

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Paiute Pipeline Company

)
) Docket No. RP09-____-000
)

Prepared Direct Testimony
of
LISA MOSES

INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is Lisa Moses, and my business address is
5241 Spring Mountain Road, Las Vegas, Nevada 89150.

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

A. 2 I am employed by Southwest Gas Corporation (Southwest)
as Director/Tax.

Q. 3 Does Appendix A summarize your educational background
and business experience?

A. 3 Yes, it does.

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

A. 4 Yes, I have previously presented written testimony to
the Federal Energy Regulatory Commission (FERC) and
the Public Utilities Commission of Nevada, and oral
and written testimony to the California Public
Utilities Commission and the Arizona Corporate
Commission.

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

3 A. 5 I am submitting testimony on behalf of Southwest's
4 wholly-owned subsidiary, Paiute Pipeline Company
5 (Paiute). I am specifically testifying in support of
6 the following material which has been submitted by
7 Paiute as part of its rate filing in this proceeding:

8	<u>Statement/Schedule</u>	<u>Description</u>
9		
10	Schedule B-1 (1)	Accumulated Deferred Income Taxes-
11		Monthly Book Balances
12	Schedule B-1 (2)	Accumulated Deferred Income Taxes-
13		Plant Related
14	Statement H-3	Income Taxes
15	Statement H-4	Other Taxes

16 Q. 6 Were the statements and schedules that you are
17 sponsoring in this proceeding prepared by you or under
18 your direction?

19 A. 6 Yes.

20 Q. 7 How is your testimony on taxes organized?

21 A. 7 The testimony is organized to explain Paiute's
22 computation of allowances for federal income taxes, to
23 support accumulated deferred income tax schedules, to
24 explain the continuation of the South Georgia
25 amortization, to support the Average Rate Assumption
26 Method (ARAM) annual amortization, to describe the

27

balance in the regulatory asset account related to unfunded deferred tax liability, and to describe the computation of Nevada property taxes applicable to Paiute.

INCOME TAXES

Q. 8 Please Describe Statement H-3.

A. 8 Paiute computes the income tax component of its cost-of-service by using tax normalization for all transactions. Statement H-3, Income Taxes, has been prepared as prescribed in Sections 154.305 and 154.312(m) of the Commission's Regulations to detail the computation of the allowance for federal income taxes for the test period, based on a 35 percent income tax rate. The total federal income tax provision on Statement H-3, Sheet 1 includes total tax expense including current and deferred taxes, the South Georgia Amortization for the Unfunded Federal Income Tax Liability, and the ARAM amortization.

Q. 9 Has Statement H-3, Sheet 1 been prepared in the same manner as in the prior rate proceeding?

A. 9 The presentation of this statement has been modified in format only from the prior submissions in order to be more consistent with the format utilized by the FERC auditors to verify the tax computation in the last rate proceeding.

Q. 10 Please describe Statement H-3, Sheet 2.

A. 10 Sheet 2 provides a revised amount for the annual

1 amortization amount allowed for the funding of the
2 Unfunded Federal Income Tax Liability related to Pre-
3 81 Plant (plant placed in service prior to 1981) and
4 the ARAM amortization.

5 Q. 11 How is the South Georgia Amortization computed?

6 A. 11 The South Georgia Amortization of \$144,366 (Statement
7 H-3, Sheet 2, line 13, column (d)) is arrived at by,
8 first, identifying the gross unfunded tax deficiency
9 at November 30, 2008 for the Pre-81 Plant, and then,
10 dividing this amount by the estimated remaining book
11 life of Pre-81 Plant.

12 Q. 12 Why is an adjustment for the turnaround of excess
13 deferred taxes necessary?

14 A. 12 The Tax Reform Act of 1986 (TRA86) reduced corporate
15 federal income tax rates to 40 percent in 1987 and
16 34 percent thereafter. Tax rates were subsequently
17 increased to 35 percent effective January 1, 1993.
18 Section 203 (e) of TRA86 provided specific guidelines
19 to be used by public utilities in regard to the tax
20 rate decreases. As of 1986, utilities had built into
21 their rates normalized income taxes at a rate of 46
22 percent. This meant that the income tax that they had
23 been collecting from ratepayers not only could be
24 reduced, but also a reduction could be made to the
25 deferred federal income taxes in excess of the amount
26 needed at the new lower rates.

1 Q. 13 What limitations did Section 203(e) of TRA86 place on
2 utilities with respect to excess deferred taxes?

3 A. 13 Section 203(e) specified that excess deferred taxes
4 could not be refunded to utility ratepayers more
5 rapidly or to a greater extent than the deferred taxes
6 actually turning around on the plant which gave rise
7 to the excess. Deferred taxes built up in years
8 during which the accelerated depreciation deduction
9 for tax purposes is greater than depreciation expense
10 for financial accounting (book) purposes. At the
11 point when depreciation expense for financial
12 accounting purposes exceeds tax depreciation
13 (approximately mid-way through the asset's economic
14 life), the deferred taxes begin to turn around (i.e.,
15 the balance of deferred income taxes is reduced equal
16 to the tax effect of the excess of financial
17 accounting depreciation over tax depreciation). The
18 ARAM method requires that "excess" deferred taxes,
19 newly created because the tax reserves that were built
20 at 46 percent can now be calculated at 35 percent, may
21 only flow back to ratepayers over the same time period
22 that deferred taxes normally turn around.

23 Q. 14 How does the ARAM method calculate the flow back of
24 excess deferred taxes?

25 A. 14 The ARAM calculation consists of two-parts: (1) the
26 utility calculates the ratio of aggregate deferred
27 taxes for the property to the aggregate timing

1 differences for the property; and (2) the percentage
2 ratio calculated in (1) is multiplied against the
3 amount of timing differences turning around during the
4 year.

5 Q. 15 What is the amount of the ARAM adjustment calculated
6 by the Company for this rate case?

7 A. 15 As calculated on statement H-3, sheet 3 the ARAM
8 adjustment is <\$7,943>.

9 Q. 16 Has the Commission adopted the South Georgia method of
10 funding unfunded deferred tax liabilities and the ARAM
11 method of flowing back excess deferred taxes with
12 respect to Paiute?

13 A. 16 Yes. In the Stipulation and Agreement in Settlement
14 of Rate Proceeding with respect to Docket Nos. RP05-
15 163 and RP96-306 the Commission adopts the South
16 Georgia and ARAM methods with respect to Paiute.

17 Q. 17 Is there a relationship between the regulatory asset
18 presented on Schedule B-2, sheet 1 and net unfunded
19 deferred taxes presented on statement H-3, sheet 3,
20 line 21, column (j)?

21 A. 17 Yes. The regulatory asset represents the net tax
22 deficiency including taxes on the deficiency (i.e.,
23 the grossed-up amount).

24 Q. 18 Please explain Schedules B-1(1) and B-1(2) and
25 Adjustment No. 1.

26 Q. 18 As required by Section 154.312(b) (1) of the
27 Commission's Regulations, Schedule B-1 (1) provides

1 monthly book balances of accumulated deferred income
2 taxes for each of the twelve months in the base
3 period, as adjusted. Adjustment No. 1 is required to
4 project activity in the deferred taxes related to
5 existing plant as of the end of the base period, along
6 with deferred taxes related to plant additions
7 expected to be placed in service and closed to plant
8 during the test period. For informational purposes,
9 Account 283, Accumulated Deferred Income Taxes -
10 Other, for non-plant related balances have also been
11 provided. Schedule B-1(2) provides functionalized
12 deferred tax balances at November 30, 2008, as
13 adjusted, in Account 282, Accumulated Deferred Income
14 Taxes, for all plant related accounts included in rate
15 base. In addition Adjustment No. 1 removes deferred
16 taxes related to plant amounts removed in excess of
17 amounts allowed pursuant to the agreement with Lake
18 Tahoe shippers.

19 Q. 19 Explain the need for the allocation factors in the
20 computation of Deferred Income Taxes, Schedule B-1(2).

21 A. 19 In order to functionalize Account 282, the intangible
22 and general plant deferred tax balances have been
23 allocated to storage and transmission gas plant. The
24 allocation factors are shown on Schedule I-1(d), Sheet
25 9.

26 Q. 20 Explain Schedule H-3(2).
27

1 A. 20 Schedule H-3(2) provides the computation of the
2 reconciliation between book depreciable plant and tax
3 depreciable plant and accumulated provision for
4 deferred income taxes at December 31, 2007.

5 **OTHER TAXES**

6 Q. 21 Explain Statement H-4.

7 A. 21 Statement H-4 provides taxes other than income taxes
8 for the twelve months ended November 30, 2008. Column
9 (d) of this schedule identifies the amount of
10 Adjustment No. 17 for Property Taxes proposed in this
11 rate case and computed on Schedule H-4, Sheet 1. The
12 amounts on Statement H-4 are reasonable and are based
13 upon actual expenses incurred during the base period
14 as adjusted for plant additions through the end of the
15 test period.

16 Q. 22 Explain Schedule H-4 and Adjustment No. 17 for
17 Property Taxes.

18 A. 22 Schedule H-4, Sheet 1 computes Adjustment No. 17 by
19 comparing recorded property tax expense with
20 forecasted Annualized Property Taxes for the test
21 period. The difference, Column (h), provides a
22 projected increase in the total level of property
23 taxes allocated to Paiute by Southwest.

24 Q. 23 Does this conclude your prepared direct testimony?

25 A. 23 Yes, it does.
26
27

APPENDIX A
SUMMARY OF QUALIFICATIONS
LISA E. MOSES

I am a graduate of the University of California at Los Angeles having received a Bachelor of Arts degree in Economics/Business in 1987. In 1991, I earned a Masters in Business Taxation from the University of Southern California.


In 1987, I joined the tax department of Deloitte and Touche LLP (formerly Deloitte, Haskins & Sells) in Los Angeles. In 1989, I transferred to the Long Beach office. In 1992, I joined the Las Vegas office, and was promoted to Manager in 1993 and to Senior Manager in 1995. I have been licensed as a Certified Public Accountant by the State of California since 1990 and have been a member of the American Institute of Certified Public Accountants since that year. In 1993, I was also licensed by the State of Nevada.

In 1996 I joined Southwest as Director/Tax. I am responsible for all phases of Southwest'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.

AFFIDAVIT OF LISA E. MOSES

LAS VEGAS, NV)

Lisa E. Moses, being duly sworn, deposes and says:
that she has read and is familiar with the contents of the
foregoing "Prepared Direct Testimony of Lisa E. Moses";
that if asked the questions contained in said prepared
direct testimony, the answers and responses thereto would
be as shown in said testimony; that the facts contained in
said answers are true to the best of her knowledge,
information and belief; and that she adopts these matters
as her own.



Lisa E. Moses

SUBSCRIBED AND SWORN TO BEFORE ME on this 23rd day
of February 2009.



Notary Public

