

Exhibit No. __ (MCR-1T)
Docket No. UG-17_____
Witness: Maryalice C. Rosales

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,
Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,
Respondent.

DOCKET UG-17_____

**CASCADE NATURAL GAS CORPORATION
DIRECT TESTIMONY OF MARYALICE C. ROSALES**

August 31, 2017

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I. INTRODUCTION

1 **Q. Please state your name, business address, and present position with Cascade**
2 **Natural Gas Corporation.**

3 A. My name is Maryalice C. Rosales and my business address is 8113 W. Grandridge Blvd.,
4 Kennewick, WA 99336. My present position is Regulatory Analyst III for Cascade
5 Natural Gas Corporation (“Cascade” or “Company”), a wholly-owned subsidiary of
6 Montana Dakota Utilities Resources Group, Inc. (“MDU Resources”).

7 **Q. Would you briefly describe your duties?**

8 A. Yes. I prepare regulatory reports and rate/tariff filings for regulatory approval, as well as
9 provide regulatory and tariff advice and knowledge to others within the Company.

10 **Q. Please briefly describe your educational background and professional experience.**

11 A. I am a 2009 graduate of Washington State University with a B.A. in Management and
12 Operations. In 2012, I attended a seminar on basic rates put on by the American Gas
13 Association (“AGA”) at the University of Chicago. I have received additional training at
14 the Annual Staff Subcommittee on Accounting sponsored by the National Association of
15 Regulatory Utility Commissioners (“NARUC”) in 2013 as well as other NARUC-
16 sponsored events.

17 **Q. Have you previously written or presented testimony before this or any other**
18 **commission?**

19 A. No.

II. SUMMARY OF TESTIMONY

20 **Q. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to describe the summary of revenues by rate schedule
22 shown in Exhibit No. __ (MCR-2). Exhibit No. ____ (MCR-3) and Exhibit No. __ (MCR-
23 4) will describe the Company’s natural gas revenue adjustments. Cascade’s revised tariff

1 sheets reflecting Cascade’s proposed revenue requirement are provided as Exhibit No. ___
2 (JGG-2), and are supported by the testimony of Company witness Ms. Jennifer G. Gross.

3 **Q. Are you sponsoring any exhibits in this proceeding?**

4 A. Yes. I am sponsoring the following exhibits, which I describe in my testimony:

5 Exhibit No. ___ (MCR-2) Summary of Revenues by Rate Schedule

6 Exhibit No. ___ (MCR-3) Revenue Adjustment

7 Exhibit No. ___ (MCR-4) Restatement of Revenue

III. SUMMARY OF REVENUES BY RATE SCHEDULE

8 **Q. Would you please describe the summary of revenues by rate schedule shown in**
9 **Exhibit No. ___ (MCR-2)?**

10 A. Yes. Columns (B) and (C) of the summary of revenues by rate schedule show billing
11 determinants, volumes, and rates respectively, for the test year, January 1, 2016, through
12 December 31, 2016. The “Test Year Revenue” column (D) show total revenue for each
13 rate schedule, including all rate components and all billing adjustments.

14 **Q. What do the columns (E-G) labeled “Deleting schedules to combine with other”**
15 **signify?**

16 A. This section accounts for the proposed removal of three rate schedules: 502 (Building
17 Construction Temporary Heating and Dry-Out Service Rate), 512 (Compressed Natural
18 Gas Service), and 577 (Limited Interruptible Service Rate). This section takes the
19 revenue from the basic service charges and the margin from these three schedules and
20 adds it into the designated rate schedules to which all affected customers will migrate. A
21 summary of the migration plan is as follows:

- 22 • Schedule 502, Building Construction Temporary Heating and DryOut Service
23 Rate is being frozen. Future residential construction dry-out customers will be
24 served on Schedule 503, Residential Service Rate;

- 1 • Schedule 512, Compressed Natural Gas Service is being removed. Customers on
2 this rate schedule will migrate to Schedule 504, General Commercial Service
3 Rate; and
- 4 • Schedule 577, Limited Interruptible Service Rate will be cancelled and customers
5 will migrate to Schedule 570, Limited Interruptible Service Rate.

6 Additional details on these changes are provided in the testimony of Ms. Gross,
7 Exhibit No. __ (JGG-1T).

8 **Q. What does the “Current Rates” section in columns (H-J) of the summary of**
9 **revenues by rate schedule show?**

10 A. The current rates section presents the current rates, effective as of November 1, 2016,
11 applied to the weather-normalized test year volumes and the test year billing
12 determinants. Column (J) titled, “Margin” presents the total margin amount associated
13 with each rate schedule including all rate components and all billing adjustments.

14 **Q. What does column (K) titled “2017 Revenue Adjustment” show?**

15 A. Column (K), “2017 Revenue Adjustment,” shows the difference between the weather-
16 normalized test year volumes and test year billing determinants for each rate class at
17 current rates, and the test year volumes and billings at test year rates. The difference
18 between these two sections demonstrates how much revenue can be attributed to changes
19 in weather normalization, rate changes during the test year, and changes in special
20 contract rates due to the annual Consumer Price Index (“CPI”) update.

21 **Q. What is shown in columns (L-N) regarding the Cost Recovery Mechanism**
22 **(“CRM”)?**

1 A. This section annualizes CRM rates that were approved effective November 1,
2 2016. This amount is also shown in the “Revenue Adjustment,” Exhibit No. __
3 (MCR-3).

4 **Q. What is the CRM referred to in the previous question and why does it change on an**
5 **annual basis?**

6 A. The CRM provides recovery for certain safety-related investments, in particular for
7 replacement of pipeline facilities with elevated risk to the public. Consistent with the
8 Commission’s policy statement in Docket No. UG-120715, Cascade provides annual
9 updates to the Commission regarding its capital investments that are recoverable under
10 the CRM. Cascade filed its most recent CRM update on June 1, 2017 in Docket No. UG-
11 170674, and the current rates were approved, effective November 1, 2016.

12 **Q. What is shown in the “Proposed Rates” section of the summary of revenues by rate**
13 **schedule?**

14 A. Columns (O), (P) and (Q) show proposed rates multiplied by weather-normalized
15 volumes and the test year billing determinants for each rate schedule. For more detailed
16 information regarding Cascade’s proposed rates, please see the Direct Testimony of Mr.
17 Ronald J. Amen, Exhibit No. __ (RJA-1T).

18 **Q. What does the “Proposed Margin” column (R) show?**

19 A. Column (R) shows the difference between the proposed rates and current rates. In
20 summary, it shows the revenue increase or decrease the Company is requesting for each
21 rate schedule in this case.

IV. REVENUE ADJUSTMENT

22 **Q. Please describe the revenue adjustment shown in Exhibit No. __ (MCR-3).**

23 A. The revenue adjustment shown in Exhibit No. __ (MCR-3) is a pro forma revenue
24 adjustment. The adjustment starts with the January 2016 through December 2016

1 weather normalized test year volumes and billing determinants and adjusts for known and
2 measureable (pro forma) changes. The result is an increase in revenue of \$8,908,260.
3 This figure is shown at the bottom of Exhibit No. ____ (MCR-2).

4 **Q. Are there other components included in the revenue adjustment?**

5 A. Yes. As shown in Exhibit No. ____ (MCR-3), the revenue adjustment also takes into
6 account the annualization of the CRM rate that became effective on November 1, 2016.

7 **Q. Please continue describing the other adjustments that need to be made to the**
8 **\$8,908,260 to reflect the pro forma level of margin revenue?**

9 A. We must also perform the following adjustments:

- 10 • Subtract the weather normalized volumes multiplied by current rates because
- 11 these amounts are already accounted for in the weather normalization adjustment.
- 12 • Adjusts margins for the CRM revenues already included in booked amounts.

13 The resulting revenue adjustment of \$5,220,091 is shown in Mr. Parvinen's Exhibit No.
14 ____ (MPP-5), "Pro Forma Revenue, P-9."

V. RESTATEMENT OF REVENUE

15 **Q. Please describe the restatement of revenue in Exhibit No. __ (MCR-4).**

16 A. The restatement of revenue calculates the revenues and natural gas costs associated with
17 weather normalized volumes at the most current gas cost revenue and expense rates thus
18 eliminating the impact of the net unbilled amounts and all deferral amortizations
19 including conservation expense recoveries. This calculation then identifies and adjusts to
20 the revenue amounts that will be realized in the rate year absent new rates.

21 The revenue adjustment amount reflecting a decrease of \$8,729,177 shown, is the
22 net total of \$110,133,417 from Exhibit MCR-2 gas cost revenue actually booked, the
23 weather normalization adjustment of \$10,051,636 from Exhibit MCR-2, net unbilled and

1 deferrals in the amount of \$834,040 from Exhibit MCR-2 minus the \$112,289,916 in gas
2 costs with the revenue sensitive factor built in.

3 The gas cost expense adjustment reflects a decrease of \$6,033,098 which is
4 calculated by taking the total booked gas costs of \$113,645,501 minus actual gas costs
5 (without the addition of revenue sensitive costs) of \$107,612,403.

6 Both decreases described above, \$8,729,177 and \$6,033,098 are listed in Mr.
7 Parvinen's Exhibit No. __ (MPP-5) under "Restate Revenue Adjustment, R-3."

VI. CONCLUSION

8 **Q. Does this conclude your testimony?**

9 A. Yes.