

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Paiute Pipeline Company

)
) Docket No. RP09-____-000
)

Prepared Direct Testimony
of
EDWARD B. GIESEKING

INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is Edward B. Giesecking. My business address is
5241 Spring Mountain Road, Las Vegas, Nevada 89150-0002.

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

A. 2 I am employed by Southwest Gas Corporation (Southwest) in
the Pricing and Tariffs Department as Director/Pricing
and Tariffs.

Q. 3 On whose behalf are you testifying in this proceeding?

A. 3 I am testifying on behalf of Paiute Pipeline Company
(Paiute), a subsidiary of Southwest.

Q. 4 Does Appendix A summarize your educational background and
business experience?

A. 4 Yes, it does.

Q. 5 What is the nature of your present responsibilities and
duties with Southwest?

A. 5 I report to the Vice President/Pricing and I am
responsible for the development of rate design proposals
for Southwest and Paiute.

1 Q. 6 Have you previously testified before any regulatory
2 commission?

3 A. 6 Yes, I have testified before the Public Utilities
4 Commission of Nevada, the Arizona Corporation Commission,
5 and the California Public Utilities Commission. I also
6 submitted testimony before this Commission in Paiute's
7 previous general rate case proceeding in Docket No. RP05-
8 163.

9 Q. 7 What is the subject matter of your prepared direct
10 testimony in this proceeding?

11 A. 7 I am presenting testimony in support of the following
12 statements and schedules submitted by Paiute as part of
13 this rate application:

<u>Statement/ Schedule No.</u>	<u>Description</u>
Statement G Schedules G-1, G-2, G-3, G-4, G-5, and G-6	Transportation and Storage Revenues, Credits, Billing Determinants and Volumes at Present and Proposed Rates; Base and Test Periods
Statement I Schedules I-1, I-1(a), I-1(b), I-1(c), I-2, I-3, I-4 and I-5	Functionalization, Classification and Allocation of the Cost of Service
Statement J Schedules J-1 and J-2	Comparison and Reconciliation of Estimated Operating Revenues with the Cost of Service; Billing Determinants and Derivation of Rates

24 Q. 8 Were these statements and schedules identified in the
25 table above prepared by you or under your supervision?

26 A. 8 Yes.
27

1 **REVENUES, CREDITS AND BILLING DETERMINANTS**

2 Q. 9 Please describe Statement G.

3 A. 9 Statement G is a summary of Paiute's transportation and
4 storage activity for the base period and for the base
5 period as adjusted (test period). Paiute utilized the
6 12 months ended November 30, 2008 for the base period.
7 Adjustments to the base period activity were made to
8 arrive at the adjusted test period amounts for the
9 12 months ended August 31, 2009. A summary of the
10 adjustments to base period revenue is presented in
11 Statement G as Adjustment No. 6, which reflects a
12 (\$260,381) adjustment to base period revenue of
13 \$30,979,098.

14 Q. 10 What adjustments were made to base period revenues,
15 billing determinants and deliveries?

16 A. 10 Since ACA Charge revenue does not represent operating
17 revenue to Paiute, it was removed from both firm and
18 interruptible transportation revenues. Witness Mark A.
19 Litwin supports the corresponding expense adjustment
20 related to the ACA Charge.

21 Rate Schedule IT-1 deliveries were adjusted to
22 reflect expected interruptible transportation deliveries
23 at the maximum tariff rate during the test period.

24 Q. 11 What are the circumstances that warrant an adjustment to
25 base period interruptible transportation deliveries?

26 A. 11 Virtually all of Paiute's interruptible transportation
27 volumes, since late 1996, have flowed at a discounted

1 rate. During the summer there is abundant unused capacity
2 on Paiute's system, providing shippers with the
3 opportunity to obtain released capacity at heavily
4 discounted rates.

5 Thus, the only interruptible transportation gas
6 that Paiute expects to flow on its system at the maximum
7 tariff rate would be volumes that shippers would flow in
8 winter months. Accordingly, Rate Schedule IT-1 deliveries
9 were adjusted to eliminate the interruptible shippers'
10 summer volumes.

11 Q. 12 Please describe Schedule G-1.

12 A. 12 Sheets 1-4 of Schedule G-1 show the recorded base period
13 revenues for all customers by month by customer, and is
14 organized by rate schedule. Paiute does not have, and
15 never has had, any firm transportation service agreements
16 with a primary term of less than one year, so there is no
17 separate schedule showing short-term firm contracts.

18 Sheet 5 of Schedule G-1 includes the detailed
19 capacity release credits collected by Paiute on behalf of
20 its firm shippers. These amounts were credited to the
21 shippers on monthly invoices for service during the base
22 period and do not represent additional revenue to Paiute.

23 Sheets 6-8 of Schedule G-1 show the base period
24 deliveries and billing determinants by shipper by month
25 for all rate schedules.

26 Q. 13 Please describe Schedule G-2.

27 A. 13 Sheets 1-4 of Schedule G-2 include the revenues by

1 shipper by month for each rate schedule at present rates
2 for the test period. Sheets 5-9 show the test period
3 deliveries and billing determinants by shipper by month
4 for all rate schedules. Sheets 10-13 show the test period
5 revenues by shipper by month for all rate schedules at
6 proposed rates as developed in Schedule J-2.

7 Q. 14 Please describe Schedule G-3.

8 A. 14 Schedule G-3 includes the detailed support for each
9 adjustment to billing determinants. The adjustments were
10 discussed earlier in my testimony.

11 Q. 15 Please describe Schedules G-4 and G-5.

12 A. 15 Schedule G-4 identifies at-risk revenue. Paiute has no
13 at-risk revenue since none of its facilities were
14 authorized for construction under at-risk conditions.
15 Schedule G-5 identifies other revenues. Paiute has no
16 other revenues.

17 Q. 16 Please describe Schedule G-6.

18 A. 16 Schedule G-6 identifies miscellaneous revenues such as
19 penalties. Although Paiute's tariff does contain certain
20 penalty provisions, 100 percent of all net penalty
21 revenues are either credited to shippers pursuant to
22 Section 5.4(c) of the General Terms and Conditions of the
23 tariff or retained by Paiute to reimburse Paiute for
24 penalty payments made by Paiute to upstream pipelines.

25 **FUNCTIONALIZATION, CLASSIFICATION AND ALLOCATION OF THE COST OF**
26 **SERVICE**

27 Q. 17 Please describe the functionalization of Paiute's cost of

1 service.

2 A. 17 Of Paiute's overall cost of service of approximately
3 \$34.6 million, \$6.9 million is associated with the
4 storage function and \$27.7 million is associated with the
5 transmission function. Schedule I-1(a) contains the
6 functionalized cost of service; Schedule I-1 contains the
7 overall summary cost of service.

8 The separation of the functionalized cost of
9 service for incremental and non-incremental transmission
10 facilities is shown in Schedule I-1(b). The cost of
11 service associated with incremental and non-incremental
12 facilities is \$3.2 million and \$24.5 million,
13 respectively.

14 Since its inception, Paiute has employed a single
15 transportation rate zone and a postage stamp rate for all
16 of its transportation services. Since Paiute is not
17 proposing a zone rate methodology in this filing,
18 Schedule I-1(c) is not applicable. Witness Mark A. Litwin
19 supports the development of the allocations contained in
20 Schedule I-1(d).

21 Q. 18 How are Paiute's costs of service classified?

22 A. 18 Consistent with the classification methodology used in
23 the development of Paiute's currently effective rates,
24 Paiute's proposed transmission and storage costs of
25 service are classified as fixed.

26 Q. 19 Please describe the allocation of Paiute's cost of
27 service.

1 A. 19 As previously explained, Paiute does not propose any
2 changes to its single zone postage stamp rates.
3 Consistent with the existing rate design, Paiute employs
4 the billing determinants for each firm shipper as the
5 basis for cost allocation for customers served under Rate
6 Schedules FT-1 and LGS-1. To allocate costs between Rate
7 Schedule FT-1 and Rate Schedule IT-1, Paiute developed a
8 100 percent load factor billing determinant for Rate
9 Schedule IT-1 based on the test period deliveries. The
10 allocation of costs between the two transportation rate
11 schedules is a function of the proportional billing
12 determinant relationship. The calculation is provided in
13 Schedule I-3.

14 Q. 20 Please describe Schedules I-4 and I-5.

15 A. 20 Schedule I-4 would contain transactional information for
16 amounts paid to others for the compression and
17 transmission of gas and Schedule I-5 pertains to monthly
18 gas balance information. Paiute does not own any upstream
19 pipeline capacity so there are no expenses recorded in
20 Account 858, and Paiute does not own any gas (except LNG
21 cushion gas) and therefore has no gas balance.
22 Subsequently, neither of these schedules applies to
23 Paiute.

24 Paiute's shippers provide compressor fuel and
25 shrinkage on an in-kind basis, based on factors that
26 adjust monthly. Paiute is proposing to continue its
27 current in-kind fuel reimbursement practice.

PROPOSED OPERATING REVENUES, BILLING DETERMINANTS AND DERIVATION
OF RATES

Q. 21 Please describe Statement J.

A. 21 Statement J contains the comparison and reconciliation of estimated operating revenues by rate schedule with the proposed cost of service of \$34.6 million. Paiute's proposed rates are designed to recover 100 percent of its cost of service.

Q. 22 Please describe Schedule J-1.

A. 22 Schedule J-1 includes a summary of billing determinants used to derive rates. The imputed annual billing determinant for Rate Schedule IT-1 reflects a 100 percent load factor. This calculation is based on the estimated annual volume for the test period divided by 365, then multiplied by 12.

Q. 23 How are the proposed rates derived?

A. 23 Paiute has utilized a postage stamp rate since its inception and proposes in this application to continue this rate design methodology. As mentioned earlier in my testimony, Paiute has classified its entire cost of service as fixed and Paiute's current straight fixed variable rate design allocates no cost to usage charges.

Rates for Rate Schedules FT-1 and IT-1 are developed by dividing the functionalized cost of service by the appropriate annual billing determinant.

Paiute is proposing that firm transportation service for certain expansion facilities be priced in

1 accordance with the incremental rate treatment granted in
2 each project's certificate order, and that none of the
3 expansion facilities receive rolled-in rate treatment,
4 except in one limited instance. In the settlement
5 approved in Paiute's previous rate case proceeding,
6 Paiute and the parties agreed, for ratemaking purposes,
7 to split the cost of service and the billing determinants
8 associated with the Carson Lateral Incremental Facilities
9 Surcharge. One-half of the cost of service and the
10 billing determinants was assigned to the incremental
11 rate, and the remainder was rolled in to the general
12 systemwide rate. Paiute is proposing that the same
13 treatment be continued here for the Carson Lateral
14 incremental facilities' cost.

15 Rates for Rate Schedule LGS-1 are calculated using
16 the same cost allocation and SFV rate design that was
17 utilized in the development of current rates. The Rate
18 for service under Rate Schedule LGS-2 is calculated using
19 the 100 percent load factor equivalent of the Rate
20 Schedule LGS-1 rates methodology, used in the development
21 of the current rate.

22 Calculations for Paiute's transportation and
23 storage rates are set forth in Schedule J-2.

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

25 A. 24 Yes, it does.

APPENDIX A
SUMMARY OF QUALIFICATIONS
EDWARD B. GIESEKING

I graduated from Sonoma State University in 1985 with a Bachelor of Arts degree in Business Management and from the New Mexico State University in 1993 with a Master of Arts degree in Regulatory Economics.

From 1983 through 1993, I was employed by Pacific Gas and Electric Company in various capacities, including the position of Regulatory Analyst in the Revenue Requirements and Rates departments. My responsibilities as a Regulatory Analyst primarily involved the development of pricing structures and supporting rate requests before the California Public Utilities Commission.

In 1993, I began my career with Southwest as a Specialist in the Rates department. I was assigned responsibility for monitoring and participating in California regulatory activity and reporting impacts to Company management. In 1995 I was promoted to Senior Specialist in the Regulatory Affairs department and subsequently promoted to Manager of the department in 1998. In addition to the day-to-day management of the department, my responsibilities included the supervision of regulatory filings to ensure timely and accurate submittals, and serving as the Company liaison with state regulatory agency and state consumer advocate

professionals.

In August 2002, I was promoted to the position of Senior Manager of the Pricing and Tariffs department and in July 2003 was promoted to my current position.

AFFIDAVIT OF EDWARD B. GIESEKING

LAS VEGAS, NV)

Edward B. Giesecking, being duly sworn, deposes and says: that he has read and is familiar with the contents of the foregoing "Prepared Direct Testimony of Edward B. Giesecking"; 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 his knowledge, information and belief; and that he adopts these matters as his own.


Edward B. Giesecking

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


Notary Public

