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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

2006 DEC 12 PM 4:05

In the Matter of the Regulation of the)
Purchased Gas Adjustment Clauses)
Contained Within the Rate Schedules of)
Columbia Gas of Ohio Inc. and Related)
Matters.)

Case No. 04-221-GA-GCR

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Purchased Gas Adjustment Clauses)
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Columbia Gas of Ohio Inc. and Related)
Matters.)

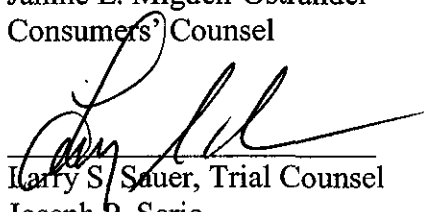
Case No. 05-221-GA-GCR

**THE OFFICE OF THE OHIO CONSUMERS' COUNSEL
NOTICE OF FILING DEPOSITION**

Pursuant to Ohio Adm. Code 4901-1-21, The Office of the Ohio Consumers' Counsel gives notice of filing the deposition of Thomas J. Brown, which was taken on October 17, 2006.

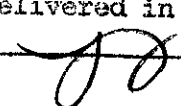
Respectfully submitted,

Janine L. Migden-Ostrander
Consumers' Counsel


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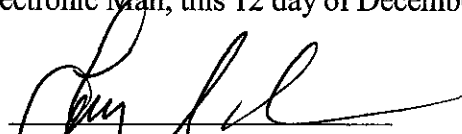
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CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing *Ohio Consumers' Counsel's Notice of Filing deposition*, was served via Electronic Mail, this 12 day of December, 2006.


Larry S. Sauer

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1 BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

2 - - -
 3 In the Matter of: :
 : Case No. 04-221-GA-GCR
 4 The Regulation of the :
 Purchased Gas Adjustment :
 5 Clause Contained Within :
 the Rate Schedules of :
 6 Columbia Gas of Ohio, :
 Inc., and Related Matters.:
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 8 : Case No. 05-221-GA-GCR
 The Regulation of the :
 9 Purchased Gas Adjustment :
 Clause Contained Within :
 10 the Rate Schedules of :
 Columbia Gas of Ohio, :
 11 Inc., and Related Matters.:
 12 - - -

DEPOSITION

14 of Thomas J. Brown, Jr., taken before me, Rosemary F.
 15 Anderson, a Notary Public in and for the State of
 16 Ohio, at the offices of Columbia Gas of Ohio, 200
 17 Civic Center Drive, Columbus, Ohio, on Tuesday,
 18 October 17, 2006, at 10:00 a.m.
 19 - - -

20 ARMSTRONG & OKEY, INC.

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9 On behalf of Columbia Gas of Ohio
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14 On behalf of the Staff of the Public
15 Utilities Commission.

16 ALSO PRESENT:

17 Columbia Gas of Ohio:
18 Mr. Scott Phelps
Mr. Larry Martin
19 Mr. Michael Ripley
20 Ohio Consumers' Counsel:
21 Mr. Michael Haugh
Mr. Bruce Hayes
22 Ms. Tessa Parsons

23 - - -
24

1 Tuesday Morning Session,
2 October 17, 2006.

3 - - -

4 STIPULATIONS

5 It is stipulated by and among counsel for the
6 respective parties that the deposition of Thomas J.
7 Brown, Jr., a Witness called by the Ohio Consumers'
8 Counsel under the applicable Rules of Civil
9 Procedure, may be reduced to writing in stenotypy by
10 the Notary, whose notes thereafter may be transcribed
11 out of the presence of the witness; and that proof of
12 the official character and qualification of the
13 Notary is waived.

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1 MR. SERIO: We are here this morning to
2 depose Tom Brown of Columbia Gas.

3 I'd like the record indicate everyone in
4 the room.

5 - - -

6 THOMAS J. BROWN, JR.
7 being by me first duly sworn, as hereinafter
8 certified, deposes and says as follows:

9 EXAMINATION

10 By Mr. Serio:

11 Q. Mr. Brown, we will do your deposition
12 this morning. I assume you have been deposed before.

13 A. No.

14 Q. Okay. If you have any questions as I go
15 through my questions, let me know. I'll try to
16 rephrase it for you. If your counsel objects, we
17 will have a discussion, but you will still be
18 required to respond to the question, and then we will
19 go from there.

20 Why don't you begin by giving us your
21 name, address and current job title.

22 A. My name is Tom Brown. The address is 200
23 Civic Center Drive, Columbus, Ohio, 43215, and my
24 title is director of regulatory policy for Columbia

1 Gas of Ohio.

2 Q. And can you describe briefly as the
3 director of regulatory policy for Columbia, what your
4 job responsibilities are?

5 A. I am basically responsible for
6 coordinating all of our regulatory activity,
7 primarily interfacing with the Public Utilities
8 Commission of Ohio, and also involved with working
9 with a variety of key regulatory stakeholders.

10 Q. And you have had that position with
11 Columbia for how long?

12 A. Basically since 1991. My job title has
13 changed a couple of times, but the responsibilities
14 haven't.

15 Q. Okay. So it would be fair to say since
16 '91 you have been Columbia's lead person on any
17 regulatory policy in Ohio.

18 A. Yes.

19 Q. And you're also an attorney, are you not?

20 A. Yes.

21 Q. In your function as director of
22 regulatory policy, do you function as an attorney at
23 all?

24 A. No.

1 Q. In the Columbia organizational hierarchy,
2 who do you report to?

3 A. I report to Jack Partridge.

4 Q. And his title is?

5 A. President of Columbia Gas of Ohio.

6 Q. You indicated that you're the director of
7 regulatory policy for Columbia of Ohio. You work
8 solely for Columbia of Ohio. You don't work for any
9 of the other Columbia distribution companies; is that
10 correct?

11 A. I work solely for Columbia Gas of Ohio.

12 Q. In your role as director of regulatory
13 policy, are you familiar with the 2003 stipulation
14 that the MP auditor referenced throughout the MP
15 audit report?

16 A. Yes.

17 Q. And just so that we're correct, when we
18 refer to the 2003 stipulation, we're referring to the
19 stipulation that was filed, I believe it was, on
20 April 9, 2004 in Case Nos. 94-987-GA-AIR, and
21 96-113-GA-ATA, 98-222-GA-GCR, 03-1459-GA-ATA;
22 correct?

23 A. I'm not sure what document you're
24 referring to.

1 Q. The document I'm showing you right now is
2 entitled Joint Application for Rehearing on the
3 Alternative Application for Approval of Modified
4 Stipulation. It's dated April 9, 2004, with those
5 docket numbers.

6 A. I think the better description is the
7 group of documents beginning with an application that
8 was filed -- an amendment -- a document entitled
9 Fourth Amendment to Joint Stipulation and
10 Recommendation that was filed on October 9, and then
11 there was a series -- there was a Commission order
12 ruling on that stipulation.

13 The document you are referring to is an
14 application for rehearing that was filed on April 9,
15 and then that was further modified by Commission
16 entries.

17 Q. But we are talking about the same
18 document then. You're saying that the Columbia
19 application came first. The document I referred to
20 superseded and then the Commission further superseded
21 it with its own modifications.

22 A. Yes.

23 Q. And you were involved throughout the
24 discussions for the 2003 stipulation on behalf of

1 Columbia, were you not?

2 A. Yes.

3 Q. Is it fair to say you were Columbia's
4 lead representative to the group that discussed,
5 negotiated the 2003 stipulation?

6 A. There were a lot of people involved in
7 negotiating that.

8 Q. I understand. But were you Columbia's
9 point person. Were you designated as a spokesperson
10 for Columbia throughout that proceeding?

11 A. I was not the sole spokesperson
12 throughout the discussions leading up to that.

13 Q. My question wasn't whether you were the
14 sole. I'm asking if you were the lead representative
15 for Columbia.

16 A. I'm not really sure what lead
17 representative means.

18 Q. To the extent that Columbia had to
19 explain its position through the course of
20 discussions, were you the person that represented
21 Columbia in doing that?

22 A. I was not the only person that --

23 Q. Is it safe to say the other
24 representatives from Columbia were more

1 subject-matter experts and you deferred to them when
2 it came time to them lending their specific expertise
3 in the discussion?

4 A. It would have depended on the specific
5 topics or issues being discussed.

6 Q. Do you have a copy of the
7 Management/Performance Audit?

8 A. No.

9 MR. SEIPLE: I can get one.

10 Q. Before we go to that, you indicated there
11 were numerous other individuals for Columbia involved
12 in discussions. Can you list those individuals and
13 what their area of responsibilities were?

14 A. It would have been Heather Bauer,
15 transportation issues; Mike Anderson, energy supply
16 services; Scott Phelps, Larry Martin, GCR rate
17 issues. I don't recall anybody else.

18 Q. What were your specific responsibilities
19 regarding those discussions?

20 A. Again, my responsibilities went to
21 overall coordination of the process and helping keep
22 track of all of the issues.

23 Q. Okay. Would you turn to page ES-7 of the
24 MP audit report filed by McFadden Consulting in Case

1 04-221-GA-GCR on September 15 of this year.

2 A. Okay.

3 Q. Second column, top of that column it
4 talks about the 2003 stipulation pertaining to a
5 four-year period. Do you see that reference?

6 A. Yes.

7 Q. It indicates there that is a period
8 extending from November 2004 through October 2008.
9 Was that the time period that was initially
10 contemplated by the 2003 stipulation, or is this the
11 time period that resulted at the end of the
12 Commission's review process?

13 A. I think that the original stipulation
14 contemplated a longer time period, and the
15 October 2008 time frame is what eventually was
16 approved by the Commission.

17 Q. Okay. It's the four-year period.

18 A. Uh-huh.

19 Q. But there's not four calendar years in
20 that period, is that correct, November 2004 through
21 October 2008?

22 A. What do you mean by calendar year?

23 Q. Let me ask it this way. If I ask you
24 what a calendar year is, what would your definition

1 of a calendar year be?

2 A. January through December.

3 Q. So if I look at the time period here,
4 November and December of 2004 would constitute the
5 2004 calendar year covered by this stipulation;
6 correct?

7 A. I'm sorry?

8 Q. November and December of 2004 would
9 constitute the 2004 calendar year; correct?

10 A. They would be included in the calendar
11 year 2004.

12 Q. But January through October of 2004 are
13 not covered by the 2003 stipulation; correct?

14 A. That is correct.

15 Q. And then if you look at the back end,
16 January through October 2008 are the only parts of
17 the calendar year 2008 that are covered by the
18 stipulation; correct?

19 A. Yes.

20 Q. And, again, November/December of 2008 are
21 not considered a part of the stipulation; is that
22 right?

23 A. November and December of?

24 Q. 2008.

1 A. That's correct.

2 Q. Now, the auditor indicated that the
3 off-system sales and capacity-release revenues
4 pertain to calendar year, and, accordingly, there
5 were only three full years rather than four. Do you
6 see that reference?

7 A. Yes.

8 Q. And that is your understanding of the
9 intent of the stipulation?

10 A. You're talking about the sentence that
11 the customers will only get recognition for three
12 full years?

13 Q. Yes.

14 A. No, that is not correct.

15 Q. That is not correct. Can you explain to
16 me what is incorrect about that?

17 A. The sharing mechanism applies for the
18 periods 2005, 2006, 2007 and then ten months of 2008.

19 Q. Does the sharing mechanism apply to the
20 two months of November and December of 2004?

21 A. No.

22 Q. And to the extent it applies to January
23 through October of 2008, it only reflects the ten
24 months and not the final two months of that year;

1 correct?

2 A. Yes.

3 Q. So any revenues that were earned in
4 November and December of 2004, those went 100 percent
5 to the company; is that correct?

6 A. I believe that's correct.

7 Q. And is it your understanding that was the
8 clear intent of the stipulation?

9 A. Yes.

10 Q. Is it your understanding that all the
11 signatory parties understood that to be the clear
12 intent of the stipulation?

13 A. To the extent they signed the document,
14 yes.

15 Q. Is it your understanding that the
16 Commission understood that November and December 2004
17 revenues would go 100 percent for the company when it
18 approved the stipulation?

19 A. I think the stipulation is very clear
20 that that's what the treatment was.

21 Q. Now, to the extent that in 2008 only ten
22 months are covered, that means that -- strike that.

23 Does the same earning threshold apply to
24 ten months that would apply to a full 12-month

1 calendar year?

2 A. I believe the answer to that is yes.

3 Q. On page ES-7 on the MP audit report, the
4 auditor indicates a time period November 2004 through
5 October 2005 there was approximately \$68 million in
6 transition capacity costs. Do you see that
7 reference, first column there?

8 A. 68 million, okay.

9 Q. Are you familiar with how that 68 million
10 was determined, how it was calculated?

11 A. No.

12 Q. Would that be something Mr. Martin is
13 familiar with?

14 A. Yes.

15 Q. And then a little lower there's a
16 reference to a revenues and credits and amounts of
17 \$108,713,840 covering the period 12 months ending
18 October 31, 2005. Do you see that, Choice program --
19 I'm sorry, revenue credits and amounts.

20 A. Yes.

21 Q. And are you familiar with that
22 108 million, or is that another number that would be
23 in Mr. Martin's expertise?

24 A. I would refer that to Mr. Martin.

1 Q. Would it be safe to say that any
2 discussion regarding how those numbers are calculated
3 or how they were assigned would also fall under
4 Mr. Martin?

5 A. The calculations, yes. I'm not sure what
6 you mean by how they're assigned.

7 Q. Let me ask you this. The auditor
8 indicated there was a net of \$40 million at the end
9 of October 2005. Do you see that?

10 A. Yes.

11 Q. Now, the stipulation covers calendar
12 years. I guess my question is, to the extent the
13 auditor identified about 6.5 million being credited
14 to GCR customers, does that cover the ten-month
15 period, if you know, for 2005, or is that for the
16 full 12-month calendar year for 2005?

17 A. My understanding is they did a
18 calculation that is based on a 12-month period ending
19 October 2005.

20 Q. So if that's the calculation, that would
21 not coincide with your understanding of how calendar
22 years are supposed to be measured under the 2003
23 stipulation; correct?

24 A. That calculation is not consistent with

1 what the terms of the stipulation provide.

2 Q. The term "calendar year" is included in
3 the stipulation. Do you recall that?

4 A. Yes, it is.

5 Q. And do you know if Columbia is the party
6 that included the term "calendar year" in the
7 definition of the stipulation?

8 A. I don't recall.

9 Q. Columbia did take the lead in drafting
10 the stipulation; is that correct?

11 A. Yes.

12 Q. And to the extent that other parties had
13 input, it was generally in the form of edits to
14 Columbia's base documents; is that correct?

15 A. There was language suggested by a number
16 of different parties.

17 Q. And to the best of your recollection, you
18 don't know if any of those parties suggested the
19 calendar year reference or if that was Columbia's
20 initial inclusion; is that correct?

21 A. I don't recall.

22 Q. Would it be fair to say if you look at
23 the stipulation time period of November 2004 through
24 October 2008, that if you were to break that down

1 into four one-year periods versus calendar-year
2 periods, that there would be a very significant
3 difference in how you calculated off-system sales
4 revenues that went to the company versus those that
5 would be assigned to customers; is that correct?

6 For example, if I took November 2004
7 through November 2005 as a one-year period and then
8 November 2005 to November 2006, November 2006 to
9 November 2007 and November 2007 to October 2008, that
10 would be four 12-month periods; correct?

11 MR. SEIPLE: Are you asking him to answer
12 the first or second question?

13 MR. SERIO: I tried to clarify with the
14 second question.

15 A. It would be four 12-month periods.

16 Q. And if I looked at the four-year period
17 with those four 12-month periods and applied the
18 sharing mechanism, the response I would get would be
19 very different than if I used the calendar year to
20 determine the revenue sharing; is that correct?

21 A. I don't know if it would be different or
22 not.

23 Q. So to the extent that November 2004 and
24 December 2005 go 100 percent to the company under the

1 calendar year definition but that November 2004 and
2 December 2004 would be included in the first 12-month
3 period, if you did it as a 12-month periods, you
4 don't know if there would be a difference in how the
5 revenues would be shared as a result of that?

6 A. I haven't done or seen any calculations
7 that -- to speculate might what happen through the
8 term of the settlement.

9 Q. In the second column on page ES-7 of the
10 audit report, second paragraph, there's the reference
11 to \$14,945 in avoided costs. Do you see that
12 reference?

13 A. Yes.

14 Q. Are you familiar with that or is that
15 something again Mr. Martin would be familiar with?

16 A. I think that's a question you need to
17 pose to Mr. Phelps.

18 Q. On page 2-9, MP audit report, there's a
19 chart there that indicates Deliveries per Customer.
20 Do you see that?

21 A. Yes.

22 Q. And if I look under sales, residential,
23 for 2005, it says an average residential sales
24 customer used 88.18 units of gas.

1 A. Uh-huh.

2 Q. And that under Choice each residential
3 customer used approximately 102.62 units. Do you see
4 that?

5 A. Yes.

6 Q. Are you familiar with the differences
7 between residential sales customers and residential
8 Choice customers?

9 A. No.

10 Q. As far as you know, there are no
11 differences other than one takes service from
12 Columbia Gas of Ohio and the other purchases from a
13 marketer; is that correct?

14 A. I believe that's correct.

15 Q. Do you have any explanation as to why
16 sales customers took approximately 10 percent less
17 gas on average than Choice customers?

18 A. I don't know.

19 Q. Would that be an area of your expertise,
20 or would that be under one of the other Columbia
21 folks?

22 A. That's not within my area of expertise.

23 Q. Are you familiar with the term "secondary
24 market activities"?

1 A. Generally.

2 Q. What do you understand secondary market
3 activities to be?

4 A. It would be an array of activities
5 involving capacity and/or possibly commodity
6 products.

7 Q. When you refer to secondary market
8 activities, are those activities that the company
9 engages in using assets that were initially paid for
10 by customers?

11 A. I think that question would have to be
12 posed to Mr. Phelps.

13 Q. Are you familiar with any company
14 projections of secondary market activity revenue such
15 as off-system sales revenues?

16 A. No.

17 Q. Would that be Mr. Phelps again, or would
18 that be Mr. Martin?

19 A. I think Mr. Phelps.

20 Q. You are familiar with Columbia's Choice
21 program, are you not?

22 A. Generally.

23 Q. And you have been involved with the
24 development of the Choice program since its

1 inception, have you not?

2 A. Yes.

3 Q. I believe the auditor indicated in 2003
4 there was approximately 39 percent participation rate
5 and in 2005 it was approximately 34 percent. Does
6 that sound right to you?

7 A. Do you have a reference?

8 Q. I didn't write the page down. I'll see
9 if I can find it. Look at the top of page 2-4 of the
10 MP audit report. I believe it's the upper right-hand
11 corner of the page.

12 A. Okay.

13 Q. Do you have any understanding as to
14 what's caused the participation level to decline over
15 the course of that two-year period?

16 A. I think you need to ask Heather Bauer
17 about changes in enrollment.

18 Q. When the company was discussing the 2003
19 stipulation, did the company make any assumptions
20 regarding Choice participation levels as part of that
21 stipulation?

22 A. I don't think the stipulation has any
23 references to specific participation levels.

24 Q. Did the stipulation make any assumptions

1 regarding savings that would be achieved by Choice
2 customers, to the best of your knowledge?

3 A. I don't recall any references to that
4 issue.

5 Q. I hand you a document titled Reply
6 Comments of the Office of Ohio Consumers' Counsel
7 regarding Columbia Gas of Ohio's October 9, 2003
8 Stipulation and Recommendation with the four case
9 numbers I referenced earlier. It is dated
10 December 22, 2003, and it is a 12-page document with
11 an attachment. Do you have that in front of you?

12 A. Yes.

13 MR. SERIO: I'd like to have this
14 identified for purposes of identification as OCC
15 Deposition Exhibit 1.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 Q. Now, if you look at the attachment to
18 that document, Attachment A, it indicates an
19 interrogatory in Case No. 94-987-GA-AIR. Do you see
20 that?

21 A. Yes.

22 Q. It indicates the Respondent Larry Martin,
23 so I'll ask him the questions if I have to, but if
24 you would look at page 2 of 3 of that document, about

1 line 11, it says Sharing Mechanism on OSS/Capacity
2 Release, and it lists capacity releases and
3 off-system sales there. Do you see that? Are you
4 familiar with these numbers at all?

5 A. I'm generally familiar, yes.

6 Q. First, do you know, are those years
7 calendar years at the top of the page, to the best of
8 your understanding?

9 A. Yes.

10 Q. So under the capacity -- under the
11 sharing mechanism on OSS/Capacity Release where on
12 line 12 it says Capacity Release, that 14.8, that
13 represents an estimate of 14.8 million in revenues;
14 is that right?

15 A. I believe that's correct.

16 Q. And the next line, off-system sales is an
17 estimate of 16.4 million in off-system sales revenues
18 for 2005.

19 A. Yes.

20 Q. And then on line 22 it indicates a
21 Surcharge Revenue. That 5.3 million would be the
22 surcharge revenues for 2005.

23 A. What was the number?

24 Q. 5.3 million.

1 A. Yes.

2 Q. So the total of those three revenues is
3 what comprises the total funding sources off line 23
4 of 36.5 million; is that correct?

5 A. I believe so.

6 Q. And so that I understand this right, this
7 36.5 represents the revenues that Columbia thought it
8 would generate in 2005, calendar year 2005, that
9 would be applied towards the costs and then any
10 excess would be shared between Columbia and
11 ratepayers; is that right?

12 A. I think within the structure of the
13 original proposal, I think the answer to that
14 question is yes.

15 Q. And I notice for 2005 and 2006 there's a
16 different type of estimate, but if you look at 2007
17 and beyond, those numbers are the same for each year.
18 Is it safe to say for those later years the company
19 just relied on a single estimate and applied it to
20 each calendar year?

21 A. I think that's what this exhibit shows.

22 Q. And the fact that 2005 and 2006 are
23 different numbers, does that represent that Columbia
24 had a better feel for the estimate for those two

1 years because they were closer in time to when the
2 estimate was made?

3 A. To the best of my recollection, I think
4 the answer to that is yes.

5 Q. Now, if I look at line 28, it says Net
6 Choice Savings. Under 2005 it lists 50. That would
7 be 50 million; is that correct?

8 A. Yes.

9 Q. So the company was estimating that in
10 2005 that Choice customers would save \$50 million; is
11 that right?

12 A. At the time this exhibit was prepared, I
13 think the answer to that is yes.

14 Q. And when we define net Choice savings,
15 that would be savings that Choice customers would get
16 by participating in Choice rather than if they were
17 GCR customers; correct?

18 A. Yes.

19 Q. And that \$50 million then is part of the
20 net benefit at the bottom of the page on line 32;
21 correct?

22 A. Yes.

23 Q. And the net benefit on line 32 represents
24 the benefits that all residential customers would get

1 as a result of the 2003 stipulation; correct?

2 A. Could you ask that again?

3 Q. Line 32, the Net Benefit line across the
4 bottom of the page, that represents the benefits to
5 residential customers of the 2003 stipulation; is
6 that correct?

7 A. I'm sorry. Ask the question again.

8 Q. Sure. Net Benefits, line 32 lists
9 numbers across the bottom.

10 A. Right.

11 Q. Would it be safe for me to assume that is
12 the net benefit for residential customers that came
13 out of the 2003 stipulation?

14 A. No.

15 Q. No. What does that net benefit mean on
16 line 32?

17 A. That is a calculation based on the
18 structure of the deal and the assumptions reflected
19 on that sheet.

20 Q. And how does that differ from that being
21 the benefits to residential customers?

22 A. The final structure of the settlement is
23 not -- is different from the assumptions and the
24 structure depicted on that exhibit.

1 Q. And that's because the Commission
2 modified some of the dollar amounts; correct?

3 A. The Commission modified some of the
4 provisions of the settlement, and there were some
5 additional modifications made by the signatory
6 parties.

7 Q. Okay. Let's look at line 28,
8 specifically, Net Choice Savings. To your knowledge
9 did the Commission modify the net Choice savings
10 benefits to customers, or did the signatory parties
11 do any modifications that would change that figure?

12 A. I don't know what that projection would
13 be if that study was done today.

14 Q. Okay. I'm not asking if you did the
15 study today. I'm asking to the extent that the
16 Commission modified this stipulation or the parties
17 modified it, as you indicated in your previous
18 response, did the Choice -- the net Choice savings
19 numbers get modified?

20 A. I don't recall.

21 Q. And according to Attachment A, for each
22 year of the stipulation 2005 through 2010, the
23 company was projecting a savings for Choice
24 customers; correct?

1 A. Yes.

2 Q. Now, so I can understand it, 2005 they're
3 calculating that customers would save \$50 million.
4 2006 the number is 53. Is that in addition to any
5 savings in 2005, or do you know if that is a
6 cumulative number for 2005 and 2006?

7 A. I think the exhibit indicates it was a
8 savings each year.

9 Q. And that's why under total it lists the
10 \$353 million figure for line 28; correct?

11 A. I believe that's correct.

12 Q. So for those six years the company never
13 projected any losses for the net Choice savings;
14 correct?

15 A. I think that's -- when the exhibit was
16 done, that's what the projection shows.

17 Q. At the time of Attachment A, the date
18 says 30 September '03, am I correct that is the time
19 period of when this was prepared? It's at the top of
20 page 2 of 3.

21 A. I think that's right.

22 Q. That's the approximate time period. It
23 might be off a few days. correct?

24 A. To the best of my knowledge.

1 Q. Okay. Do you know if prior to September
2 '03 Columbia ever experienced losses in the Choice
3 program, that customers experienced a year where they
4 cumulatively lost money?

5 A. You'll have to ask Heather Bauer that
6 question.

7 Q. Okay. If I look at line 29 where it says
8 Net GCR Savings, can you tell me what that figure
9 represents for 2005? I believe it's \$11 million.

10 A. I don't recall.

11 Q. Would Mr. Martin be able to answer that
12 question?

13 A. He might.

14 Q. Now, line 30 says Base Rate Freeze, and
15 there's a number of 17 there for each year. Is that
16 the benefit of not having a rate case filed as a
17 result of the stipulation? Is that what that
18 17 million represents?

19 A. No.

20 Q. Can you tell me what that represents?

21 A. That represents the base rate increase
22 that the collaborative parties had agreed should have
23 been implemented in 1996, and that in lieu of that
24 base rate increase, Columbia was allowed to retain

1 approximately \$17 million a year in off-system sales
2 revenue.

3 Q. If I had any questions regarding
4 off-system sales revenues, facilities used to provide
5 them, I think you indicated those should all go to
6 Mr. Phelps.

7 A. Yes.

8 Q. As part of your responsibilities as
9 director of regulatory policy, would it fall under
10 you to begin analysis if Columbia was to decide they
11 wanted to exit the merchant function?

12 A. I would be generally involved in that
13 process, yes.

14 Q. Are you familiar with the Dominion East
15 Ohio exiting the merchant function proceeding that's
16 going on right now?

17 A. I'm familiar with that.

18 Q. In fact, you attended many of the public
19 meetings for exit the merchant function, have you
20 not?

21 A. I've attended some of them, not all.

22 Q. Have you as part of your responsibilities
23 followed the proceedings to the extent of reading
24 documents, transcripts, briefs that have been filed

1 in that proceeding?

2 A. I have read some of that material. I
3 don't think I've read everything.

4 Q. Okay. Has the company done anything
5 internally regarding an exit the merchant function
6 plan?

7 A. No.

8 Q. Why not?

9 A. Well, a couple of reasons, I think,
10 number one, we have a regulatory agreement that runs
11 through October of 2008. The second reason, we have
12 been watching the Dominion East Ohio application to
13 see what kind of reaction from the participants and
14 the Commission.

15 Q. Is it your understanding that the 2003
16 stipulation would preclude Columbia from exiting the
17 merchant function?

18 A. No.

19 Q. To the best of your understanding,
20 there's no regulatory barrier to Columbia making an
21 application to exit the merchant function today;
22 correct?

23 A. I don't think there's a regulatory
24 barrier or a regulatory policy encouraging that

1 either.

2 Q. Are you familiar with the wholesale
3 auction that East Ohio -- that Dominion did as part
4 of phase one of its exit plan?

5 A. Very generally.

6 Q. Are you familiar with the end result of
7 that wholesale auction?

8 A. Generally.

9 Q. Do you understand the result of the
10 wholesale auction to be that customers are going to
11 pay less on a going-forward basis than was the
12 historical spread between Dominion's GCR and NYMEX?

13 A. I have no way of knowing that.

14 Q. Has Columbia done any analysis internally
15 to determine how a similar wholesale auction might
16 impact its gas cost for customers?

17 A. Not to my knowledge.

18 Q. If Columbia had done anything like that,
19 you would be familiar with it; correct?

20 A. I would think so.

21 Q. And do you know why Columbia hasn't done
22 any analysis like that?

23 A. I think the answer is what I mentioned
24 before. Right now we are looking at a stipulation

1 that extends through October of 2008 and the
2 uncertainty as to how the Dominion merchant function
3 auction is going to actually work.

4 Q. If I had any questions about GTS
5 customers and imbalances, would those be questions
6 for Ms. Bauer, or are you familiar with that area?

7 A. I think that would be Heather Bauer.

8 MR. SEIPLE: Off the record.

9 (Discussion off record.).

10 (Recess taken.)

11 Q. (By Mr. Serio) Mr. Brown, is it safe to
12 say Columbia has not engaged in any discussions
13 within the collaborative regarding any exit the
14 merchant function or any potential implementation of
15 a wholesale auction?

16 A. We have not had any group discussions on
17 those issues.

18 Q. If I had questions regarding Columbia's
19 stand-by obligations for its industrial/commercial
20 customers, would those be for Mr. Phelps also?

21 A. It might be Heather Bauer.

22 Q. Questions about volume banking and
23 balancing, cash-outs, that's Ms. Bauer?

24 A. I believe so.

1 Q. Again, customer imbalances during the
2 audit period, Ms. Bauer?

3 A. Should be Heather Bauer.

4 Q. Are you familiar with the term "straddle
5 transactions"?

6 A. Very generally.

7 Q. What's your understanding of what
8 constitutes a straddle transaction?

9 A. I think that is a mechanism where you
10 hedge above and below a particular price on a
11 commodity purchase.

12 Q. Do you know if Columbia engages in any
13 straddle transactions?

14 A. I don't know.

15 Q. Who would be familiar with those type of
16 transactions?

17 A. Probably Mr. Phelps.

18 Q. To the extent that Columbia engages in
19 any secondary market activities, do you know if the
20 company markets those activities to customers?

21 A. I don't know the answer to that question.

22 Q. Would someone else be better able to
23 answer a question about that?

24 A. Probably Scott Phelps.

1 Q. Are you familiar with the report that
2 Columbia does on a monthly basis that takes Choice
3 program data and calculates participation levels,
4 savings, et cetera?

5 A. I'm not sure what you're referring to.

6 Q. I have a two-page document here, two
7 different months. One says January 2005. One is
8 January 2006, Columbia Gas of Ohio, Natural Gas
9 Customer Choice program data, and it indicates
10 reporting months. Have you ever seen that report
11 before?

12 A. I may have.

13 Q. Do you know Donicka Judkins?

14 A. No.

15 Q. Would questions about the Choice program
16 savings be questions for Ms. Bauer?

17 A. I think so.

18 Q. We may actually be done. You just kicked
19 quite a bit to Mr. Phelps that I thought would fall
20 under your area.

21 A couple more questions. I think you
22 indicated there have not been any meetings among the
23 collaborative to discuss exiting the merchant
24 function or the wholesale process. Have you had any

1 individual meetings with any of the various
2 stakeholders in the collaborative regarding either
3 one of those topics?

4 A. Regarding?

5 Q. Exit the merchant function or possibly
6 wholesale function to supply the GCR.

7 A. My recollection is those issues have been
8 raised during meetings with individual marketers and
9 a few other stakeholders, but nothing of substance.

10 Q. When you say "nothing of substance," the
11 company doesn't have any position on any of that; you
12 simply listen to what those parties had to say at
13 those meetings?

14 A. Yes.

15 MR. SERIO: That's all I have. Thank
16 you.

17 MR. REILLY: No questions from staff.

18 MR. SEIPLE: I don't have any redirect.

19 We would like to review it for signature.

20 (Thereupon, the deposition concluded at
21 11:00 a.m.)

22 - - -

1 State of Ohio :
: SS:

2 County of _____ :

3 I, Thomas J. Brown, Jr., do hereby certify
4 that I have read the foregoing transcript of my
5 deposition given on Tuesday, October 17, 2006; that
6 together with the correction page attached hereto
7 noting changes in form or substance, if any, it is
8 true and correct.

9 _____
10 Thomas J. Brown, Jr.

11 I do hereby certify that the foregoing
12 transcript of the deposition of Thomas J. Brown, Jr.
13 was submitted to the witness for reading and signing;
14 that after e had stated to the undersigned Notary
15 Public that e had read and examined his deposition, e
16 signed the same in my presence on the _____ day of
17 _____, 2006.

18 _____
19 Notary Public

20 My commission expires _____, _____.
21 - - -
22
23
24

CERTIFICATE

State of Ohio :
: SS:

County of Franklin :

I, Rosemary F. Anderson, Notary Public in and for the State of Ohio, duly commissioned and qualified, certify that the within named Thomas J. Brown, Jr. was by me duly sworn to testify to the whole truth in the cause aforesaid; that the testimony was taken down by me in stenotypy in the presence of said witness, afterwards transcribed upon a computer; that the foregoing is a true and correct transcript of the testimony given by said witness taken at the time and place in the foregoing caption specified and completed without adjournment.

I certify that I am not a relative, employee, or attorney of any of the parties hereto, or of any attorney or counsel employed by the parties, or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Columbus, Ohio, on this 23rd day of October, 2006.

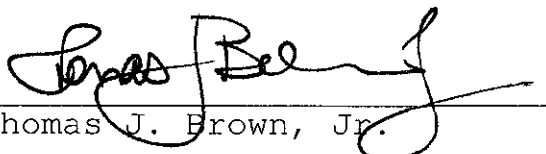
Rosemary F. Anderson,
Professional Reporter, and
Notary Public in and for the
State of Ohio.

My commission expires April 5, 2009.
(RFA-6916)

- - -

1 State of Ohio :
2 County of FRANKLIN : SS:

3 I, Thomas J. Brown, Jr., do hereby certify
4 that I have read the foregoing transcript of my
5 deposition given on Tuesday, October 17, 2006; that
6 together with the correction page attached hereto
7 noting changes in form or substance, if any, it is
8 true and correct.

9 
10 Thomas J. Brown, Jr.

11 I do hereby certify that the foregoing
12 transcript of the deposition of Thomas J. Brown, Jr.
13 was submitted to the witness for reading and signing;
14 that after e had stated to the undersigned Notary
15 Public that e had read and examined his deposition, e
16 signed the same in my presence on the 1ST day of
17 NOVEMBER, 2006.

18 
19 Notary Public

20 STEPHEN B. SEIPLE, Attorney-At-Law
21 NOTARY PUBLIC-STATE OF OHIO
22 My commission has no expiration date.
23 Section 147.03 R. C.

24 My commission expires _____, _____.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

RECEIVED-DOCKETING DIV

2003 DEC 22 AM 10:13

In the Matter of the Application of)
Columbia Gas of Ohio, Inc. for Authority to)
Amend Filed Tariffs to Increase the Rates) Case No. 94-987-GA-AIR
and Charges for Gas Service.)

PUCO

In the Matter of the Application of)
Columbia Gas of Ohio, Inc. to Establish the) Case No. 96-1113-GA-ATA
Columbia Customer ChoiceSM Program.)

In the Matter of the Regulation of the)
Purchased Gas Adjustment Clause)
Contained Within the Rate Schedules of) Case No. 98-222-GA-GCR
Columbia Gas of Ohio, Inc. and Related)
Matters.)

Application of Columbia Gas of Ohio, Inc.)
to Revise its Tariffs to Establish a New Gas) Case No. 03-1459-GA-ATA
Transfer Service.)

REPLY COMMENTS
OF THE OFFICE OF THE OHIO CONSUMERS' COUNSEL
REGARDING
COLUMBIA GAS OF OHIO'S
OCTOBER 9, 2003 STIPULATION AND RECOMMENDATION

Introduction

The Office of the Ohio Consumers' Counsel ("OCC") hereby submits these reply comments pursuant to the attorney examiner's entry of November 13, 2003. Herein, the OCC responds to the comments filed December 8, 2003 regarding Columbia Gas of Ohio, Inc.'s ("Columbia") Stipulation and Recommendation filed in the above-captioned dockets on October 9, 2003. The OCC's failure to respond herein to any comment does not necessarily mean that the OCC accepts the position taken. With respect to any of the

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issues raised by the stipulation, the OCC respectfully refers the Commission to the OCC's initial comments filed in these dockets on December 8, 2003, which comments are hereby incorporated by reference.

A. The Commission must reject the stipulation and exercise its statutory authority to determine the reasonableness of Columbia's pipeline capacity contracting decisions in gas cost recovery proceedings.

While Columbia stresses the reliability that it claims will result from the stipulation, the issue presented by the stipulation is whether Columbia's pipeline capacity contracting levels are far in excess of what is actually required to assure reliability.

Pursuant to the stipulation, Columbia will renew its contracts with interstate pipelines, including its own NiSource affiliate pipelines, to provide Columbia the capacity to serve as much as 100% of its core market customers, including choice customers. The management/performance auditor in Columbia's current audit proceeding questions whether Columbia's capacity contracting decisions are reasonable, realistic and consistent with Columbia's experience under the choice program. *Columbia Gas of Ohio, Inc.*, Management and Performance Audit, Case No. 02-221-GA-GCR at 4-47-49.

Columbia also stresses the certainty that it claims will result from the stipulation, but the issue is whether Columbia's pipeline capacity contracting will continue to escape regulatory oversight. Columbia Comments at 6. To the extent that the certainty Columbia seeks results in a lack of regulatory oversight of its capacity contracting decisions, such certainty is not in the public interest.

The stipulation forecloses the Commission's authority to review Columbia's pipeline capacity contracting for the entire six-year term of the stipulation. As the OCC argued in its initial comments, the Commission should not forgo for the stipulation's

entire six-year term its statutory authority to review Columbia's capacity contracting decisions in the context of the gas cost recovery ("GCR") audit proceedings. Columbia itself points to the problems that result when regulators are not given needed levels of oversight authority. Columbia Comments at 6-7. Given that the stipulation denies the Commission the level of oversight authority that the General Assembly saw fit to confer upon it, the Commission should reject the stipulation and maintain its oversight authority.

Columbia's reference to the "unstable and rapidly changing environment" of natural gas markets should also cast doubt on the wisdom of pre-approving Columbia's pipeline capacity contracting for the entire six-year term of the stipulation. Columbia Comments at 7. If gas markets continue to experience rapid change and increasing volatility throughout the entire six-year term of the stipulation, the Commission will not want to have pre-approved so far out into the future Columbia's pipeline capacity contracting decisions. If governmental aggregation pursuant to Sub. H. B. 9 results in choice participation rates as high as 82% by the end of calendar year 2007 as Columbia itself is projecting, again, the Commission will not want to have pre-approved Columbia's pipeline capacity contracting decisions for as far into the future as the stipulation provides. See OCC Attachment A at 3, Columbia's response to OCC Interrogatory No. 3.

The Commission Staff warns the Commission not to be locked into Columbia's proposal for such an extended period of time. Staff Comments at 2. Given the questionable and controversial nature of Columbia's proposal for re-contracting to serve 100% of its core market customers, the lack of Commission oversight is not reasonable. The length of the stipulation is too long a period of time to remove such an important

issue as the level of capacity contracting from the Commission's purview. The Commission should reject the proposed stipulation in favor of a thorough regulatory review of this issue in GCR audit proceedings.

B. The stipulation harms ratepayers.

While Columbia itself makes little or no effort to support the various stipulated funding provisions, Interstate Gas Supply, Inc. ("IGS") and WPS Energy Services, Inc., dba FSG Energy Services ("WPS") fill the void by arguing in support of several of Columbia's stipulated funding provisions. IGS and WPS argue that the stipulation makes Columbia responsible and at risk for certain choice program costs. IGS and WPS Comments at 11.

Columbia's own analysis of the funding provisions shows that the actual risk to Columbia is negligible. Columbia projects the funding from the stipulation's various sources to exceed choice program costs by \$68 million even before adding funding from post-in-service carrying charges ("PISCC") and other deferrals totaling an additional \$124.2 million more. See OCC Attachment A at 2, Columbia's response to OCC Interrogatory No. 3. In other words, the funding from the stipulation's various sources is projected to exceed choice program costs by \$68 million and in addition to that excess \$68 million, Columbia will accumulate PISCC and other deferrals totaling another \$124.2 million during the term of the stipulation. Therefore, rather than putting Columbia at risk for choice program costs, the stipulation is designed to over-fund such costs.

Moreover, with regard to the excess \$68 million that the stipulation is designed to generate for Columbia, \$46.4 million is provided by direct contributions from ratepayers

in the form of the migration cost rider. *Id.* Even if there were no such direct contributions from ratepayers through the rider, the stipulation would still over-fund Columbia's projected choice costs by \$21.6 million. Thus, even if the Commission were to reject the cost migration rider, the stipulation would still over-fund Columbia's projected choice program costs by \$21.6 million plus the \$124.2 million in PISCC and other deferrals. Therefore, given Columbia's own analysis, rather than putting Columbia at risk, the stipulation is designed to over-compensate Columbia for its projected choice program costs.

The over-funding of choice program costs is particularly improper when, as the Staff points out, Columbia's stipulated provision for re-contracting pipeline capacity actually creates stranded costs. Staff Comments at 2. With the October 2004 expiration of a significant amount of Columbia's capacity contracts, Columbia has the opportunity to shape its capacity portfolio to eliminate stranded costs. According to the Staff, the stipulation's provision for re-contracting for capacity to serve 100% (reduced to 95% after October 1, 2005) of its core market customers is unreasonable given the current levels of migration experienced by Columbia. Staff Comments at 2. The Staff believes that Columbia's decision to re-contract at the stipulated levels is the driving force behind the creation of the stipulation's funding sources. Re-contracting at a level that more realistically reflects the impact of the choice program would eliminate the need for these funding sources. Staff Comments at 3.

With regard to other purported benefits of the stipulation, the OCC does not agree with Columbia that customers will benefit from the stipulation's base rate freeze. Columbia Comments at 7. As the Staff points out, the PISCC and other deferrals render

the base rate freeze provision worthless to customers. Staff Comments at 5. Even though Columbia would not file a base rate case until October 31, 2010, that rate case would include carrying charges on the plant investments (including the unamortized balance of accrued PISCC) and the unamortized balance of deferred depreciation and property tax expense from the stipulated period. Columbia would not forgo recovery of any of these costs, but merely recover them at a later time. PISCC compensates Columbia for the delay in cost recovery. In addition, the numerous exceptions to the rate freeze, especially the stipulation's failure to preclude automatic cost adjustments pursuant to R.C. 4929.11, also render the stipulated rate freeze of dubious value to ratepayers. Staff Comments at 6-7.

Columbia also claims incorrectly that the stipulation will result in reduced demand rates for GCR customers. The 2003 stipulation itself creates no such result. Rather, the reduced demand rates result from the termination of the 1999 Columbia stipulation. Once the 1999 stipulation terminates, Columbia will no longer be able to calculate the GCR based on the provisions of that stipulation. The termination of the 1999 stipulation is the sole factor that reduces demand rates for GCR customers.

Columbia also implies that the stipulation brings about enhanced capital program investment in line extensions, economic development, pipeline safety and infrastructure reliability. Columbia Comments at 6. The stipulation's impact on such matters is actually nothing more than its provisions for the deferral of PISCC and all depreciation and property tax expense on all property on which PISCC is calculated. Stipulation at 21. As the OCC stated in its initial comments, these deferrals will create, without any demonstration of any necessity for such deferrals, regulatory assets that Columbia will

seek to recover from ratepayers at some future date. These deferrals will inflate Columbia's earnings during the years of the stipulation and increase the revenue requirement at the time of any subsequent base rate case. As the Staff of the Commission correctly points out in its comments, the PISCC provisions allow Columbia an opportunity to recover expenses in a future proceeding that, absent the approval of the stipulation, Columbia would not be able to recover. Staff Comments at 6.

Finally, Columbia also points to the continued customer benefits from the choice program. While consumers have experienced savings from participation in the program, the management/performance auditor in Columbia's current GCR audit proceeding casts doubt that customer benefits from the choice program have recently been as robust as Columbia is projecting such savings to be during the term of the stipulation. Columbia Comments at 7. Columbia has estimated that customer savings from choice may be as high as \$50 million to \$63 million per year during the six-year term of the stipulation. See OCC Attachment A at 2. Such estimates greatly inflate the more recent experience for customer savings under the choice program. The management/performance auditor provides total customer savings for each month from November 2000 through October 2002. Management/Performance Audit at 7-7. For an entire year from August 2001 through July 2002, the aggregate savings to customers in the choice program actually were negative. During the last year of the audit period, choice customers were disadvantaged by \$64.3 million. Id. at 7-6. Therefore, Columbia's projections for customer benefits from the choice program do not reflect the recent experience of choice customers.

C. Commission approval of the stipulation is not a pre-condition necessary for the continuance of the choice program in Columbia's service areas.

The Commission should not accept the argument made by certain marketers that the choice program in Columbia's service area will suffer unless the Commission approves the stipulation. IGS and WPS state that the unknown future of Columbia's choice program is already impacting supplier business decisions and that there is reduced marketing activity in Columbia's choice program compared to the Dominion East Ohio market where ongoing competition is certain and the marketplace stable. IGS and WPS Comments at 2. IGS and WPS argue that approval of the stipulation is necessary to protect the Columbia market and that failure to approve the stipulation will result in a diminution of offers due to the uncertainty surrounding the post-November 1, 2004 period.

While the stipulation may act to give the marketers information about how the Columbia choice program will operate during the six-year term of the stipulation, the marketers cannot contend that there is no certainty in the absence of the stipulation. Columbia already has on file with the Commission the tariffs that prescribe the operation of the choice program in its service areas. Columbia also has pending an application to conform its tariffs to the requirements of Sub. H.B. 9 and the Commission's administrative rules adopted to implement the provisions of Sub. H.B. 9. There is no reason to believe that the Commission's rules and Columbia's tariffs are inadequate to provide marketers with the information they need to operate in Columbia's service areas. In addition, there is no comparable stipulation in the Dominion East Ohio service areas

that would lend credence to the notion that a stipulation such as Columbia's is necessary for the success of the choice program.

Columbia cannot unilaterally terminate the choice program. Even if Columbia attempted to begin the process to end the choice program in its service areas, those seeking choice are not without remedy. Any effort on Columbia's part to withdraw its Sub. H.B. 9 tariffs would be met with certain opposition by various interested parties. Moreover, there are provisions in Sub. H.B. 9 that allow petitions to be filed with the Commission to require a natural gas company with fifteen thousand or more customers to provide distribution service. R.C. 4929.29. Therefore, it is not true that the choice program is dependent upon Commission approval of the stipulation.

Conclusion

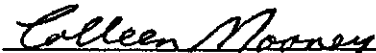
The stipulation is a bad deal for residential ratepayers. It forecloses Commission review of Columbia's pipeline capacity contracting for the entire six-year term of the stipulation. It harms ratepayers by pre-approving funding sources and revenues for Columbia without the statutory procedures for the approval of such sources and revenues. It over-funds Columbia's own projections for costs due to customer migration. It allows for the creation of new regulatory assets that will cause Columbia's revenue requirement to increase at the time of Columbia's next base rate filing.

Thus, as the OCC stated in its initial comments, the Columbia stipulation fails the criteria set forth by the Commission and approved by the Supreme Court for the approval of settlements. The stipulation violates numerous important regulatory principles and

practices; it harms ratepayers and is not in the public interest. Therefore, the Commission cannot approve the stipulation.

Respectfully submitted,


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Assistant Consumers' Counsel

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CERTIFICATE OF SERVICE

I certify that a copy of these *Reply Comments of the Ohio Consumers' Counsel* was served by first-class U.S. mail, postage prepaid, to the parties identified below, this 22nd day of December 2003.


Colleen L. Mooney
Assistant Consumers' Counsel

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PUCO Case No. 94-987-GA-AIR, *et al.*
OCC Interrogatory No. 3
Respondent: Larry W. Martin

**COLUMBIA GAS OF OHIO, INC.
RESPONSE TO OCC INTERROGATORIES**

Interrogatory No. 3

Referring to the Stipulation at Paragraph 9, pages 11-12:

- a. What are the annual estimated amounts for "Choice Program capacity costs" as defined in Paragraph 9?
- b. In determining the costs in response to Subpart (a) of this interrogatory, what are the choice participation rates assumed?
- c. What are all the other assumptions used in determining the costs in response to Subpart (a) of this interrogatory?

Response:

- a. See Attachment 3(a), Line (2), CHOICE Program Costs.
- b. See Attachment 3(a), Line (1), CHOICE Participation.
- c. See Attachment 3(b).

Assumptions:

Capacity reduction of 5% starting '06

PISCC beginning 11/1/04

Surcharge escalates as participation increases

Sharing of OSS/Cap Rel. over \$35 M

30-Sep-03

Line No.		2005	2006	2007	2008	2009	2010	Total
1	CHOICE Participation	62%	67%	82%	82%	82%	82%	
		\$M	\$M	\$M	\$M	\$M	\$M	\$M
2	CHOICE Program Costs	125.5	135.6	165.7	165.7	165.7	165.7	923.0.
3	Marketer Revenues							
4	Balancing Services	39.9	43.1	55.1	55.1	55.1	55.1	
5	Capacity Assignment	41.2	44.5	52.6	52.6	52.6	52.6	
6	Increase to 75%	13.0	14.2	16.6	16.6	16.6	16.6	
7	Total Marketer Revenues	94.1	101.8	124.3	124.3	124.3	124.3	693.1
8	Net CHOICE Program Costs	31.4	33.8	41.4	41.4	41.4	41.4	230.8
9	Less: 5% Capacity Reduction	-	10.0	10.0	10.0	10.0	10.0	50.0
10	Final Net CHOICE Program Costs	31.4	23.8	31.4	31.4	31.4	31.4	180.8
11	Sharing Mechanism on OSS/Capacity Rel.							
12	Capacity Release	14.8	16.0	18.8	18.8	18.8	18.8	106.0
13	Off-System Sales	16.4	16.0	16.0	16.0	16.0	16.0	96.4
14	Total OSS / Capacity Release	31.2	32.0	34.8	34.8	34.8	34.8	202.4
15	OSS/Cap Release Shared over \$35 M	-	-	-	-	-	-	-
16	50% COH if CHOICE Part. < 60%	-	-	-	-	-	-	-
17	60% COH if Part. 60% - 69%	-	-	-	-	-	-	-
18	70% COH if Part. 70% - 79%	-	-	-	-	-	-	-
19	80% COH if Part. >= 80%	-	-	-	-	-	-	-
20	Funding Sources							
21	Capacity Release + OSS after sharing	31.2	32.0	34.8	34.8	34.8	34.8	202.4
22	Surcharge Revenue = \$0.03, \$0.035, \$0.05	5.3	6.1	8.8	8.8	8.8	8.8	46.4
23	Total Funding Sources	36.5	38.1	43.6	43.6	43.6	43.6	248.8
24	Net CHOICE Program	5.1	14.3	12.2	12.2	12.2	12.2	68.0
25	PISCC	2.9	9.8	17.0	24.2	31.6	38.7	124.2
26	Total Funding	8.0	24.1	29.2	36.4	43.8	50.9	192.2
27	Customer Benefits	2005	2006	2007	2008	2009	2010	Total
28	Net CHOICE SAVINGS	50	53	63	63	63	63	353.0
29	Net GCR Savings	11	10	5	5	5	5	39.7
30	Base Rate Freeze	17	17	17	17	17	17	102.0
31	Total Customer Benefits	78	80	84	84	84	84	494.0
32	Net Benefit	69.9	55.4	54.9	47.7	40.3	33.2	301.2

Attachment 3 (b)

Major Assumptions Used In Development
Of Columbia's Response to OCC Interrogatory No. 3(a)

- The implementation of the opt-out provision of HB 9 by various governmental entities will result in a significant increase in Columbia's CHOICE Program participation rates.
- The implementation of the HB 9 opt-out provision by these entities will result in a CHOICE Program participation rate of 62% by October 31, 2005.
- CHOICE Program participation rates will increase an additional 5% during the calendar year 2006 as more municipalities elect to participate in the program.
- There will be a major increase in Columbia's CHOICE program participation rates during Calendar Year 2007 as the program grows in popularity. This will result a decision by major municipalities to become Natural Gas Aggregators and will result in an overall participation rate of 82% by the end of the calendar year 2007 which will remain constant for the balance of the term of the Stipulation.
- COH contracts for peak day capacity equal to 100% of the demand of core market and GTS standby customers for the first year, 2004-05.
- This peak day capacity contract level will be reduced to 95% of the demand of core market and GTS standby customers during the 2005-2006 gas year and remain constant for the balance of the term of the Stipulation.
- COH contracts for peak day capacity based on a design temperature with a 10% risk level.
- COH serves as the Provider of Last Resort.
- Total capacity costs are calculated based on projected contracted capacity and March 2003 pipeline rates.
- COH contracts for 70 MDth of Tennessee FT capacity and 433 MDth of Gulf FTS-1 capacity.
- COH contracts for either ANR or Panhandle capacity sufficient to meet operational needs on the west side of Toledo.