF") allocation methodology and the insurable property factor for the test year ended May 31, 2021. The supporting workpapers to Adjustment No. 10 show the detailed calculations needed to derive the Paiute insurable property factor at May 31, 2021. This adjustment is consistent with the methodology approved by the Commission in the Company's last several rate cases.

Q. 34 Please explain Schedule H-11, American Gas Association Dues.

A. 34 Consistent with prior Commission directives, the purpose of this adjustment is to remove the portion of dues assigned to lobbying (3.8 percent) from the cost of service. This adjustment reduces operating expense in Southern Nevada and Northern Nevada by $6,755 and $1,287, respectively.

Q. 35 Please explain Schedule H-12, Board of Directors – Interest Earned on Deferred Compensation.

A. 35 Consistent with prior Commission directives, the purpose of this adjustment is to remove interest earned on past and current Directors' deferred compensation. This adjustment reduces operating expense in Southern Nevada and Northern Nevada by $188,738 and $35,973 respectively.

Q. 36 Is the Company proposing to recover 100 percent of the remaining Board of Directors' compensation and related expenses?

A. 36 The Company is proposing recovery of 100 percent of the remaining Board of Directors' compensation and related expenses allocable to Southwest Gas (with the exception of certain expenses removed from revenue requirement and discussed in the testimony of Company witness Amy L. Timperley) as well as 100 percent of Director and Officer (D&O) liability insurance premiums allocable to Southwest Gas. These proposals are reasonable and should be accepted by the Commission because the Company's Board of Directors is necessary to its operations and the benefits derived from having a competent and engaged Board of Directors are common to both customers and shareholders.

Q. 37 Are the Company's proposals in this proceeding consistent with the Commission's findings and conclusions in the Company's last GRC?

A. 37 No. The Commission, in its Order in Docket No. 20-02023, found that 50 percent of the Board of Directors compensation, supporting expenses and D&O insurance premiums should be disallowed for ratemaking purposes. Respectfully, the partial disallowance, based on the finding that these costs are incurred for the benefit of both shareholders and ratepayers, violates the "regulatory compact" (defined and discussed below) by failing to establish rates based on the Company's prudently incurred cost of service.

Parties that suggest there are benefits to customers and shareholders that are mutually exclusive and, based on this premise, that the underlying costs must be shared, present regulators with a false choice. The Company, like all investor-owned regulated utilities, is in the business of providing safe and reliable utility service to customers at a reasonable price. If successful in its mission, customers and shareholders alike will benefit. The underlying costs incurred for the Company to be successful in fulfilling that mission, benefit, by definition, both customers and shareholders just as failure to achieve the mission would be detrimental to both.

Q. 38 How do you define the "regulatory compact"?

A. 38 The phrase "regulatory compact", while not actually codified, is used generally by ratemaking professionals to describe the relationship involving an investor-owned utility, its customers and its regulators. It involves, first, a utility's obligation to serve customers in exchange for reduced or no competition in a defined service area. Notably, this obligation can include an obligation to a make an investment that would not be made in a competitive landscape. In return, regulators should provide the utility (and the investors that provide capital to the business) an opportunity to earn a reasonable return on their investment. In order to provide the opportunity to earn a fair return, the regulator must do two primary things: 1) establish a fair authorized return on the portion of rate base that is funded with equity capital; and 2) allow the recovery of all prudently incurred expenses including expenses related to debt costs (interest), investment (depreciation, property taxes) and operations and maintenance expenses (O&M). In doing so, the regulator sets a utility's rates based on the utility's cost of service. Once agreeing to enter into the regulatory compact, the utility forgoes its right to set the price that it charges for its service.

Q. 39 Can you elaborate on the concept of "cost of service"?

A. 39 Yes. A utility's cost of service is made up of return on investment, return of investment and operating expenses. The sum of those components makes up the Company's revenue requirement. The revenue requirement is, in turn, used to calculate rates for each class of customers served by the Company. While there can be questions regarding the prudency of some levels of specific costs incurred by the utility, that is not the question I am addressing in this section. Rather, I am addressing the misconception that there are some core functions – which are, without dispute, required for utility to operate – that benefit customers or shareholders in a mutually exclusive fashion.

Q. 40 Can you provide a few examples to explain why you believe that this misconception can lead the Commission to making a "false choice" in determining that benefits to shareholders and customers are mutually exclusive and that the underlying costs should therefore be shared?

A. 40 Yes. I will offer two analogous examples:

1. **Meter reading expense** – In my experience, meter reading expense has never been in question as a necessary and prudently incurred expense

appropriate for recovery. Meter reading is necessary so that customers are billed for the service they receive in an accurate and timely fashion. Although customers might argue that they would prefer to never be billed (effectively receiving free service), most would ultimately concede that paying for service is necessary and appropriate and experienced ratemaking professionals would agree. Meter reading is also the first step in the process for a utility to record revenues. A meter must be read so that a bill can be generated. The calculation and production of the bill is what generates an accounting entry to book revenues and accounts receivables. These entries clearly benefit shareholders. Without revenues and accounts receivables (and ultimately the remittance of cash resulting from accounts receivables), the utility would be bankrupt. A bankrupt utility cannot, among other things, purchase gas supplies to deliver to customers nor raise capital to fund operations and new infrastructure. Thus, there is no question that meter reading expense is a necessary expense that benefits both customers and shareholders. It, like all other prudently incurred expenses, is included in a utility's revenue requirement so that customers' rates properly reflect the cost of providing service and the Company generates sufficient revenues (by billing and collecting those rates) to give it an opportunity to earn the rate of return authorized by the regulator– all consistent with the regulatory compact.

2. **Growth main investment** – A utility's obligation to serve requires that it periodically install new main to reach new customers. Such an investment increases the number of customers on the system which puts downward pressure on rates as revenue requirement is spread over a larger base.

> Thus, in addition to directly benefitting the new customers by providing new service, the investment has an indirect but real benefit to existing customers. The investment, however, also benefits shareholders by increasing the utility's net investment on which its investors have the opportunity to earn a regulated rate of return. Thus, this is an example of a function that benefits both customers and shareholders. It, like all other prudently incurred expenses, is included in a utility's revenue requirement so that customers' rates properly reflect the cost of providing service and the Company generates sufficient revenues that give it an opportunity to earn the rate of return authorized by the regulator – all consistent with the regulatory compact.

The above examples illustrate that benefits to ratepayers and shareholders are not normally mutually exclusive. Rather, 100 percent of a utility's prudently incurred costs should be used to calculate the utility's cost of service, or revenue requirement, and should be reflected in the rates charged to customers for service rendered. Disallowance of prudently incurred costs for ratemaking violates the regulatory compact and fails to allow the utility a legitimate opportunity to earn its authorized rate of return.

Q. 41 Did the Commission's Order in Docket No. 20-02023 find that the expenses in question were imprudently incurred?

A. 41 No. The Commission did not find that Board compensation, a base level of supporting expenses, or D&O insurance premiums are imprudent or otherwise unnecessary to run an investor-owned utility. The Commission appears to have agreed with Staff witness Jason Martin, who, in his pre-filed testimony in Docket No. 20-02023, states, as it relates to D&O insurance premiums: "The prudence of the incurred costs is not (and never has been) the premise for splitting D&O liability insurance costs among ratepayers and shareholders. Splitting the costs among ratepayers and shareholders acknowledges that the benefits of a Board of Directors are not exclusively enjoyed by either group, so neither should the costs be the sole burden of either group."[4] Reading his statement in light of the two analogous examples I offered above illustrates the fundamental flaw in the cost sharing argument and further demonstrates why the Commission should allow 100 percent recovery of the cost of the prudently incurred Board compensation, supporting expenses and D&O insurance premiums in this case.

Q. 42 Please explain Schedule H-13, Commitment Fees Related to Short-Term Debt.

A. 42 This adjustment removes the cost of commitment fees recorded to expense and incurred by the Company related to its test year short-term debt. This is necessary because the fees are recovered in the cost of debt. This adjustment reduces operating expense in Southern Nevada and Northern Nevada by $77,622 and $14,795, respectively.

Q. 43 Please explain and describe Schedule H-14, Wrongful Termination Normalization.

A. 43 A normalization adjustment was calculated to represent the average expense experienced over the last three years consistent with prior general rate cases. This adjustment represents an increase of $6,000 and is applicable only to Southern Nevada, as there were no claims in the three-year period for Northern Nevada or for System Allocable.

[4] Docket No. 20-02023, pre-filed testimony of Jason Martin, p. 3

Q. 44 Please explain Schedule H-15, General Plant Maintenance Normalization.

A. 44 As discussed in the direct testimony of Company witness Bill Brincefield, the Company moved its corporate office from its building on Spring Mountain Road (Spring Mountain) to a new Company owned building on Durango Drive (East Durango Office Building). This adjustment replaces the historical operating expenses associated with the Spring Mountain asset, incurred in Account 935, with the lower amount incurred for the East Durango Office Building. Additionally, the adjustment allocates 11 percent of the East Durango Office Building maintenance expenses to Centuri (the Company's unregulated affiliate) consistent with the allocation methodology for HoldCo expenses allocated between Centuri and Southwest Gas. The adjustment is allocated to Southern Nevada and Northern Nevada using the 4-Factor methodology. The adjustment decreases operating expense in Southern Nevada and Northern Nevada by $813,847 and $155,116, respectively.

Q. 45 Please explain Schedule H-16, Depreciation and Amortization Expense Annualization.

A. 45 Adjustment No. 16 annualizes depreciation and amortization expense based on adjusted plant in service at May 31, 2021, using currently approved depreciation rates. This adjustment increases operating expenses by $2,723,217 for Southern Nevada and $181,848 for Northern Nevada.

Q. 46 Please explain why an adjustment is necessary to annualize depreciation and amortization expense for the test year.

A. 46 This adjustment is necessary to synchronize the depreciation and amortization expense with the plant in service at the end of the test year, as adjusted. Southwest Gas employs a depreciation convention based on the month the plant is actually placed into service. Southwest Gas begins depreciation on plant the month subsequent to the month it is first placed in service, and in turn, records a full month's depreciation in the month it is removed or retired from service. As a result, plant that is placed in service or retired after the beginning of the test year has a partial year's depreciation expense recorded on the books of the Company. To allow Southwest Gas the opportunity to recover its reasonable and necessary operating expenses, and to avoid charging customers for assets removed or retired from service, depreciation and amortization must be annualized based on end of test year plant balances, as adjusted. This adjustment accomplishes those objectives and is consistent with the methodology approved by the Commission in the Company's previous rate cases.

Q. 47 Please explain Schedule H-18, Regulatory Amortizations.

A. 47 The Company made this adjustment in order to reflect the appropriate level of test year regulatory amortization expense. The test year regulatory amortization expense related to costs recovered through a surcharge is not requested for recovery in this proceeding. The result is a decrease of $4,159,387 and a decrease of $719,511 in Southern Nevada and Northern Nevada, respectively.

Q. 48 Please explain Schedule H-19, Variable Compensation Normalization.

A. 48 The Company is proposing recovery of a normalized level of variable compensation with the exception of the amount in this adjustment. Please see the testimony of Company witness Frederica Harvey for evidence supporting this position.

Q. 49 Please explain how the Company normalized variable compensation.

A. 49 The normalization of variable pay includes four components. First, the Company included a three-year average of the Performance Share Plan. Second, the

Company included a three-year average of the Restricted Stock Plan. Third, the Company included an amount for its Management Incentive Plan based on a three-year average of awarded percent of target on the test year salaries of eligible participants. Finally, the Company removed the amount related to the non-utility measure applicable to certain executives within these plans. This adjustment reduces test year recorded system allocable expenses by $350,370, of which $93,712 was allocated to Southern Nevada and $17,861 was allocated to Northern Nevada.

Q. 50 Please explain Schedule H-20, Company-Operated Aircraft.

A. 50 Adjustment No. 20 is a compliance adjustment in accordance with the Commission's decision in Docket Nos. 93-3003/3004. This adjustment removes all rate base and expense associated with the Company-operated aircraft. As a result, the net balance (less accumulated depreciation and deferred taxes) of plant related to the aircraft and hangar are removed from rate base. This adjustment reduces the requested rate base by $979,398 and $186,669 for Southern Nevada and Northern Nevada, respectively. This adjustment also removes operations and maintenance expenses associated with the aircraft. The expenses are replaced with the cost of comparable commercial aircraft flights that would have been incurred for the travel, based on prices existing around the end of the test year. This adjustment reduces test year expense by $183,567 in Southern Nevada and $34,987 in Northern Nevada.

Q. 51 Please explain Schedule H-21, Prepayments.

A. 51 Adjustment No. 21 impacts expense and includes certain test period expenses that have a service period of more than one year. This expense is normalized to reflect one year of expense and decreases Southern Nevada and Northern Nevada expense by $16,735 and $3,190, respectively.

Q. 52 Please explain Schedule H-22, Corporate Headquarters.

A. 52 This adjustment removes the Spring Mountain asset from rate base consistent with the Company's move to the new East Durango Office Building location discussed above and in the testimony of Company witness Brincefield. Additionally, the adjustment allocates 11% of the East Durango Office Building asset to Centuri (the Company's unregulated affiliate) consistent with the allocation methodology for HoldCo expenses allocated between Centuri and Southwest Gas. The adjustment decreases Southern Nevada and Northern Nevada rate base by $9,259,950 and $1,764,908, respectively.

Q. 53 Please explain Schedule H-23, OQ Badges.

A. 53 The Company agreed to forego recovery of $10,000 of expense related to Operator Qualification badging in Docket 19-03028. The Company proposes to amortize the remaining unamortized amount over two years. The adjustment decreases Southern Nevada and Northern Nevada expense by $1,050 and $200, respectively.

Q. 54 Please explain Schedule H-25, Remittance Processing and Print to Mail Assets.

A. 54 This adjustment adjusts rate base to properly account for the Company's decision to outsource its remittance processing and print to mail functions. The adjustment decreases Southern Nevada and Northern Nevada rate base by $72,572 and $13,832 respectively.

Q. 55 Please explain Schedule H-26, Miscellaneous Rate Base Adjustment.

A. 55 The Company has removed from rate base certain expenditures associated with various work orders identified by the Company in Docket No. 18-05031 and certain expenditures identified through its analyses. The adjustment decreases Southern Nevada and Northern Nevada rate base by $199,314 and $128,448 respectively.

Q. 56 Please explain Schedule H-27, Winnemucca Land and Mesquite Office Lease.

A. 56 This adjustment is necessary to properly account for two costs – one each that is specific to the Northern Nevada and Southern Nevada jurisdictions. The Company removed from rate base the cost of land purchased for a new facility in Winnemucca that was originally planned to be constructed and placed in service in 2021 but is not yet used and useful at this time. The adjustment decreases Northern Nevada rate base by $845,534. Separately, the Company entered into a new lease for facilities in Mesquite, Nevada. For ratemaking purposes, it is appropriate to annualize the lease payment. The adjustment increases Southern Nevada expense by $14,868.

Q. 57 Please explain Schedule H-28, Officer Perquisites.

A. 57 The Company is not seeking recovery of officer perquisites. The adjustment decreases Southern Nevada and Northern Nevada expense by $10,966 and $2,090, respectively.

Q. 58 Please explain Schedule H-29, COVID-19 Reg Asset.

A. 58 In its Emergency Order in Docket No. 20-03021, the Commission allowed the Company to establish a regulatory asset to track the cost of maintaining service to customers affected by the COVID-19 pandemic. The balance of the Company's regulatory asset as of May 31, 2021 is $6.6 million and is comprised of late payment charges suppressed from customer accounts. This adjustment amortizes the asset over two years consistent with the Company's demonstrated and anticipated general rate case cycle. The adjustment increases Southern Nevada and Northern Nevada expense by $2,903,079 and $387,829, respectively.

Company witness Michelle L. Ansani further discusses the suppressed late pay charges and other support offered to customers during the pandemic in her prepared direct testimony.

Q. 59 Please explain Schedule H-30 for Northern Nevada -- Spring Creek Projects.

A. 59 This adjustment removes from rate base the facilities associated with the Spring Creek installation in Northern Nevada. The Stipulation filed and Commission Order issued in Docket No. 19-06017 established separate and distinct rates for the Company's Northern Nevada, Elko District, and Spring Creek Expansion Area customers, therefore, Spring Creek Projects are removed from revenue requirement in this case. The adjustment decreases Northern Nevada rate base by $4,073,602.

Q. 60 Please explain Schedule H-30 for Southern Nevada -- In-Line-Inspection Normalization.

A. 60 This adjustment normalizes in-line-inspection expenses over four years consistent with the Order in Docket No. 20-02023. The adjustment increases Southern Nevada expense by $27,071.

V. CERTIFICATION PERIOD ADJUSTMENTS

Q. 61 Are you sponsoring any adjustments within the certification period ending November 30, 2021?

A. 61 Yes, I am sponsoring Adjustment Nos. C3 through C7 and C9 which are contained in Schedules H-C3 through H-C7 and H-C9. All certification period adjustments will be certified in Statement I.

Q. 62 Please describe Schedule H-C3, Regulatory Commission Expense (i.e. rate case expense).

A. 62 The Company's estimated rate case expense is $1,096,743. This amount includes expenses incurred after May 2020 from the Company's most recent general rate case together with expenses incurred through the certification period in this general rate case. Southwest Gas proposes to recover these amounts over two years, which is the expected length of the next rate case cycle. After allocation, this adjustment is expected to increase operating expense by $412,838 in Southern Nevada and $77,898 in Northern Nevada.

Q. 63 Please describe Schedule H-C4, Annualization of Depreciation and Amortization.

A. 63 This adjustment annualizes the change in depreciation and amortization expense based on plant added during the certification period at currently authorized depreciation rates, which is expected to increase operating expense by $2,444,651 in Southern Nevada and $553,635 in Northern Nevada.

Q. 64 Please describe Schedule H-C5, Rate Base and Property Tax Annualization.

A. 64 This adjustment accounts for the expected increases in rate base for the certification period and annualizes the property tax accordingly. This is expected to increase operating expense by $251,771 and $192,446 in Southern Nevada and Northern Nevada respectively. It is expected to increase rate base by $62,169,257 and $19,195,673 in Southern Nevada and Northern Nevada respectively.

Q. 65 Please describe Schedule H-C6, Regulatory Amortizations Adjustment.

A. 65 This adjustment is used to project the amortizations of regulatory assets, based on the beginning balances and four-year amortization cycle as ordered by the Commission in Docket 20-02023, through April 2022 which is the anticipated effective date of rates resulting from the instant docket. The regulatory amortizations were originally identified in this docket in Schedule H-18 described above. Beginning with April 2022, the Company is proposing a two-year amortization period, which is the expected length of the next rate case cycle. The total regulatory amortization adjustment is an increase in operating expenses of $529,070 for Southern Nevada and a decrease in operating expenses of $207,837 and Northern Nevada.

Q. 66 Please describe Schedule H-C7, Print to Mail Outsourcing.

A. 66 The Company made a rate base adjustment consistent with the decision to outsource its print to mail function in Schedule H-25 described above. The Company is proposing an adjustment for the related O&M expenses incurred during the certification period. This adjustment increases the Customer Accounts expense for Southern Nevada and Northern Nevada by $164,340 and $23,890 respectively.

Q. 67 Please explain Schedule H-C9, District 22 Reg Liability Amortization.

A. 67 The Commission, in its Order in Docket No. 20-02023, ordered the Company to accrue a $1.8 million regulatory liability related to historical mis-allocation of expenses in its District 22 which supports both Northern Nevada and Northern California. Consistent with the Order, $750,000 (amortized over four years) of the $1.8 million was imputed as a reduction to revenue requirement in that docket. The unamortized balance of that amount is included in Schedule H-C6 discussed above. This adjustment amortizes the remaining amount ($1,050,000 plus carrying charges) over two years. The adjustment decreases Northern Nevada expense by $580,776.

VI. STATEMENT G –TEST PERIOD RATE BASE

Q. 68 Please explain the Company's Statement G filed in this general rate case proceeding for the test period ended May 31, 2021.

A. 68 Statement G provides a summary of the rate base components comprising the investment Southwest Gas has made in the Southern Nevada and Northern Nevada rate jurisdictions through the test period ended May 31, 2021. The total investment or rate base as adjusted at May 31, 2021 is $1.479 billion and $169 million for the Southern Nevada and Northern Nevada rate jurisdictions, respectively. Details of the various rate base components are contained in Schedules G-1, G-2, G-3, G-4, G-5, and G-6.

Q. 69 Please describe Schedule G-1.

A. 69 The respective Southern Nevada and Northern Nevada Schedule G-1 consists of the following sheets:

- Sheet 1 is a summary of the cost of the Southern Nevada or Northern Nevada gas plant in service ("GPIS"), and the system allocable GPIS as recorded on the Company's books at May 31, 2021;
- Sheet 2 is a summary of the cost of the Southern Nevada or Northern Nevada GPIS, and the system allocable GPIS as adjusted at May 31, 2021;
- Sheets 5 and 6 provide supporting detail of the costs of the Southern Nevada or Northern Nevada GPIS, and the system allocable GPIS at the beginning and end of the test period, including any additions, retirements, transfers and adjustments that affected those balances;
- Sheets 7 and 8 reflect within test period adjustments to Southern Nevada or Northern Nevada, and system allocable plant; and
- Sheets 3, 4, 9, 10, 11, and 12 are related to the certification period ended November 30, 2021.

System allocable plant was allocated to the Southern Nevada and Northern Nevada rate jurisdictions based on the 4-Factor allocation percentage of 28.00

percent and 5.34 percent, respectively. The 4-Factor allocation percentages are shown on Statement N, Sheet 6.

Q. 70 Please describe Schedule G-2.

A. 70 Schedule G-2 consists of the following sheets:

- Sheet 1 is a summary of the Southern Nevada or Northern Nevada accumulated provision for depreciation and amortization ("AD&A"), and system allocable AD&A as recorded at May 31, 2021;
- Sheet 2 is a summary of the Southern Nevada or Northern Nevada AD&A, and system allocable AD&A as adjusted at May 31, 2021;
- Sheets 5 and 6 provide supporting detail of the beginning and ending balances of the AD&A for the test period for Southern Nevada or Northern Nevada, and system allocable. The supporting detail includes the annual provision for depreciation, salvage, cost of removal, retirements, transfers and adjustments that affected those balances;
- Sheets 7 and 8 reflect within test period adjustments to Southern Nevada or Northern Nevada, and system allocable plant; and
- Sheets 3, 4, 9, 10, 11, and 12 are related to the certification period ended November 30, 2021.

Q. 71 Please describe Schedule G-3.

A. 71 Schedule G-3 provides the current depreciation and amortization rates for Southern Nevada or Northern Nevada, and system allocable plant.

Q. 72 Please describe Schedule G-4.

A. 72 Schedule G-4, Sheet 1, provides the 13-month average balances of materials and supplies at May 31, 2021 in Southern Nevada or Northern Nevada. Schedule G-

4, Sheet 2, provides the system allocable 13-month average balances of materials and supplies. Schedule G-4, Sheets 3 and 4 are related to the certification period ended November 30, 2021.

Q. 73 Please describe Schedule G-5.

A. 73 Schedule G-5, Sheet 1, provides the results of the test period lead-lag study which is discussed in the testimony of Company witness Timothy Lyons. This includes a listing of the items included as other debits and credits. Most of the other debits and credits are calculated using a 13-month average balance. Schedule G-5, Sheet 2 is related to the certification period ended November 30, 2021.

Q. 74 Please describe Schedule G-6.

A. 74 Schedule G-6, Sheet 1, provides the 13-month average balances of customer advances for construction at May 31, 2021 for Southern Nevada or Northern Nevada. Schedule G-6, Sheet 2 is related to the certification period ended November 30, 2021.

VII. STATEMENT K - OPERATIONS AND MAINTENANCE EXPENSES

Q. 75 Please explain Statement K, Operations and Maintenance Expenses.

A. 75 Statement K shows the recorded O&M expenses separately for Southern Nevada and Northern Nevada. Statement K also shows a summary, by account, of adjustments for test year, certification, ECIC (even though the Company is not proposing any ECIC adjustments) and the requested O&M expenses. There is a separate Statement K for both Southern Nevada and Northern Nevada.

Q. 76 Please explain Schedule K-1.

A. 76 Schedule K-1 is a detailed schedule that shows the O&M and corporate A&G by functional category. The amounts are further separated into labor, labor-related loadings, and materials and expenses. There is a separate Schedule K-1 for both

Southern Nevada and Northern Nevada.

Q. 77 Please explain Schedule K-2.

A. 77 Schedule K-2 contains an analysis of each account that contains advertising costs. Details include a description of the service, the name of the firm providing the service, and whether or not the cost is being requested for recovery in this proceeding. The costs that Southwest Gas removed in compliance with Commission directives were discussed above in Adjustment No. 8. Southwest Gas included additional documentation in the workpapers supporting Schedule K-2 regarding advertising costs for which Southwest Gas is requesting recovery.

Q. 78 Please briefly explain or describe Schedules K-3 through K-7.

A. 78 Schedules K-3 through K-7 were compiled to satisfy the Commission's filing requirements as set forth in Chapter 703 of the Nevada Administrative Code. Each schedule depicts an itemized analysis of the amounts and cause for the expense. The expenses detailed in Schedules K-3 through K-7 include: outside services employed; employee pensions and benefits; regulatory commission expense; miscellaneous general expenses; and intercompany and interdepartmental transactions. There is a separate set of Schedules K-3 through K-7 for each rate jurisdiction.

VIII. STATEMENT L – DEPRECIATION AND AMORTIZATION EXPENSE

Q. 79 Please explain Statement L for the test period ended May 31, 2021.

A. 79 Statement L, Sheet 1 shows depreciable plant as of May 31, 2021 and depreciation and amortization expense recorded on the functional categories of plant during the test period for Southern Nevada or Northern Nevada, and system allocable. The effects of the test period adjustments are also reflected on this sheet. Statement L, Sheet 2 is related to the certification period ended November 30, 2021.

Q. 80 Please describe Schedule L-1.

A. 80 Schedule L-1, Sheets 1 and 2 show depreciation and amortization expense recorded by account during the test period for Southern Nevada or Northern Nevada, and system allocable. The effects of the test period adjustments are also reflected on these sheets.

IX. COST RESPONSIBILITY AND ALLOCATIONS

Q. 81 Briefly describe how costs associated with Southwest Gas' natural gas operations are treated in this application.

A. 81 Operating costs are incurred and capital investments are made at the Southern Nevada or Northern Nevada division levels and at the corporate level. Costs incurred at the division level are charged directly to the rate jurisdiction incurring them. Costs at the corporate level may be charged to one or more rate jurisdictions if the cost/activity was incurred on its behalf (i.e., "corporate direct" costs). In instances where corporate costs are beneficial to all of the Company's rate jurisdictions, or where the effort of tracking the jurisdictional allocation of the costs is not practical, such costs are allocated to all rate jurisdictions (i.e. "common" or "system allocable" costs).

Q. 82 What types of costs are considered system allocable costs?

A. 82 System allocable costs consist primarily of corporate A&G expenses, the costs associated with intangible plant (computer software and licenses), and general plant used to support the corporate administrative staff.

Q. 83 How does the Company allocate system allocable costs to Paiute Pipeline Company and Southwest Gas Transmission Company ("SGTC")?

A. 83 System allocable A&G expenses (except Account 924, Property Insurance) are first allocated to Paiute and SGTC using the MMF, a Federal Energy Regulatory

Commission-authorized methodology used by Southwest Gas. The MMF is calculated on Statement N, Sheet 8. Property insurance is allocated using an insurable property factor (WP Schedule H-10, Adjustment No. 10, Sheets 1-2). Paiute is also charged a rental fee for its use of system allocable intangible and general plant. System allocable costs that are allocated and charged to Paiute are transferred to and recorded on Paiute's books monthly, and to SGTC's books annually. Consequently, system allocable A&G expenses shown on Southwest Gas' books are net of the allocations to Paiute and SGTC. For this rate application, the MMF, and the insurable property factor were recalculated using end of test year data. The resulting pro forma adjustment is presented in Adjustment No. 10, which is discussed in further detail earlier in my testimony.

Q. 84 After system allocable costs are allocated to Paiute and SGTC, how are the remaining costs allocated to Southwest Gas' retail rate jurisdictions?

A. 84 Property insurance costs are allocated to each retail rate jurisdiction using the same insurable property factor discussed previously, and the remaining system allocable costs are allocated using the 4-Factor methodology described below.

Q. 85 Please explain the 4-Factor methodology utilized by Southwest Gas.

A. 85 The 4-Factor methodology is based on the average of four equally-weighted components: (a) direct operating expense; (b) average gross plant; (c) direct operating labor; and (d) average number of customers. The 4-Factor methodology has been accepted and approved by each of the Company's state regulatory commissions. Statement N, Sheet 6 provides the development of the 4-Factor percentages as of the end of the test year.

Q. 86 Please describe Statement N.

A. 86 Statement N provides an overall summary of revenues, expenses and rate base of the Company's ratemaking areas and jurisdictions. It also provides the calculations of the various allocation methodologies used for utility and non-utility operations, and the balance sheets and income statements for each of the Company's subsidiaries.

Q. 87 Please describe Schedule N-1.

A. 87 Schedule N-1 shows the labor and labor-related loadings or benefits that are charged to regulated and non-regulated operations of any Company employees who have directly charged labor to any non-regulated entity during the test year. The Company has modified the format of Schedule N-1 in an attempt to present the data more clearly. Page 2 of Schedule N-1 shows a summary of HoldCo charges allocated between Southwest Gas and Centuri.

X. STATEMENT P – RATEMAKING AND ACCOUNTING CHANGES

Q. 88 Please describe Statement P.

A. 88 Statement P provides a narrative description of changes in methodology and presentation of ratemaking items, as well as any changes in accounting methods, procedures, and/or allocations adopted by the Company since the test year in its most recent GRC. The Company is presenting Statement P in two sections. The first section (Section 1) describes various ratemaking changes that require disclosure and their impact on the cost of service and rate base. This section encompasses adjustments being proposed for the first time, and adjustments or positions that are different from those proposed or accepted in prior rate cases. Any revenue requirement impact is also disclosed. The second section (Section 2) addresses categories of expense or rate base considered and disallowed in the past. Any revenue requirement impact is also disclosed.

Q. 89 Please explain why the Company has not adjusted expenses for third-party damages that have been billed but not yet collected, as described in Section 2 of Schedule P.

A. 89 The Company utilizes accrual accounting methodology when accounting for billable third-party damages. When a billable third-party damage occurs, the Company generates an invoice to the party from which it seeks reimbursement. The accounting entry made at that time is a debit to accounts receivable and a credit to expense. When payment is received, the accounting entry is a debit to cash and credit to accounts receivable. Thus, the credit (reduction) to expense occurs in the same time period as the damage itself, ensuring compliance with the matching principle of accounting. Given that the credit to expense occurs at the time the invoice is created, an adjustment to reduce expense for billed but not yet collected invoices would inappropriately reduce expense twice for each billable third party damage and violate the matching principle of accounting.

XI. REVIEW OF HOLDCO ALLOCATION METHODOLOGY

Q. 90 Did the Company retain you to fulfill the directive in ordering paragraph 6 of the Commission's Order in Docket No. 20-02023 regarding the Company's allocation methodology for costs shared between Southwest Gas (the regulated utility) and HoldCo?

A. 90 Yes.

Q. 91 What specifically did the Order require?

A. 91 Ordering paragraph 6 states, among other things, that the Company must "provide a witness to support the allocation factor of Holding Company expenses to SWG".

Q. 92 Do you believe that the Company's HoldCo allocation methodology is reasonable and appropriate as it is being applied?

A. 92 Yes. The Company continues to use the same methodology for allocating HoldCo costs between Southwest Gas and Centuri that was presented and approved by the Commission for the purpose of setting rates in Docket No. 20-02023. Given the unique organizational structure of HoldCo and the significant differences in the business models of its two business segments (regulated utility and unregulated infrastructure services contractor), I believe that the Company's current methodology is a reasonable approach and has been applied consistently in this case.

XII. CONCLUSION

Q. 93 Does this conclude your prepared direct testimony?

A. 93 Yes.

Summary

Greg Waller is a Director with ScottMadden with more than 25 years of combined experience in the energy utility industry and management consulting. Mr. Waller's experience includes rate and regulatory strategy and support, testimony preparation, settlement negotiation and alternative ratemaking mechanisms. Prior to joining ScottMadden, Mr. Waller spent 16 years in senior positions at Atmos Energy Corporation as Vice President of Finance for a multi-state operating division and as Manager of Rates and Regulatory Affairs. He has sponsored testimony before six state regulatory commissions and authored alternative ratemaking mechanisms in five states. Mr. Waller holds a B.A. in Economics from Dartmouth College and an M.B.A. from the University of Texas at Austin.

Areas of Specialization

- Regulated utilities
- Regulatory strategy and rate case support
- Revenue requirements
- Testimony preparation, expert witness, settlement negotiation
- Natural gas
- Alternative ratemaking mechanisms and tariffs
- Regulatory lag reduction

Recent Assignments

- Negotiated significant modifications to Atmos Energy's Annual Review Mechanism (ARM) in Tennessee including transitioning the mechanism from an annual forward looking filing with a comprehensive annual reconciliation to a single annual filing with an historic test year coupled with deferred accounting treatment that maintained the zero regulatory lag feature of the mechanism. Served as the Company's primary witness in all filings made pursuant to the original ARM tariff authored in 2014
- Managed three comprehensive general rate cases in the span of four years in Atmos Energy's Kentucky jurisdiction and witnessed revenue requirements in each. Also filed annual pipe replacement program (PRP) filings for recovery of safety related infrastructure investment. Co-authored PRP tariff in 2009
- Managed a general rate case in Virginia required by the Tax Cuts and Jobs Act of 2017 (TCJA). Followed the case with a petition for Atmos Energy's second Steps to Advance Virginia's Energy (SAVE) filing for recovery of safety related infrastructure investment
- Managed Atmos Energy's comprehensive annual mechanism filings in Louisiana including a petition for adding deferred accounting treatment for system integrity investment to the tariffs in 2013
- Actively involved in incorporating and addressing the rate impacts of the Tax Cuts and Jobs Act of 2017 into rates in five states
- Participated on the team responsible for disposition of four state jurisdictions including negotiations to secure state regulatory approvals. Led the financial transition team and participated in transitional services agreement negotiations
- Served on the vendor selection team and as the project controller for Atmos Energy's $79 million billing system conversion including defending its prudency to regulators
- Led the financial integration of two formally independent operating divisions
- Participated on the due diligence team for Atmos Energy's acquisition of TXU gas assets. Facilitated key integration aspects related to organization, staffing and financial processes

Sponsor	Date	Docket/Case No.	Subject
Regulatory Commission of Alaska			
Cook Inlet Natural Gas Storage Alaska	2020	U-20-012	Annual Mechanism and Formula Rate Plan
Georgia Public Service Commission			
Atmos Energy Corporation	2012	36278	Sale of jurisdiction to Liberty Energy
Atmos Energy Corporation	2012	34734	GRAM (annual mechanism) filing
Atmos Energy Corporation	2011	34734	Application for Georgia Rate Adjustment Mechanism ("GRAM") annual mech.
Atmos Energy Corporation	2009	30442	General Rate Case; Operating expense forecast and budgeting process
Atmos Energy Corporation	2009	29554	Gas Supply Plan; Potential sale of LNG facility
Atmos Energy Corporation	2008	27163	General rate case; Operating expense forecast and budgeting process
Kentucky Public Service Commission			
Atmos Energy Corporation	2019	2019-00253	Annual Pipe Replacement Program (PRP) filing
Atmos Energy Corporation	2018	2018-00281	General rate case
Atmos Energy Corporation	2017	2017-00308	Annual Pipe Replacement Program (PRP) filing
Atmos Energy Corporation	2017	2017-00349	General rate case and petition for Annual Rate Review Mechanism
Atmos Energy Corporation	2016	2016-00262	Annual Pipe Replacement Program (PRP) filing
Atmos Energy Corporation	2015	2015-00272	Annual Pipe Replacement Program (PRP) filing
Atmos Energy Corporation	2015	2015-00343	General rate case
Atmos Energy Corporation	2014	2014-00274	Annual Pipe Replacement Program (PRP) filing
Atmos Energy Corporation	2013	2013-00148	General rate case
Atmos Energy Corporation	2013	2013-00304	Annual Pipe Replacement Program (PRP) filing
Atmos Energy Corporation	2009	2009-00354	General rate case and petition for annual infrastructure (PRP) mechanism
Atmos Energy Corporation	2006	2006-00464	General rate case
Louisiana Public Service Commission			
Atmos Energy Corporation	2019	U-35153	LA Gas Service (LGS) Rate Stabilization (RSC) Filing
Atmos Energy Corporation	2019	U-35106	Trans LA (TLA) Rate Stabilization (RSC) Filing
Atmos Energy Corporation	2018	U-34803	LA Gas Service (LGS) Rate Stabilization (RSC) Filing
Atmos Energy Corporation	2018	U-34714	Trans LA (TLA) Rate Stabilization (RSC) Filing
Atmos Energy Corporation	2017	U-34424	LA Gas Service (LGS) Rate Stabilization (RSC) Filing
Atmos Energy Corporation	2017	U-34343	Trans LA (TLA) Rate Stabilization (RSC) Filing
Atmos Energy Corporation	2016	U-34028	LA Gas Service (LGS) Rate Stabilization (RSC) Filing
Atmos Energy Corporation	2016	U-33925	Trans LA (TLA) Rate Stabilization (RSC) Filing
Atmos Energy Corporation	2015	U-28814	LA Gas Service (LGS) Rate Stabilization (RSC) Filing
Atmos Energy Corporation	2015	U-32987	Trans LA (TLA) Rate Stabilization (RSC) Filing
Atmos Energy Corporation	2014	U-28814	LA Gas Service (LGS) Rate Stabilization (RSC) Filing

Sponsor	Date	Docket/Case No.	Subject
Atmos Energy Corporation	2014	U-32987	Trans LA (TLA) Rate Stabilization (RSC) Filing
Atmos Energy Corporation	2013	U-32987	Application for modification of RSC tariffs (establish system integrity program)
Atmos Energy Corporation	2013	U-28814	LA Gas Service (LGS) Rate Stabilization (RSC) Filing
Atmos Energy Corporation	2013	U-28814	Trans LA (TLA) Rate Stabilization (RSC) Filing
Mississippi Public Service Commission			
Atmos Energy Corporation	2019	2005-UN-0503	Annual Stable Rate Filing
Atmos Energy Corporation	2019	2015-UN-049	System Integrity Rider
Atmos Energy Corporation	2018	2005-UN-0503	Annual Stable Rate Filing; eliminate earnings band
Atmos Energy Corporation	2018	2015-UN-049	System Integrity Rider
Atmos Energy Corporation	2017	2005-UN-0503	Annual Stable Rate Filing; narrow earnings band; actual capital structure
Atmos Energy Corporation	2017	2015-UN-049	System Integrity Rider
Atmos Energy Corporation	2016	2005-UN-0503	Annual Stable Rate Filing
Atmos Energy Corporation	2016	2015-UN-049	System Integrity Rider
Atmos Energy Corporation	2015	2005-UN-0503	Annual Stable Rate Filing
Atmos Energy Corporation	2015	2015-UN-049	Application for System Integrity Rider
Atmos Energy Corporation	2014	2005-UN-0503	Annual Stable Rate Filing
Atmos Energy Corporation	2013	2005-UN-0503	Annual Stable Rate Filing; ROE improvement
Public Utilities Commission of Nevada			
Southwest Gas Corporation	2020	20-02023	Revenue Requirements
Tennessee Public Utility Commission			
Atmos Energy Corporation	2019	19-00018	Annual Review Filing
Atmos Energy Corporation	2019	19-00076	Annual Review Reconciliation
Atmos Energy Corporation	2018	18-00067	Annual Review Filing
Atmos Energy Corporation	2018	18-00097	Annual Review Reconciliation
Atmos Energy Corporation	2018	18-00034	Impact of Tax Cuts and Jobs Act
Atmos Energy Corporation	2018	18-00112	Investigation into possible modifications to Annual Review mechanism
Atmos Energy Corporation	2017	17-00012	Annual Review Filing
Atmos Energy Corporation	2017	17-00091	Annual Review Reconciliation
Atmos Energy Corporation	2016	16-00013	Annual Review Filing
Atmos Energy Corporation	2016	16-00105	Annual Review Reconciliation
Atmos Energy Corporation	2014	14-00081	Petition for Annual Rate Review Mechanism
Atmos Energy Corporation	2014	14-00146	General rate case and petition for Annual Rate Review Mechanism
Atmos Energy Corporation	2012	12-00064	General rate case
Atmos Energy Corporation	2008	08-00197	General rate case
Atmos Energy Corporation	2007	07-00105	General rate case
Atmos Energy Corporation	2007	07-00081	Environmental cost recovery rider
Atmos Energy Corporation	2006	05-00258	Show Cause initiated by Tennessee Regulatory Authority

Sponsor	Date	Docket/Case No.	Subject
Virginia State Corporation Commission			
Atmos Energy Corporation	2019	2019-00010	Annual Information Filing (AIF)
Atmos Energy Corporation	2019	2019-00054	Application for second SAVE plan (safety infrastructure rider)
Atmos Energy Corporation	2018	2018-00014	General rate case
Atmos Energy Corporation	2017	2017-00009	Annual Information Filing (AIF)
Atmos Energy Corporation	2017	2017-00081	SAVE (safety infrastructure rider) filing
Atmos Energy Corporation	2016	2015-00119	Expedited rate case
Atmos Energy Corporation	2016	2016-00057	SAVE (safety infrastructure rider) filing
Atmos Energy Corporation	2015	2015-00002	Annual Information Filing (AIF)
Atmos Energy Corporation	2015	2015-00064	SAVE (safety infrastructure rider) filing
Atmos Energy Corporation	2014	2013-00124	Expedited rate case
Atmos Energy Corporation	2014	2014-00044	SAVE (safety infrastructure rider) filing
Atmos Energy Corporation	2013	2013-00006	Annual Information Filing (AIF)
Atmos Energy Corporation	2013	2013-00068	SAVE (safety infrastructure rider) filing
Atmos Energy Corporation	2008	2008-00007	Expedited rate case

AFFIRMATION

STATE OF TEXAS)

: ss.

COUNTY OF DENTON)

Gregory K. Waller being first duly sworn, deposes and says:

That I am the person identified in the Prepared Direct Testimony, and the exhibits applicable to my testimony; that such testimony and exhibits were prepared by me or under my direction; that the answers and information set forth therein are true to the best of my own knowledge and belief.

TONIA WALLER
Notary Public, State of Texas
Comm. Expires 08-19-2024
Notary ID 132632249

Gregory K. Waller

Signed and sworn to before me on
this 24th day of August, 2021.

Notary Public