

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE APPLICATION OF)	
BLACK HILLS NORTHWEST GAS UTILITY)	
COMPANY, LLC d/b/a BLACK HILLS)	DOCKET NO. 30011-97-GR-17
ENERGY FOR APPROVAL OF A GENERAL)	RECORD NO. 14896
RATE INCREASE OF \$1,414,074 TO THE)	
RETAIL GAS RATES)	

PRE-FILED DIRECT TESTIMONY OF

Denise Kay Parrish

On Behalf of the Office of Consumer Advocate

IN SUPPORT OF THE STIPULATION AND AGREEMENT

Testimony Filed: June 15, 2018
Hearing Begins: July 10, 2018

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,
3 Suite 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
7 Advocate (OCA), an independent division of the Wyoming Public Service
8 Commission.

9
10 **Q. ARE YOU THE SAME DENISE PARRISH WHO PREFILED TESTIMONY**
11 **EARLIER IN THIS PROCEEDING?**

12 A. Yes, I am.

13
14 **Q. WHO DO YOU REPRESENT IN THIS PROCEEDING?**

15 A. As a member of the Office of Consumer Advocate, I represent the interests of
16 Wyoming citizens and all classes of utility customers in this public utility matter, as
17 required by W.S. § 37-2-401. It is neither my intent nor my charge to represent the
18 position of any individual, group, municipality, or corporation.

19
20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

21 A. The purpose of my testimony is to offer the OCA's perspective on the terms of the
22 Stipulation and Agreement (Stipulation) the OCA entered into with Black Hills
23 Northwest Wyoming Gas Utility Company, LLC d/b/a Black Hills Energy. While
24 providing this perspective, I will also try to provide reasons that the OCA finds the
25 Stipulation and Agreement, taken in its entirety, to be in the public interest. My
26 testimony will focus on those areas where the OCA expressed concern or disagreement
27 with Black Hills Energy in my earlier testimony.

28
29 **Q. ARE YOU SPONSORING ANY SCHEDULES OR EXHIBITS SEPARATE**
30 **AND APART FROM THIS WRITTEN NARRATIVE AS PART OF YOUR**
31 **STIPULATION TESTIMONY?**

1 A. I am providing no additional separate documents, worksheets, or exhibits at this time.
2 However, the Stipulation and Agreement that has already been provided will be the
3 primary focus of discussion throughout my testimony.
4

5 **Q. PLEASE EXPLAIN THE NATURE OF THIS PROCEEDING.**

6 A. In this proceeding, Black Hills Energy is seeking to increase its retail base rates. This
7 is the portion of the charges to customers that include the return on investments
8 deemed necessary and useful to the provision of service. It also includes recovery of
9 reasonable levels of on-going operating and administrative expenses. This portion of
10 the charges to customers does not include the expense associated with purchasing
11 natural gas at the wholesale level. That is a separate approved rate within the tariff.
12 Black Hills Energy originally sought to increase its base rates by about \$1.4 million
13 per annum, revising that number downward to about \$1.2 million during the course of
14 the proceeding. In its responsive testimony, the OCA recommended that a more
15 reasonable increase would be about \$839,000 per annum. Based on the various
16 compromises and agreements contained in the Stipulation, the Parties now recommend
17 an increase in revenues of about \$968,000 per annum to be collected through
18 Wyoming customers' base rates.
19

20 Furthermore, Black Hills Energy and the OCA had each recommended specific rate
21 structures they sought to have approved, each based on its own recommended rate
22 increase level. The Stipulation offers one recommended set of rates for which approval
23 is sought. This recommended rate design is based on a common view of the
24 appropriate level of overall revenues for the utility to collect, and an agreement on the
25 method used to turn that overall revenue requirement into a set of rates for each
26 customer class. The stipulated and agreed upon rates result in each customer class
27 paying an appropriate and reasonable amount of the overall cost of providing service.
28

29 The Stipulation also includes resolutions of a number of other disagreements between
30 Black Hills Energy and the OCA. For instance, Black Hills Energy has agreed to pull
31 back its request for an At-Risk Meter Relocation Rider, with the understanding that it

1 might resurrect this request in a future rate proceeding. Meanwhile, Black Hills
2 Energy intends to develop a broader plan across its Wyoming system for addressing
3 meters that may need to be relocated and a plan to change out service lines that may
4 need to be upgraded. Part of the development of this plan will involve seeking input
5 from the Commission staff and the OCA.

6
7 A number of other matters that arose during the course of the proceeding are also
8 addressed in the Stipulation. Each will be discussed in my testimony below.

9
10 **Q. IN YOUR EARLIER TESTIMONY, YOU RECOMMENDED THAT THE**
11 **REGULATORY ASSET ASSOCIATED WITH THE NON-COMPETE**
12 **AGREEMENT NOT BE INCLUDED IN RATE BASE AND THUS, NOT EARN**
13 **A RETURN. HOW IS THIS MATTER ADDRESSED IN THE STIPULATION?**

14 A. As shown in Paragraph 14 of the Stipulation, the Parties agreed to remove from rate
15 base the net (unamortized portion) of this regulatory asset. Yet, clarification of this
16 matter is in order. The regulatory asset was established at a \$200,000 level but some
17 amortization of this amount was already reflected on Black Hills Energy's financial
18 records. Thus, the amount that it sought to earn on was \$120,000, not the full
19 \$200,000. Nonetheless, no return will be earned on this regulatory asset if the
20 Stipulation is approved by the Commission.

21
22 **Q. THE OCA HAD MADE A RELATED ADJUSTMENT TO ELIMINATE THE**
23 **AMORTIZATION EXPENSE ASSOCIATED WITH THE NON-COMPETE**
24 **AGREEMENT. HOW IS THIS ADDRESSED IN THE STIPULATION?**

25 A. The Stipulation allows this amortization of \$40,000 per year as an operating expense to
26 be included in the revenue requirement. Black Hills Energy reiterated and further
27 explained to the OCA that this non-compete agreement has provided significant value
28 to the utility and its ratepayers by keeping a large customer on the system rather than
29 allowing that customer to bypass the utility altogether. Thus, the OCA compromised
30 and agreed to allow this expense to be included in the computation of rates, since there

1 was some benefit to customers associated with it. This amortization adjustment is
2 referenced in paragraph 14 of the Stipulation.

3
4 **Q. HOW DOES THE STIPULATION RESOLVE THE DISPUTE THAT AROSE**
5 **REGARDING THE AMORTIZATION EXPENSE ASSOCIATED WITH THE**
6 **ACQUISITION PREMIUM?**

7 A. In its application, Black Hills Energy sought to recover the more than \$4 million
8 acquisition adjustment, associated with its purchase of Energy West Wyoming, by
9 amortizing this purchase premium over thirty-years, and including the amortization
10 expense in customer rates. The OCA took issue with this and recommended that this
11 expense be the responsibility of shareholders rather than ratepayers. We were
12 concerned about the lack of clear evidence that ratepayers benefited from the purchase
13 price premium. This OCA position was adopted without change as part of the
14 settlement negotiations, so that no acquisition premium amortization adjustment will
15 be included in the revenue requirement in this case, or any future retail rate proceeding.
16 This resolution is described in paragraph 16(a) of the Stipulation. Additionally, to be
17 clear, Black Hills Energy will not be earning a return on the unamortized acquisition
18 adjustment.

19
20 **Q. DID THE PARTIES AGREE TO SEVERAL CHANGES TO SPECIFIC**
21 **DEPRECIATION RATES AS PART OF THE STIPULATION?**

22 A. Yes, as referenced in paragraphs 16(b) through 16(e) of the Stipulation.

23
24 The first was a change to the depreciation rate for general plant assets from 3.06% to
25 3.47%. As I explained in my earlier testimony, the rate that Black Hills Energy
26 originally sought to use was an overall rate for the account that includes a wide variety
27 of assets, including vehicles. But, as originally proposed, that overall rate was to be
28 applied only to non-vehicle assets. So, I questioned the appropriateness of the use of
29 the general rate that included vehicles, and instead, developed a depreciation rate just
30 for the non-vehicle general assets. Black Hills Energy agreed that this is a more
31 appropriate rate and it was incorporated into the Stipulation.

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The next two adjustments described in paragraphs 16(c) and 16(d) relate to the depreciation rates to be applied to the assets being allocated to Black Hills Energy from Black Hills Utility Holdings, Inc. and Black Hills Service Company, LLC respectively. As noted in my earlier testimony, I had difficulty finding support for the depreciation rates originally proposed in the Application. So, after some discussion and a bit more information from Black Hills Energy, the Parties agreed to use a composite depreciation rate for each of the two service companies. These rates are computed by applying the book depreciation rate for each type of asset to the weighted value of that asset (based on the values of the assets assigned to Black Hills Northwest Wyoming Gas Utility Company).

The last of the depreciation adjustments (in paragraph 16 (e)) is also based on a more specific rate for the assets to which it is applied rather than using a more general rate. In this instance, the depreciation rate is to be applied to vehicles, so the agreed-upon composite rate is computed using only depreciation rates applied to different types of vehicles. The OCA's derivation of this depreciation rate is shown in my earlier testimony on OCA Exhibit 201.4 on page 2.

Q. HOW DID THE PARTIES RESOLVE THEIR DISAGREEMENT REGARDING THE APPROPRIATE LEVEL OF TRANSITION COSTS TO BE INCLUDED IN THE STIPULATED REVENUE REQUIREMENT?

A. As summarized in paragraph 17 of the Stipulation, the Parties agreed that \$750,000 of transition costs should be allowed to be recovered based on an amortization period of ten years. The \$750,000 is the capped amount of transition costs that are even permitted to be recovered from the acquisition of Energy West Wyoming. This amount will be amortized over a ten-year period, meaning that \$75,000 of transition amortization expense will be included in the Black Hills Energy revenue requirement for each of those ten years. No return will be requested on the unamortized balance either in this case or in the future.

1 The OCA initially had two primary concerns about including some of the transition
2 costs in rates. First, there was little explanation regarding some of the activities
3 involved with the incurrence of some of the costs, especially those costs incurred by
4 some of the corporate executives. To provide a flavor of the supplemental information
5 provided on these costs, it was explained that Mr. Mark Stege provided overall
6 oversight and management of the transaction activities and lead a number of teams on
7 customer service, human resources, regulatory, accounting, and more. According to
8 the information provided, Mr. Stege also made staffing decisions and provided a
9 number of reports about the integration to top management. Also included in these
10 executive transition costs were expenses related to the work Ms. Jane Montoya did on
11 some of the IT systems and relative to training customer service agents in Cody
12 regarding Black Hills business systems. Based on this supplemental information, the
13 OCA agreed to include these executive related costs in the total transition costs to be
14 recovered from ratepayers.

15
16 Second, there were a few costs that the OCA viewed as not providing any benefits to
17 customers but rather being incurred only for the benefit of the corporation and its
18 shareholders. For example, the OCA deemed it inappropriate for customers to pay for
19 new logos and corporate signage following the acquisition. Other costs listed as being
20 transition costs seemed to relate to business as usual rather than the transition of one
21 company into the corporate culture of another. Some of the activities that caused
22 concern were costs that seemed tied to obtaining regulatory approvals for various
23 activities such as budget billing or stock transfers. Costs for these types of activities
24 have been removed from the transition costs that the Parties are recommending be
25 included in the revenue requirement in this and future proceedings.

26
27 **Q. WHAT LEVEL OF RATE CASE EXPENSE IS INCLUDED IN THE**
28 **STIPULATED REVENUE REQUIREMENT?**

29 A. In its application, Black Hills Energy estimated outside consulting services to cost
30 \$125,000 for depreciation consulting, return on equity consulting, outside legal
31 services and general expenses (such as copying and travel) related to the rate case. It

1 then proposed to amortize these estimated costs over a three-year period for a test year
2 expense of \$41,667.

3
4 The OCA recommended that the Commission only permit total rate case related
5 outside service expenses of \$65,000. However, based on when we expect future rate
6 cases to be filed, we recommended an amortization period of two years, rather than
7 three years. This would have brought the amount to be included in the revenue
8 requirement down to \$32,500.

9
10 While negotiating this matter, the Parties agreed that the \$25,000 for the depreciation
11 consultant had essentially been spent and was reasonable to include. We agreed that
12 no outside counsel had been or was likely to be hired so that cost would be zero. We
13 agreed on the OCA suggestion that \$35,000 was an adequate amount for the work that
14 had been done relative to the rate of return recommendations, given that the issue was
15 now settled. That left the issue of the general “other” expenses. After thinking about
16 the filing process, the paper trail involved in each case, and the need to support the
17 Stipulation in testimony and at a hearing, the OCA conceded that \$5,000 was likely not
18 enough to cover the costs. Thus, we are including \$15,000 in the total rate case
19 expense for these costs, bringing the grand total to \$75,000.

20
21 As to the amortization period agreed upon, we landed on the OCA’s recommended two
22 years. Black Hills Energy has continued to express the likelihood that it will file a
23 consolidated rate / regulatory proceeding in 2019 to seek some level of consolidation
24 of its Wyoming entities. With this case likely, it made sense to eliminate as much
25 pancaking of rate case expenses as possible. Using a two-year amortization period
26 rather than three takes all of these factors into account.

27
28 This adjustment is summarized in paragraph 18 of the Stipulation.

29
30 **Q. PLEASE EXPLAIN THE EXPENSE ADJUSTMENT RELATED TO THE TWO**
31 **OPEN POSITIONS AT BLACK HILLS ENERGY’S CODY OFFICE.**

1 A. This adjustment, briefly described at paragraph 19 of the Stipulation, adjusts the
2 anticipated salary for the two open positions at the Cody offices of Black Hills Energy.
3 One position is to work in the area of Distribution Operations and the other position
4 would work in Transmission Operations. The rate case request included the estimated
5 cost associated with these positions. Those estimates have now been revised
6 downward by a modest amount. The Parties agreed to use the most current estimate as
7 part of the revenue requirement computation provided with the Stipulation.
8

9 **Q. WHAT IS THE LABOR TRANSITION ADJUSTMENT DESCRIBED AT**
10 **PARAGRAPH 20 OF THE STIPULATION?**

11 A. In its Application, Black Hills Energy included an adjustment to normalize the amount
12 of labor that it would expect to have assigned or allocated to it from the corporate
13 service companies in a typical year, rather than a transitional year where ownership
14 changes were being managed. The OCA took issue with this adjustment at pages 28-29
15 of my earlier testimony (OCA Exhibit 201). Essentially, we were concerned that there
16 was a potential of including two sets of costs for work during the same time period.
17 Specifically, we were concerned that “normal” labor costs would be added to the
18 transition labor costs. We were not in favor of including this normalizing labor
19 adjustment.
20

21 Interestingly, while my testimony included the discussion opposing this adjustment, I
22 inadvertently failed to remove the cost of this from the OCA revenue requirement.
23 When this matter arose as part of the settlement discussions, the OCA was passionate
24 that this cost should be removed from the revenue requirement. Black Hills Energy
25 compromised on this matter and agreed to the OCA position.
26

27 **Q. DID THE PARTIES AGREE TO AN ADJUSTMENT TO OPERATING**
28 **REVENUES TO REFLECT AN EXPECTED GROWTH IN CUSTOMERS**
29 **CONVERTING FROM PROPANE TO NATURAL GAS?**

30 A. Yes. This is an adjustment that I recommended in my earlier testimony based on a
31 number of discussions I had with Black Hills Energy. The back story of the

1 adjustment is that there are a number of investments included in rate base made in
2 anticipation of converting hundreds of customers from propane to natural gas. While a
3 significant portion of the conversions have already taken place and are reflected in the
4 revenues, there are more anticipated over the next few years. This adjustment attempts
5 to estimate the number of additional conversions (15) that are likely to occur yet in
6 2018 in order to match up the revenues to the investments in rate base.

7
8 For purposes of the Stipulation, Black Hills Energy agreed to this OCA proposed
9 revenue adjustment. It is summarized at paragraph 22 of the Stipulation.

10
11 **Q. MS. PARRISH, DOES THE STIPULATION ALSO REFLECT CHANGES TO**
12 **THE CASH WORKING CAPITAL AMOUNT INCLUDED IN RATE BASE,**
13 **THE ACCUMULATED RESERVE FOR DEPRECIATION, INCOME TAX**
14 **EXPENSE, AND EXPENSES FOR TAXES OTHER THAN INCOME?**

15 A. Yes. These adjustments are simply conforming adjustments in that they are made to
16 reflect the formulaic changes necessary to be consistent with each of the other rate
17 base, revenue, and operating expense adjustments already described above.

18
19 **Q. PARAGRAPH 29 OF THE STIPULATION BRIEFLY DISCUSSES SOME**
20 **ISSUES RELATED TO THE ISSUES OF INCOME TAX REFORM AND ITS**
21 **IMPACT ON THE AGREED-UPON REVENUE REQUIREMENT. DO YOU**
22 **WISH TO PROVIDE FURTHER COMMENTS ON THIS?**

23 A. Yes. During the course of the proceeding, the Tax Cuts and Jobs Act was passed by
24 Congress and signed into federal law. Through an update to the Application, some of
25 the impacts of this major legislation has already been incorporated into the revenue
26 requirement sought by Black Hills Energy, but there are some of the impacts yet to be
27 addressed. Specifically, the presented revenue requirement and agreed-upon revenue
28 increase already takes into account the reduced income tax rates on a going forward
29 basis. However, the reduced tax expense occurring from the date the legislation took
30 effect to the time the new rates are effective, an amount required to be deferred by the
31 utility, is not incorporated into the computations in this case. Nor is any impact related

1 to changes to the Accumulated Deferred Income Tax Balance deemed to be excess due
2 to the change in the tax rate incorporated into these proposed rates.

3
4 To make sure that these benefits to customers are not left on the table or forgotten, the
5 Stipulation calls for the income tax expense deferral to be returned to customers in the
6 form of a bill credit prior to the end of 2018. Paragraph 29 also calls for a plan to be
7 filed by Black Hills Energy to address the excess deferred income tax balance – either
8 within another regulatory proceeding or as a stand-alone matter – no later than the end
9 of 2019.

10
11 **Q. WHAT AGREEMENT WAS REACHED BETWEEN THE PARTIES**
12 **REGARDING THE APPROPRIATE RATE OF RETURN THE COMMISSION**
13 **SHOULD AUTHORIZE AND UTILIZE TO COMPUTE THE REVENUE**
14 **REQUIREMENT IN THIS PROCEEDING?**

15 A. The agreed upon return on rate base, or overall rate of return, is 7.75%. This is based
16 on an imputed capital structure of 54% equity and 46% debt, a weighted cost of debt of
17 5.58% and a return on equity of 9.60%. The capital structure and weighted cost of debt
18 reflect Black Hills Energy's and OCA's original filed positions related to these capital
19 components.

20
21 The stipulated return on equity and overall rate of return are within the range of results
22 computed by both Black Hills Energy and the OCA. The stipulated return on equity of
23 9.60% reflects a compromised position that falls within both the OCA's and Black
24 Hills Energy's original return on equity computational results. It represents the 67th
25 percentile of the OCA's range of 9.12% to 9.84%. It falls at the 20% percentile of
26 Black Hills Energy's range of results of 8.95% to 12.2%.

27
28 While the stipulated return on equity of 9.60% is higher than the OCA's original
29 recommendation of 9.39%, it remains consistent with positions presented by the OCA,
30 and specifically Mr. Ornelas, in various regulatory proceedings. It is consistent with
31 the legal precedent, regulatory standards, financial valuation methods, and prevailing

1 market conditions supported by the OCA. It also reflects the reasonable opportunity
2 costs of Black Hills Corporation, which is the source of equity funding for Black Hills
3 Northwest Wyoming Gas Utility Company. Based on these considerations, and in
4 light of the overall negotiated settlement as a whole, the OCA is comfortable
5 recommending a return on equity of 9.60% and an overall return on rate base of 7.75%
6 as being just, reasonable, and in the public interest.

7
8 **Q. IS DETAILED INFORMATION PROVIDED AS PART OF THE**
9 **STIPULATION AS TO THE CALCULATION OF THE RECOMMENDED**
10 **OVERALL REVENUE INCREASE?**

11 A. Yes. Stipulation Attachment B is a copy of the output of the Black Hills Energy
12 revenue requirement model using the inputs that incorporate the stipulated adjustments
13 described above. The detailed schedules similar to those provided in the Application
14 are all included. The overall revenue requirement and required revenue increase is
15 shown on Stipulation Attachment B, Statement M.

16
17 **Q. THERE WAS LITTLE DISAGREEMENT BETWEEN THE OCA AND BLACK**
18 **HILLS ENERGY REGARDING THE CUSTOMER CLASSES, RATE**
19 **STRUCTURE, AND CUSTOMER CLASS ALLOCATION METHODS TO BE**
20 **USED IN DEVELOPING RATES IN THIS PROCEEDING. IS THIS**
21 **AGREEMENT CARRIED THROUGH INTO THE STIPULATION?**

22 A. Yes. Paragraph 24 reflects the agreement to use the customer classes proposed by
23 Black Hills Energy in the Application. Paragraph 25 is a reminder that the actual
24 investment and costs allocated to each customer class will be different from the
25 numeric allocators reflected in the application and my earlier testimony. However,
26 those differences are due to different inputs (that is, a different rate base and different
27 set of expenses), rather than due to changes to the allocation formula or process itself.

28
29 **Q. WAS THERE A DISAGREEMENT REGARDING THE MANNER IN WHICH**
30 **CUSTOMER CHARGES WERE DEVELOPED THAT IS RESOLVED IN THE**
31 **STIPULATION?**

1 A. As described in my original testimony (OCA Exhibit 201) at pages 37-38, for the
2 residential, small commercial, and medium commercial classes, I developed the OCA
3 recommended customer charges by summing the cost of services, meters and
4 regulators for the customer class being examined. To that sum, I added in 50% of the
5 customer billing costs. This new sum was then rounded to a whole number. This
6 computation allowed me to use the cost of service information for each class while also
7 maintaining a sense of gradualism in lieu of implementing sharp increases that might
8 be unreasonably impactful to specific customers. For the larger classes, I used a similar
9 methodology but tried to include all of the customer related costs, since the impact
10 appeared to be more acceptable.

11

12 The Black Hills Energy method was not completely dissimilar to the one the OCA
13 used, but relied a bit more on judgement and less on a specific formula than the one
14 use by the OCA. The Parties determined that they would use the formulaic method
15 first offered in the OCA testimony. Once the results were seen, the actual customer
16 rates were higher than those recommended originally by the OCA (due to a modestly
17 higher revenue requirement), so we decided simply to use the customer charges
18 originally offered by the OCA. The computation of these charges and the stipulated
19 results are summarized on Stipulation Attachment E, Table 4.

20

21 **Q. WHAT ADDITIONAL RATE MITIGATION WAS DONE TO ASSURE THAT**
22 **RATES FOR ALL CUSTOMERS REMAIN JUST AND REASONABLE, IN**
23 **LIGHT OF THE SIGNIFICANT REVENUE INCREASE RECOMMENDED IN**
24 **THIS PROCEEDING?**

25 A. The additional rate mitigation is similar to that recommended by the OCA on page 39
26 of my earlier testimony denoted as OCA Exhibit 201. I took twenty percent of the
27 increase assigned to the residential and small commercial classes and proportionally
28 shifted that amount to the medium commercial, large commercial, and commercial
29 transport classes. This was done in recognition that the two classes of smaller users
30 needed rates increased while the three classes with larger users needed decreases to
31 arrive at levelized rates of return for each class. It resulted in significant movement of

1 each class toward its pure cost of service based rates, while recognizing that there is
2 often a need to transition to cost based rates over the course of more than one rate case.

3
4 The resulting rates for each customer class are shown on Stipulation Attachment E,
5 Table 5, lines 15-17. They are also summarized within the body of the Stipulation in
6 paragraph 26.

7
8 **Q. IS THE DETAILED COST OF SERVICE STUDY AND RATE**
9 **DEVELOPMENT PROVIDED AS PART OF THE ATTACHMENTS TO THE**
10 **STIPULATION?**

11 A. Yes. Stipulation Attachment D is the summary of the Cost of Service study results
12 utilizing inputs consistent with the provisions of the Stipulation.

13
14 Furthermore, Stipulation Attachment E presents the current and proposed rates designs
15 and the average bill impacts of the stipulated rate proposal.

16
17 The tariff in proposed final form and in legislative, red-line format are also provided as
18 Attachment G to the Stipulation. This includes updating the Construction Allowance,
19 calculated on Stipulation Attachment F and shown on Original Sheet No. 5B of
20 proposed Tariff No. 3.

21
22 **Q. DID THE OCA EXPRESS SOME CONCERN ABOUT THE MANNER IN**
23 **WHICH THE CONVERSION TO THERMAL BILLING WOULD OCCUR**
24 **WHEN INITIALLY PROPOSED IN THE APPLICATION?**

25 A. Yes. The OCA did not have an objection to customers being billed in therms (a
26 heating value) rather than 100 cubic feet, or ccf (volumes). However, we were
27 concerned that the process for doing the conversion was not well described in the
28 Application. We were also concerned that the process would not be transparent to
29 customers, and it would be difficult to explain if customers had questions about the
30 process.

1 To resolve these concerns, Black Hills Energy agreed to provide a write-up of the
2 process that would be used for converting the data read from customers' meters to
3 terms used to determine charges on the bills. This write-up, along with some
4 examples of sample bills, is provided as Attachment H to the Stipulation. This process
5 description is intended to help with the understanding of how this conversion from ccf
6 to terms occurs and the formulas used to make the conversion.

7
8 **Q. WHAT IS THE LAST TOPIC YOU WISH TO DISCUSS IN YOUR**
9 **TESTIMONY?**

10 A. The last issue is the resolution of the concerns the OCA had regarding Black Hills
11 Energy's proposed plan to replace at-risk meters and customer-owned service lines, and
12 to implement a new *At Risk Meter Relocation Rider*.

13
14 As to the plan for replacing the meters and the service lines, the OCA was concerned
15 that the initially proposed plan might be broader than it needs to be, and thus, costlier
16 than it needs to be in order to address potential safety risks. As there is currently no
17 mandate as to the specific meters that need to be relocated or the time frame for doing
18 the moves, the OCA worried that the proposed ten year plan of Black Hills Energy
19 might be too aggressive and too costly for customers. Thus, as summarized in
20 paragraph 30 of the Stipulation, Black Hills Energy has agreed to temporarily
21 withdraw the formal meter relocation plan it filed – along with the associated proposed
22 rate rider.

23
24 Instead of moving forward with a plan to replace 2,200 meters and service lines over a
25 ten year period and increase customers' bills for doing so through the use of a rate
26 rider, Black Hills Energy and its affiliated utilities in the Black Hills corporate family
27 will begin to replace at-risk meters throughout Wyoming (beginning with a few
28 hundred in various parts of Wyoming) and study the data it collects. This data may
29 include the cost of both meter and service line replacement, the type and age of
30 facilities being replaced, and more. Once some of this data has been collected, and
31 there is an opportunity to confer with the Commission staff and the OCA, an additional

1 plan will be filed. It is anticipated that this additional plan will look at meter
2 replacements / relocations for a broader area than only that served by Black Hills
3 Northwest Wyoming Gas Utility Company.

4
5 The Stipulation does not limit Black Hills Energy's ability to ask again for a rate rider
6 to address the cost of moving the at-risk meters and customer owned service lines. The
7 Stipulation also does not limit the OCA's ability to either oppose or support any
8 requested rate rider.

9
10 **Q. DO YOU BELIEVE THAT APPROVAL OF THE STIPULATION AND**
11 **AGREEMENT IS IN THE PUBLIC INTEREST?**

12 A. Yes, I do, when taken in its entirety as presented to the Commission. For this reason,
13 the OCA asks the Commission to approve the Stipulation, as presented. The result
14 would be modified rates for service on and after September 1, 2018.

15
16 **Q. DOES THAT COMPLETE YOUR PREFILED TESTIMONY IN SUPPORT OF**
17 **THE STIPULATION?**

18 A. Yes, it does.

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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 December 4, 2017.

Affiant prepared and caused to be filed the foregoing supplemental 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 Sayeth Not.

Dated this 14th day of June, 2018.


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

STATE OF WYOMING)
) SS:
 COUNTY OF LARAMIE)

The foregoing was acknowledged before me by Denise Kay Parrish on this 14th day of June, 2018.

Witness my hand and official seal.



My Commission Expires:

