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Wyoming

FILED
PUBLIC SERVICE COMMISSION
OF WYOMING

OCT 19 2011

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October 19, 2011

Mrs. Victoria Fry, Attorney
Wyoming Public Service Commission
2515 Warren Avenue, Suite 300
Cheyenne, Wyoming 82002

Re: *In the Matter of the Application of MGTC, Inc. for a General Rate Increase in the Amount of \$486,936 Per Year and for Approval of Tariff Revisions,*
Docket No. 30003-52-GR-11 – Record No. 12840.

Dear Mrs. Fry:

Enclosed for filing please find the Pre-Filed Testimony in Support of Stipulation and Agreement of OCA witnesses Denise K. Parrish.

The purpose of Ms. Parrish's stipulation testimony is to present the OCA's support for the Stipulation and Settlement Agreement that has been filed by the Parties in this proceeding, resolving all of the identified issues through discussion and compromise.

If you have any questions with regard to this testimony or the corresponding exhibits, please do not hesitate to contact me at 307-777-5717.

Sincerely,

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BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE APPLICATION)
OF MGTC, INC. FOR A GENERAL RATE)
INCREASE IN THE AMOUNT OF)
\$486,936 PER YEAR AND FOR)
APPROVAL OF TARIFF REVISIONS)

DOCKET NO. 30003-52-GR-11
RECORD NO. 12840

PRE-FILED TESTIMONY IN SUPPORT OF STIPULATION AND AGREEMENT

Denise Kay Parrish

On Behalf of the Office of Consumer Advocate

Testimony Filed: October 19, 2011

Hearing Begins: October 24, 2011

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Denise Kay Parrish and my business address is 2515 Warren Avenue, Suite
3 304, Cheyenne, Wyoming 82002.

4
5 **Q. WHAT IS YOUR OCCUPATION?**

6 A. I am currently the Deputy Administrator of the Wyoming Office of Consumer Advocate
7 (OCA), an independent division of the Wyoming Public Service Commission.

8
9 **Q. ARE YOU THE SAME PERSON WHO FILED TESTIMONY EARLIER IN THIS
10 PROCEEDING ON BEHALF OF THE OFFICE OF CONSUMER ADVOCATE?**

11 A. Yes, I am.

12
13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. The purpose of my testimony is to present the OCA's support for the Stipulation and
15 Settlement Agreement ("Stipulation") that has been filed by the Parties' in this
16 proceeding, resolving all of the identified issues through discussion and compromise.

17
18 **Q. ARE YOU SPONSORING ANY SEPARATELY ATTACHED
19 COMPUTATIONAL SCHEDULES OR OTHER EXHIBITS AS PART OF YOUR
20 TESTIMONY IN SUPPORT OF THE STIPULATION?**

21 A. No. The calculations that support the rates that would result from the Parties' agreement,
22 if approved, are set forth in Attachment 1 to the Stipulation. I have not provided these
23 supporting schedules again, but will refer to them in my testimony below.

24
25 **Q. WHY DOES THE OCA SUPPORT THE STIPULATION AS IT HAS BEEN
26 OFFERED?**

27 A. The Stipulation balances the interests and issues of each of the Parties in this case while
28 resulting in a fair and reasonable set of rates and charges to each of the customer classes.
29 The proposed rates incorporate the concepts of a fair rate of return to shareholders, rate
30 mitigation and gradualism for end use sales customers and transport customers, and
31 technical cost of service analyses in order to guide the appropriate rates for individual

1 customer classes. The Stipulation also provides for a fair and reasonable opportunity for
 2 MGTC, Inc. ("MGTC") to recover its new investment – investment which is solely
 3 needed to maintain a safe and reliable system that can serve the growing load of its
 4 customers.

5
 6 More specific reasons for the OCA's support of the Stipulation are provided below as
 7 part of the discussion of the resolution of the individual issues that were identified by the
 8 OCA in the proceeding.

9
 10 **Q. PLEASE COMPARE THE RESULTS OF THE STIPULATION TO THE**
 11 **EARLIER PREFILED POSITION OF THE OCA IN THIS PROCEEDING.**

12 **A.** A comparison between the OCA's original position on key issues and the Stipulation is
 13 found in the table below:
 14
 15

Issue	OCA Original Filing	Stipulation and Settlement Agreement
Identified Construction Projects	Included at Proposed Cost	Included with Updated Cost of City Gate 7
Master Construction Plan	Recommended that MGTC create and submit to the PSC, no later than March 30, 2012, an achievable and measureable Master Plan for eliminating all of the remaining above ground pipeline	MGTC agrees to informally provide to the Parties and Commission Staff a plan for future construction upgrades to the MGTC system no later than March 30, 2012
Depreciation Lives	25 Year Lives for Intangible Plant, Measuring and Regulating Plant 34 Year Lives for Production and Gathering, Transmission, and Distribution Plant	25 Year Lives for Intangible Plant and Measuring and Regulating Plant 31 Year Lives for Production and Gathering, Transmission and Distribution Plant
Bonus Depreciation	Recognize an Adjustment to Rate Base for Bonus Depreciation	Recognize an Adjustment to Rate Base for Bonus Depreciation
Cash Working Capital	Include an Adjustment for Cash Working Capital based on 45 days of O&M Expense	Include an Adjustment for Cash Working Capital based on 45 days of O&M Expense
Labor Cost Changes Associated with New Investment	Recognize Additional Costs and Savings to Labor	No Adjustment – Labor will not decrease, but will move to other work on the system
Property Taxes	Recognize Increase Associated with New Investment	Recognize Increase Associated with New Investment

Issue	OCA Original Filing	Stipulation and Settlement Agreement
Rate Case Expense	Amortize Over 5 Years	Amortize Over 4 Years
Rate of Return and Capital Structure	Return on Rate Base of 7.98% 45% Debt at Cost of 6.30% 55% Equity at Cost of 9.35%	Return on Rate Base of 7.98% No agreement on Capital Structure, Cost of Debt, or Cost of Equity
Class Cost Allocation Factors	Intangible Plant, Production and Gathering Plant, and Transmission Plant based on Demand Measuring and Regulating Plant and Distribution Plant based on 75% Demand/25% Deliveries General Plant Based on 1/3 Deliveries, 1/3 Demand, 1/3 Customer Counts Transmission Operation and Maintenance Expenses based on 15% Distribution Net Plant and 85% Transmission Net Plant Administrative and General Expenses based on 1/3 Deliveries, 1/3 Demand, 1/3 Customer Counts Based on actual data from the Test Period	Intangible Plant, Production and Gathering Plant, and Transmission Plant based on 50% Deliveries/50% Demand Measuring and Regulating Plant and Distribution Plant based on 50% Demand/50% Deliveries General Plant based on 1/3 Deliveries, 1/3 Demand, 1/3 Customer Counts Transmission Operation and Maintenance Expenses based on 50% Deliveries and 50% Demand Administrative and General Expenses based on 1/3 Deliveries, 1/3 Demand, 1/3 Customer Counts Updated information and changed Demand information to meet change in Demand used for billing
Rate Design	Split the Firm Transportation Class between Small and Large Transport customers Base the rates on the Cost of Service results without Rate Mitigation Incorporate Customer Charges, Demand Charges, and Delivery Charges into the rate structure	Split the Firm Transportation Class between Small and Large Transport customers Use the Cost of Service results as a starting point for developing rates, but incorporate Rate Mitigation to make results more reasonable and tolerable to all classes Incorporate Customer Charges, Demand Charges, and Delivery Charges into the rate structure, recognizing unique circumstances for each class

1

1 Q. MS. PARRISH, PLEASE DESCRIBE THE OCA'S SUPPORT FOR THE
2 RESOLUTION OF THE CONSTRUCTION PROJECT COSTS AND FILING OF
3 THE MASTER CONSTRUCTION PLAN.

4 A. In her prefiled direct testimony, Dr. Kolb recommended that the costs of the eight
5 MGTC-identified capital construction projects be included in the rate base that is utilized
6 to compute the rates that come forth from this proceeding. She concluded that the
7 projects were reasonable in scope and scale and that customer benefits ensued from these
8 projects. More specifically, Dr. Kolb found that the replacement of the existing above
9 ground pipeline used to serve existing customers with buried pipe – a project for which
10 there is correspondence between the Commission staff and MGTC since at least 2008 –
11 would be beneficial to customers since it would alleviate an increasingly likely safety and
12 reliability issue. She found that other projects, such as City Gate 7 and the Hannum Loop
13 Line, are necessary to serve the increasing capacity needs of existing customers and to
14 provide added reliability of service to existing customers. Dr. Kolb's original position
15 on these capital projects has not changed.

16
17 The one thing that has changed regarding these projects is the cost estimate for City Gate
18 7. The original cost estimate was approximately \$608,000 and that estimate has now
19 been increased to \$913,000. When the OCA inquired as to the reason for the increased
20 cost, we were informed that a design change in the project was necessary in order to
21 obtain the necessary rights of way. The design change to the implementation of the
22 project, not the nature of the project, appeared to be the best of the options available to
23 assure the completion of the project in a timely manner. In other words, the OCA agrees
24 that it is reasonable to redesign the project, even at an increased cost, rather than using
25 any condemnation authority that is available, or risk not being able to serve SourceGas'
26 capacity requirements.

27
28 As to the Master Plan for Pipeline Improvements recommended by Dr. Kolb, this
29 recommendation was generally accepted and is incorporated into the Stipulation. The
30 Stipulation does clarify how this document will be provided to the Public Service
31 Commission ("Commission") by indicating that it will be provided informally to the

1 Commission Staff, rather than being filed in a formal manner that would automatically
2 subject it to hearings and formal approval. In other words, it is meant to be informal and
3 informational. Ultimately, any costs associated with the projects contained within the
4 plan would be subject to scrutiny in proceedings before the Commission.

5
6 **Q. PLEASE EXPLAIN HOW THE CONTROVERSY OVER THE APPROPRIATE**
7 **DEPRECIATION LIVES IS RESOLVED IN THE STIPULATION.**

8 A. The Parties in this case recommended a wide range of depreciation lives relative to
9 MGTC's assets. Given that MGTC has been depreciating most of its assets at a life of 12
10 years for more than 20 years, any of the lives recommended by the Parties were an
11 improvement in recognizing the economic, technological, and physical expected
12 usefulness of the asset. Matching the expected usefulness of the asset to the period over
13 which the asset is depreciated not only impacts the level of the rates, but provides for a
14 fundamental fairness of assuring that all generations of customers pay some portion of
15 the cost of the asset used to provide them service. The appropriate matching also assures
16 that there is neither an unnecessary incentive nor an unintended disincentive to the
17 company to invest in its system.

18
19 The Stipulation accepts the OCA's recommended life of 25 years for the categories of
20 Intangible Plant and Measuring and Regulating Station Equipment. It also provides for a
21 life of 31 years on the Production and Gathering Plant, Transmission Plant, and
22 Distribution Plant. The 31 years is within the range of the lives of the companies shown
23 on OCA Exhibit (DKP-4), page 2 of 4 that is attached to my earlier filed testimony in this
24 proceeding. It also falls in the middle of the lives recommended by MGTC in its rebuttal
25 testimony and the OCA's original recommendations.

26
27 **Q. PLEASE DISCUSS THE INCLUSION IN THE STIPULATION OF AN**
28 **ADJUSTMENT TO INCORPORATE BONUS DEPRECIATION.**

29 A. The OCA noted in its earlier filed testimony in this proceeding that MGTC had failed to
30 incorporate an adjustment for bonus depreciation. Once this was pointed out to MGTC, it
31 corrected this omission and included the appropriate adjustment into its rebuttal

1 testimony. Given that the Stipulation calculations begin with the MGTC rebuttal case,
2 there was no further controversy about including this adjustment in the calculation of the
3 Stipulation rates.

4
5 Bonus depreciation benefits customers since it creates an additional adjustment to rate
6 base that then flows through the calculations to reduce rates. Furthermore, the federal
7 legislation that created the bonus depreciation allows new investment to be expensed over
8 a very short period (a one year period, for the assets in this case), resulting in a lessening
9 of the immediate federal income tax obligation. This provides additional cash flow to the
10 utility that could then be funneled back into new investments to improve the safety and
11 reliability of the system.

12
13 **Q. IS THE OCA'S RECOMMENDATION THAT AN ADJUSTMENT FOR CASH**
14 **WORKING CAPITAL BE INCORPORATED INTO THE STIPULATION?**

15 A. Yes. MGTC adopted the OCA's recommendation to include cash working capital as a
16 part of its rebuttal presentation and the concept was carried forward into the Stipulation.
17 Including cash working capital as part of the rate calculation is a common regulatory
18 practice. This adjustment recognizes an appropriate investment in the business that has
19 been made relative to MGTC's on-going provision of utility services, and allows
20 investors a reasonable opportunity to earn on that level of investment.

21
22 **Q. WHY DID THE OCA AGREE TO A STIPULATION THAT DOES NOT**
23 **INCLUDE AN ADJUSTMENT TO RECOGNIZE SAVINGS RELATED TO NEW**
24 **INVESTMENTS IN THE SYSTEM?**

25 A. The OCA originally recommended adjustments to operations and maintenance labor
26 expenses based on the expectation that a different number of labor hours would be
27 required in the future to provide the same services to the existing customers. One of the
28 OCA's adjustments increased labor hours while another reduced labor hours, and their
29 associated costs, for a net reduction in expense. However, through the Company's
30 rebuttal and further discussions with MGTC representatives, the OCA was assured that
31 there would be no overall on-going reduction in labor costs, since there is plenty of work

1 to be done on the system that has been postponed in the past due to other priorities. The
2 OCA was convinced by this discussion and the information previously gathered during
3 the OCA field visit. Thus, we agreed that the labor adjustment was no longer needed as
4 part of the Stipulation.

5
6 The OCA received assurances from MGTC representatives that additional repairs,
7 maintenance, and other improvements that have not been performed in the past will now
8 be done by freeing up some of the labor hours previously spent on meter reading. Based
9 on these assurances, the OCA is comfortable that there will be a benefit to customers
10 arising from this portion of the Stipulation, even if the benefit cannot be directly tied to a
11 rate that is lower than it otherwise would have been.

12
13 **Q. PLEASE DESCRIBE THE PROPERTY TAX ADJUSTMENT IN THE**
14 **STIPULATION.**

15 A. In my direct testimony, I recommended a property tax adjustment since it is a reasonable
16 assumption that property taxes will increase with the substantial increase in the net plant
17 balance. MGTC agreed with the adjustment in its rebuttal and the adjustment has again
18 carried over into the Stipulation. This adjustment is one of fundamental fairness of
19 including expenses in the rate calculation that are expected to be incurred during the rate
20 effective period. There is little benefit for customers from this increase in property taxes
21 if taken in isolation, but this is not the case if looked at as an additional cost of the new
22 investment from which customers are expected to benefit by having better reliability and
23 improved safety.

24
25 **Q. MS. PARRISH, WHY DID THE OCA AGREE TO A SHORTER RATE CASE**
26 **EXPENSE AMORTIZATION PERIOD THAN IT ORIGINALLY**
27 **RECOMMENDED?**

28 A. The OCA originally recommended an amortization period of five years but has now
29 agreed to an amortization period of four years. This was a compromise by the OCA, but
30 it results in an amortization period that is no less reasonable than was our originally
31 recommended five year amortization. With little rate case history for MGTC (its last

1 general rate case was more than twenty years ago), one must look at the circumstances of
2 the utility to arrive at an estimate of when the next general rate case is likely to take
3 effect. Some of those circumstances relate to the rate of investment in the system. With
4 continued growth in the SourceGas' Gillette service territory and many more miles of
5 line sitting on the ground that need to be buried in order to improve safety and reliability,
6 it appears that there is an on-going likelihood of additional capital expenditures that will
7 need to find their way into rates in the not too distance future. So, the OCA was not
8 uncomfortable moving the amortization estimate from five to four years. Furthermore,
9 we appreciated the fact that MGTC did not seek a return on the unamortized portion of
10 the rate case expense.

11
12 The discussions between MGTC and OCA have always centered around the next general
13 rate case being filed within the next three to five years. This agreement simply moves the
14 estimate back one year to a slightly less conservative level. We did not, however, ask
15 MGTC to guarantee a filing date, as concern has been expressed in other recent rate
16 proceedings by Commissioners that guaranteeing a new rate filing is a sure way to
17 guarantee rate increases.

18
19 The rate case expense is a cost of doing business for a regulated entity. While it is
20 primarily perceived as benefiting shareholders, as rate cases generally result in increased
21 returns available to shareholders, the filing of a rate case is not without some benefit to
22 customers as well. For example, in this case, the filing of a rate case allowed for a
23 restructuring of the rates to begin to move each class and each rate element toward cost as
24 well as to understand the cost of service associated with each class. Furthermore, it
25 allowed for the elimination of a discounted interruptible transportation rate that was not
26 compensatory with the firm service being provided. Having another rate case in the near
27 term future will allow for further adjustments to each rate class' allotted portion of the
28 revenue to be recovered and for a further elimination of interclass subsidies.

29

1 Q. WHAT IS THE LAST SIGNIFICANT ITEM ASSOCIATED WITH THE
2 REVENUE REQUIREMENT CALCULATION THAT IS ADDRESSED IN THE
3 STIPULATION?

4 A. The last significant item associated with the revenue requirement is the category of rate
5 of return which, for purposes of my discussion, includes the capital structure, cost of
6 debt, return on equity and return on rate base. All of the testimony on rate of return in
7 this case supports a return on rate base of 7.98%. This return on rate base of 7.98% was
8 requested by MGTC in its Amended Application and my analysis provided further
9 support of the reasonableness of this request. Other parties did not challenge the return,
10 and the 7.98% is what appears in the Stipulation. The fact that this number was arrived at
11 through two completely different methods, as described in my earlier filed testimony,
12 should provide adequate evidence of its reasonableness and fairness to both shareholders
13 and ratepayers.

14
15 It is also important to this discussion to remember that the OCA's determination of the
16 returns on rate base and equity in this case were not done in a traditional manner. The
17 common practice is to determine the cost associated with each of the capital structure
18 elements and then add them up to arrive at the return on rate base. However, in this case,
19 given the unusual circumstances of the size and nature of MGTC, the OCA began with a
20 verification of the return on rate base and then determined the appropriate level of the
21 remaining piece parts such as the capital structure and the cost of debt. So, there is a
22 strong case that supports the overall return without a need to delve into the disagreements
23 on the determination of the remaining elements.

24
25 The disagreement on the topic of the rate of return relates to its derivation and the various
26 piece parts that underlie the overall result. The Parties, particularly the OCA and MGTC,
27 were unable to agree on a return on equity or cost of debt. There was also a disagreement
28 on which companies had similar risk profiles to that of MGTC. Anadarko's current risk
29 profile given its involvement with the Gulf of Mexico oil spill further complicated the
30 computations.

31

1 In spite of these disagreements, the OCA strongly believes that presenting the
2 Commission with only an agreed upon return on rate base in this proceeding is enough
3 agreement to proceed. There is no place within the calculations presented with the
4 Stipulation where it is necessary to have either a capital structure or a cost of debt. While
5 the OCA originally argued that one of the tax calculations required both a percentage of
6 debt and a cost of debt, as part of the overall compromise, we have agreed to eliminate
7 that tax adjustment. In making this compromise, the revenue requirement is
8 approximately \$30,000 higher than it otherwise would have been, but the value of the
9 overall package is greater than the dollar value of that one compromised away
10 adjustment. For example, the value of the commitments that MGTC has made to refocus
11 on the safety and reliability of the system (through the development of a planning
12 document and by refocusing labor hours) and to restart investments in the system (after a
13 several year hiatus pending a sale that did not happen) is of far greater value to the OCA
14 than was a slightly lower overall rate after twenty years without a rate increase.

15
16 To reiterate, there is no longer a need for a return on equity to be specified in this
17 proceeding for the purpose of calculating the rates. As to other needs for a stated return
18 on equity, the most common use in the past has been in earnings reviews in the pass-on
19 cases. But, the Commission's current rule 249(a)(ii) now utilizes the return on rate base
20 – not the return on equity – as its earnings benchmark.

21
22 **Q. THE CALCULATIONS SUPPORTING THE STIPULATION CALCULATE AN**
23 **OVERALL REVENUE INCREASE OF \$254,660. WHAT ALLOCATION**
24 **PROCESS IS ADVOCATED BY THE PARTIES TO SPREAD THIS INCREASE**
25 **TO THE VARIOUS RATE CLASSES?**

26 **A.** The process of spreading the increase to the various rate classes is similar to that
27 originally advocated by the OCA. Each type of investment and each type of expense was
28 divided up based on an allocation factor that was deemed to be most representative of the
29 cost driver of that type of investment or expense. In the original OCA testimony, I used
30 my best judgment of the appropriate cost drivers for each category. The allocators used
31 in the Stipulation are based on a further refinement of my judgment by taking into

1 account the opinions expressed in the direct testimony offered by SourceGas. This
2 process, as has been discussed in other cases before the Commission, is much more of an
3 art than a science.

4
5 The benefit of having an agreement on the collective judgment of the cost allocators that
6 best represent the cost drivers for each class is that it allows for an agreement on the total
7 costs that should be recovered from each rate class on a theoretical basis (that is, unless
8 public interest requires some short term rate mitigation). More simply, it identifies each
9 rate class' costs such that interclass subsidies can be identified and potentially eliminated.
10 It also provides some direction to the development of the rate design. Without the
11 identification of the costs associated with each rate class, as well as the identification of
12 customer, demand, and delivery costs, there would be no cost basis upon which to set the
13 actual tariff charges. One would simply be shooting into the dark. The agreement of the
14 Parties' regarding the allocations is set forth in Stipulation Attachment 1, Schedules 10
15 and 11 and the agreed upon rate structure is shown on Stipulation Attachment 1,
16 Schedule 13.

17
18 **Q. PLEASE EXPLAIN WHY IT IS APPROPRIATE AND IN THE PUBLIC**
19 **INTEREST TO MITIGATE THE THEORETICAL BASED COST ALLOCATION**
20 **(OR RATE SPREAD) AS WAS DONE IN THE STIPULATION.**

21 **A.** If the cost allocation results had been used without any additional mitigation, the results
22 would have been an extreme percentage increase for the small firm transportation class
23 and a large percentage decrease for the large general service class. After more than two
24 decades without a rate change, the Parties agreed that it would be unreasonable to move
25 each class to its cost of service in one step. Furthermore, we were concerned that the cost
26 of service would have resulted in a fairly large increase for the small general service
27 customers when MGTC's Amended Application had proposed a significant decrease for
28 these customers. Additionally, the small general service class would have received an
29 increase while the large general service class would have received a sizeable decrease.

30

1 So, a couple of principles were decided upon by the Parties as part of the rate mitigation
2 process. One was that the general service customers should get neither an increase nor a
3 decrease as an overall class. Of course, that does not mean that individual customers'
4 rates won't change. Rates will change simply because of the change in rate design and
5 the imposition of a monthly service charge. But, no revenue increase was to be imposed
6 on either the small general service or the large general service class. Second, there was
7 concern that an increase in excess of 40-50% or more for the small firm transportation
8 class would be untenable. While many of these customers have been receiving a benefit
9 under their current discounted interruptible rates without any real risk of interruption, and
10 there was general agreement that eliminating this discounted interruptible rate would
11 cause a more dramatic increase in rates than would otherwise occur, there was a point
12 where the Parties' said that the increase to the class was too much.

13
14 Fortunately, eliminating the decrease to the large general service customers provided
15 enough dollars to allow the elimination of the increase to the small general service
16 customers and to mitigate the size of the increase to the small firm transportation
17 customers.

18
19 The Parties determined there was no need to mitigate the increase to the large firm
20 transport customers, as it was only a few percentage points above the system average
21 increase. As to whether it is reasonable that any one class receive more than the system
22 average, we note that some of the more significant investments being made in the system
23 are primarily for the benefit of the large firm transportation class. Thus, it is not
24 unreasonable that a larger portion of the increase is picked up by this class. However, we
25 are concerned that the increase to the large firm transportation class not be too large, as
26 these costs are expected to simply be passed on to end use customers. Fairness dictates
27 that costs that should be paid by MGTC's customers should not be inappropriately shifted
28 to the customers of SourceGas. We are satisfied that the revenues associated with the
29 large firm transportation class are appropriate as provided in the Stipulation.

30

1 That leaves the question of whether it is fair to not decrease the rates of the large general
2 service customers. Clearly, over time, movement should be made to move the rates of all
3 classes, including the large general service class, toward their costs. However, it does not
4 seem particularly harmful, given the broader context of the rate mitigation, to leave the
5 revenues for this class at existing levels. Again, the rate impacts on individual customers
6 will vary, but as shown on the final schedule of Attachment 1 to the Stipulation, the rate
7 design impact on any particular customer is expected to change either up or down within
8 a fairly small range.

9
10 **Q. PLEASE DESCRIBE THE RATE DESIGN THAT IS IN THE STIPULATION**
11 **AND THE MAJOR DIFFERENCES FROM THAT ORIGINALLY**
12 **RECOMMENDED BY THE OCA.**

13 **A.** As in my original recommendation, the rate design tries to use the cost of service as a
14 guidepost for developing the various rate elements. Thus, the levels of the individual cost
15 elements from the cost of service have been scaled up or down to match the overall level
16 of revenues that are now being recommended as a result of the rate mitigation. For
17 example, as shown on Schedule 13 of Attachment 1 to the Stipulation, the use of the cost
18 of service would have resulted in a customer charge for the small general service
19 customers of \$7.68. However, since the overall revenues being recommended to come
20 from the small general service class are less than those warranted in the unmitigated cost
21 of service, the \$7.68 has been scaled down to \$5.96, thus keeping the concept of the cost
22 of service in play while mitigating the overall rate levels.

23
24 There are a couple of other notable changes from the OCA's original recommendation.
25 The first concerns the demand charges that we had recommended for large general
26 service customers. Since we now understand that most of the large general service
27 customers do not have demand meters, the revenue that would have otherwise been
28 collected through a demand charge has been moved to the delivery charge.

29
30 Second, SourceGas pointed out the difficulty that would ensue in spreading its rates to its
31 Choice Gas suppliers if a customer charge continued to be imposed as a part of the large

1 firm transportation rate. Therefore, the revenues that had been recommended to be
2 recovered from the customer charge have been moved into the delivery charge.

3
4 Third, there were some unintended impacts on the small firm transportation class
5 customers by using the 50% demand and 50% deliveries cost split for developing the
6 rates for this class. While the 50/50 demand/deliveries split continues to be used for
7 allocating among the classes, for developing the rates within the small firm transportation
8 class, the revenue allocation (after consideration of the revenue from the customer
9 charge) was split on a 75% demand / 25% deliveries basis. Without this change, the
10 unintended consequence was that Garco Energy, who is expected to be a relatively good
11 load factor customer, would pay quite a bit more than the average increase assigned to the
12 small firm transportation class. My understanding is that MGTC will be prepared to
13 discuss the various impacts on the different customers within the small firm
14 transportation class more extensively, since MGTC is more familiar with the loads and
15 load factors of the customers in this class. The intent of this intraclass allocation change
16 is to recognize that the types of customers within this class vary greatly, and to recognize
17 that lower load factor customers cause a more inefficient use of the system than do higher
18 load factor customers.

19
20 **Q. FOR ALL OF THE REASONS STATED ABOVE, DO YOU SUPPORT THE**
21 **STIPULATION AS BEING IN THE PUBLIC INTEREST?**

22 A. Yes, and I urge the Commission to approve the Stipulation, as submitted.

23
24 **Q. DOES THAT CONCLUDE YOUR WRITTEN TESTIMONY IN SUPPORT OF**
25 **THE STIPULATION IN THIS PROCEEDING?**

26 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

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\$486,936 PER YEAR AND FOR)
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DOCKET NO. 30003-52-GR-11
RECORD NO. 12840

AFFIDAVIT, OATH AND VERIFICATION

Denise Kay Parrish (Affiant) being of lawful age and being first duly sworn, hereby deposes and says that:

Affiant is the Deputy Administrator of the Wyoming Office of Consumer Advocate which is a party intervener in this matter pursuant to its Notice of Intervention filed on June 8, 2011.

Affiant prepared and caused to be filed the foregoing testimony. Affiant has, by all necessary action, been duly authorized to file this testimony and make this Oath and Verification.

Affiant hereby verifies that, based on Affiant's knowledge, all statements and information contained within the testimony and all of its attached schedules are true and complete and constitute the recommendations of the Affiant in her official capacity as Deputy Administrator of the Wyoming Office of Consumer Advocate.

Further Affiant Sayth Not.

Dated this 19th day of October, 2011.



Denise Kay Parrish, Deputy Administrator
Wyoming Office of Consumer Advocate
2515 Warren Avenue, Suite 304
Cheyenne, WY 82002
(307) 777-5743

STATE OF WYOMING)
COUNTY OF LARAMIE)

The foregoing was acknowledged before me by Denise Kay Parrish on this 19th day of October, 2011. Witness my hand and official seal.


Notary Public

My Commission Expires: *August 25, 2014*

CERTIFICATE OF SERVICE

I hereby certify that on October 19, 2011, I served the foregoing *Pre-filed Testimony in Support of Stipulation and Agreement of OCA Witness Denise K. Parrish* by delivering copies thereof to the individual/entities below, by the method(s) indicated:

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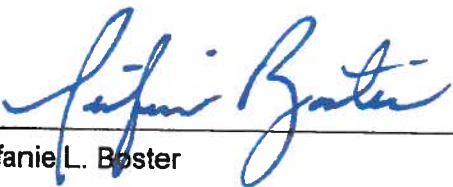
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