

Exhibit No. __ (JGG-1T)
Docket No. UG-17_____
Witness: Jennifer G. Gross

**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 JENNIFER G. GROSS**

August 31, 2017

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I. INTRODUCTION

1 **Q. Please state your name and business address**

2 A. My name is Jennifer G. Gross. My business address is 8113 W. Grandridge Boulevard,
3 Kennewick, Washington 99336-7166. My email address is jennifer.gross@cngc.com.

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

5 A. I am employed by Cascade Natural Gas Corporation (“Cascade” or “Company”) as a
6 Regulatory Analyst IV.

7 **Q. How long have you been employed by Cascade?**

8 A. I have been with the Company since May 4, 2015.

9 **Q. What are your educational and professional qualifications?**

10 A. I graduated from Oregon State University in June 1993 with a Bachelor of Arts in
11 English and from Portland State University in December 1995 with a Master of Arts in
12 English.

13 I worked for Portland General Electric for twelve years in various capacities
14 including seven years as a Regulatory Analyst in Rates and Regulatory Affairs.
15 Following my time at Portland General Electric, I worked for seven years as a Tariff and
16 Compliance Consultant in the Rates and Regulatory Department at Northwest Natural
17 Gas Corporation. In 2015, I began working for Cascade as a Regulatory Analyst.

18 **Q. Have you testified before the Washington Utilities and Transportation Commission
19 (“Commission”) before?**

20 A. Yes. I testified before the Commission in the Company’s last general rate case in
21 Washington, docketed as UG-152286. I have also testified before the Public Utility
22 Commission of Oregon in Cascade’s most recent Oregon general rate case, Docket No.
23 UG 305, and I have prepared materials and assisted in other utility proceedings including
24 advice filings, rulemakings, various Commission investigations, and rate cases.

II. SCOPE AND SUMMARY OF TESTIMONY

1 **Q. What is the purpose of your testimony in this docket?**

2 A. My testimony discusses the proposed revisions to the Company's WN U-3 Tariff.

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

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

- 5 • Exhibit No. __ (JGG-2), Proposed Tariffs
- 6 • Exhibit No. __ (JGG-3), Decoupling Mechanism, Authorized Revenue Per Customer

III. TARIFF REVISIONS

7 **Q. Please provide an overview of the Company's proposed tariff changes.**

8 A. The Company's proposed tariff changes include:

- 9 • Revisions to basic service charges and base rates in core customer rate schedules,
10 as well as revisions to the contract demand charge and gross revenue fee in
11 Schedule 663, Distribution System Transportation Service;
- 12 • The removal of two rate schedules: Rate Schedule 512, Compressed Natural Gas
13 Service and Rate Schedule 577, Limited Interruptible Service Rate;
- 14 • The discontinuation of the availability of Rate Schedule 502, Building
15 Construction Temporary Heating and Dry-Out Service;
- 16 • Revisions to certain fees in Schedule 200, Various Miscellaneous Charges: the
17 New Premise Charge is removed, and the Reconnect Charge (business hours),
18 Reconnect Charge (after hours), Disconnect Charge, Returned Check Charge, and
19 Pilot Light Service Charge are increased; and
- 20 • The establishment of a new baseline of authorized margin revenue per customer
21 for Rule 21, Decoupling Mechanism.

22 The proposed tariff, which includes all proposed changes to WN U-3, as well as
23 legislative tariffs containing the changes in red-lined, strike-out text are included in
24 this filing as attachments A and B to the cover letter accompanying Cascade's general

1 rate case filing, respectively. The proposed tariff is also introduced into the record
2 under my testimony as Exhibit No. ___ (JGG-2).

3 **Q. Please explain the revisions you are proposing to rates.**

4 A. The basic service charges and base rates in Rate Schedules 503, 504, 505, 511 and 570,
5 and the contract demand charge in Rate Schedule 663 are revised in accordance with the
6 presentation provided in the Direct Testimony of Ronald J. Amen, included as Exhibit
7 No. ___ (RJA-1T).

8 The Gross Revenue Fee in Rate Schedule 663 is revised from 4.469 percent down
9 to 4.431 percent, consistent with the changes to the percentage applied to bills to cover
10 the costs for uncollectibles, State B&O Tax and Commission fees, as shown in Michael
11 Parvinen's Exhibit No. ___ MPP-4.

12 **Q. Why is Cascade removing Rate Schedule 512, Compressed Natural Gas Service and
13 Rate Schedule 577, Limited Interruptible Service Rate?**

14 A. Schedule 512, Compressed Natural Gas Service, promotes the use of compressed natural
15 gas for fueling vehicles by discounting the cost of natural gas for customers who own
16 compression facilities for vehicular fueling. To date, only one customer has signed up for
17 Schedule 512. Due to the low level of participation in this service offering, Cascade has
18 decided to discontinue Schedule 512, and the one customer currently served on Schedule
19 512 will be migrated to Schedule 504, General Commercial Service. The Company will
20 send the customer a letter alerting the customer of the migration to Schedule 504.

21 Schedule 577, Limited Interruptible Service Rate, is an interruptible rate for
22 institutions. To promote the equitable treatment of all customers within the same
23 customer class that choose the same service option, Cascade plans to migrate Schedule
24 577 customers to Schedule 570, Interruptible Service. The two customers served on
25 Schedule 577 will be notified by letter of the migration to Schedule 570.

26 **Q. Did Cascade consider the impact these changes would have on test year revenues?**

1 A. Yes. Exhibit No. __ (MCR-2), which is explained in the Direct Testimony of Maryalice
2 Rosales as the presentation of test year revenue by rate schedule, shows Schedule 512
3 revenues and migrates them to Schedule 504; and, likewise, it shows Schedule 577
4 revenues and migrates them to Schedule 570.

5 **Q. Please explain the Company’s proposal for Rate Schedule 502, Building**
6 **Construction Temporary Heating and Dry-Out Service.**

7 A. Rate Schedule 502 offers service for a term of six months to homebuilders using natural
8 gas to heat and dry-out a home as it is being constructed. The Company is proposing to
9 discontinue offering new service on Rate Schedule 502 as of the effective date of this
10 general rate case filing because the heating of unfinished homes tends to be an inefficient
11 use of natural gas, and Cascade does not want to promote an inefficient use as a unique
12 service option.

13 Customers served on Rate Schedule 502 prior to the schedule being “frozen” will
14 continue to receive service on the schedule for the remainder of their six-month term, but
15 the Company is proposing to revise Schedule 502 rates (the basic service charge, the
16 margin rate and WACOG) such that the charges mirror those in Rate Schedule 503,
17 Residential Rate Service. Future dry-out or building construction customers will be
18 served on Schedule 503.

19 **Q. Did the Company consider the impact this change will have on test year revenues?**

20 A. Yes. Schedule 502 revenues are added to Schedule 503 revenues in Exhibit No. __
21 (MCR-2).

22 **Q. What revisions is Cascade proposing to make to Schedule 200, Various**
23 **Miscellaneous Charges?**

24 A. Below is a summary of the changes proposed to Schedule 200, Various Miscellaneous
25 Charges:

26 //

	<u>Charge</u>	<u>Current Charge</u>	<u>Proposed Charge</u>	<u>% Change</u>
2	Reconnect Charge (business hrs)	\$24.00	\$28.00	17%
3	Reconnect Charge (after hrs)	\$60.00	\$70.00	17%
4	Disconnect Charge	\$10.00	\$12.00	20%
5	Returned Check Charge	\$18.00	\$21.00	17%
6	New Premise Charge	\$45.00	\$ 0.00	-100%
7	Pilot Light Service Charge	\$20.00	\$24.00	20%

8 This information is also provided in Michael Parvinen’s work paper for miscellaneous
9 charges, MPP WP 1.17.

10 **Q. Why is Cascade proposing to remove the New Premise Charge?**

11 A. The New Premise Charge is a fee that is charged to a new customer when the customer
12 converts to natural gas service. Cascade proposes to remove the New Premise Charge for
13 consistency with the Company’s new line extension policy filed and approved in Docket
14 No. UG-160967, which seeks to reduce the upfront costs customers must pay to convert
15 to natural gas service.

16 **Q. Why is the Company proposing to increase the other five miscellaneous charges
17 identified above?**

18 A. Schedule 200, Miscellaneous Charges was last updated in 2007.¹ Schedule 200 charges
19 are not fully cost-based charges because as full cost recovery for the services provided
20 under Schedule 200 would likely prove cost-prohibitive for many of Cascade’s
21 customers. As a result, because the Schedule 200 charges are not fully cost-based, a
22 portion of the costs are ultimately borne to some extent by all customers. For that reason,
23 the charges must be set at a level high enough to discourage the behavior giving rise to
24 the charges, thus limiting the impact on other customers. The Company has reviewed the
25 charges and concluded that that the five charges identified above—Reconnect Charge

¹ Schedule 200, Various Miscellaneous Charges was last approved in UG-060256.

1 (business hours), Reconnect Charge (after hours), Disconnect Charge, Returned Check
2 Charge, and Pilot Light Service Charge—are currently set at rates which no longer
3 accomplish Cascade’s objective of influencing customer behavior.

4 **Q. Since the Schedule 200 charges are not cost-based, on what basis does the Company**
5 **propose the increases?**

6 A. In order to re-set the charges at a level where they are more likely to influence behavior,
7 the Company identified which charges appeared to be no longer effective in influencing
8 customer behavior, and applied to those charges the consumer price index (“CPI”)
9 inflation calculator posted on the website for the Bureau of Labor Statistics.² On this
10 website, Cascade entered the current fee amount for certain Schedule 200 charges as
11 established in 2007. The calculator was used to determine how much in real terms the fee
12 has increased from 2007 to 2017. For instance, a \$10 fee set in 2007 should be re-set to
13 being a \$12 fee in 2017 if the true cost to the customer is going to be the same. This
14 approach results in modest adjustments, but this small incremental step up is important in
15 keeping these charges at a level that sends the appropriate signal to customers without
16 being overly burdensome.

17 **Q. Will the Company notify customers about the changes to the Miscellaneous**
18 **Charges?**

19 A. Yes. Consistent with the requirement in WAC 480-90-195, the Company will notify all
20 affected customers when the changes are effective.

21 **Q. What changes are proposed for Rule 21, Decoupling Mechanism?**

22 A. The authorized margin revenue per customer per month in Rule 21, Decoupling
23 Mechanism is revised to reflect the proposed changes in revenue requirement. The
24 derivation of the new monthly authorized margin revenue per customer is presented in

² United States Department of Labor, Bureau of Labor Statistics website for CPI Inflation Calculator:
https://www.bls.gov/data/inflation_calculator.htm (last visited on [January 2017]).

1 Exhibit No. __ (JGG-3) which divides the annual revenue per customer class as shown in
2 Exhibit No. __ (MCR-2) by the weather normalized, test year therms per customer class
3 as found in Mr. Brian Robertson's Work Paper BR 1.4. This amount is then multiplied
4 by the monthly, weather normalized, test year therms per customer class, then divided by
5 the average annual customer count in the test year to determine the authorized annual
6 revenue per customer per month. This is consistent with the methodology approved in
7 Order No. 04 in UG-152286.

8 **Q. Is the Company proposing any other changes to its tariff?**

9 A. Yes.

10 **Q. Please describe those changes.**

11 A. Cascade proposes to delete language from Schedules 502, 503, 504, and 505 regarding
12 the Reconnection Charge because it does not provide a complete description of the
13 Reconnection Charge and unnecessarily repeats information provided in Schedule 200.
14 The Company provides a complete description of the Reconnection Charge in Schedule
15 200.

IV. CONCLUSION

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

17 A. Yes.