

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the :
 Regulation of the :
 Purchased Gas Adjustment :
 Clause Contained Within : Case Nos. 04-221-GA-GCR
 the Rate Schedules of : 05-221-GA-GCR
 Columbia Gas of Ohio, :
 Inc. and Related Matters. :

PROCEEDINGS

before Messrs. Steven D. Lesser and Gregory Price,
 Hearing Examiners, at the Public Utilities Commission
 of Ohio, 180 East Broad Street, Room 11-C, Columbus,
 Ohio, called at 9:30 a.m. on Thursday, February 1,
 2007.

VOLUME III

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34 On behalf of Dominion Retail, Inc.

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4 - OCC Interrogatory No. 34 Vol I 154

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1 Thursday Morning Session,
2 February 1, 2007.

3 - - -

4 EXAMINER PRICE: Let's go on the record.
5 Good morning. This is the third day of hearing for
6 case Nos. 04-221-GA-GCR and 05-221-GA-GCR. Let's go
7 ahead and take appearances again this morning
8 starting with Columbia.

9 MR. SEIPLE: On behalf of Columbia Gas of
10 Ohio, Inc., Stephen B. Seiple, 200 Civic Center
11 Drive, Columbus, Ohio 43215.

12 MR. ROYER: Thank you, your Honor. Barth
13 Royer, Bell & Royer Co. LPA, 33 South Grant Avenue,
14 Columbus, Ohio, on behalf of Dominion Retail, Inc.

15 MR. SINGH: Your Honor, on behalf of
16 Interstate Gas Supply, Inc., Bobby Singh with the law
17 firm of Chester, Willcox & Saxbe, 65 East State
18 Street, Suite 1000, Columbus, Ohio 43215.

19 MR. SAUER: Thank your Honors. On behalf
20 of the residential consumers of Columbia Gas of Ohio,
21 the office of the Consumers' Counsel, Janine L.
22 Migden-Ostrander, Consumers' Counsel, Joseph P.
23 Serio, Larry S. Sauer, Assistant Consumers' Counsel,
24 Ten West Broad Street, Suite 1800, Columbus, Ohio

1 43215.

2 MR. REILLY: Your Honor, on behalf of the
3 Staff of the Public Utilities Commission, Marc Dann,
4 Attorney General, Duane Luckey, Section Chief, Anne
5 Hammerstein, John Jones, and Steve Reilly, Assistant
6 Attorneys General, 180 East Broad Street, Columbus,
7 Ohio 43215.

8 EXAMINER PRICE: Thank you.

9 Mr. Serio?

10 MR. SERIO: Thank you, your Honor. I did
11 want to clarify something for the record. There was
12 a question from the Bench yesterday if the chart
13 that's attached to Mr. Hayes' testimony, the
14 attachment -- the worksheet from Columbia, if that
15 had been made available to the Commission, and I
16 believe in response OCC indicated we had attached
17 that to our application for rehearing.

18 I misspoke. That was attached to OCC's
19 reply comments that were filed on October 9th,
20 2003, in the 94-987-GA-AIR, 96-1113-GA-ATA,
21 98-222-GA-GCR, and 03-1459-GA-ATA case. So it was
22 not for rehearing, it was actually attached to the
23 comments that we filed earlier than any application
24 for rehearing.

1 We also found yesterday, in looking, the
2 Commission issued an entry on June 9th, '04, and on
3 page 7, footnote 6 they indicate "According to
4 Columbia's own estimates, it apparently expects the
5 value of the PISCC provision over the first three
6 years to be 29.7 million." That's the same amount in
7 the worksheet, so I assume that the Commission at
8 least had the ability to reference that worksheet at
9 the time based on that footnote.

10 EXAMINER LESSER: Thank you.

11 MR. SERIO: Thank you, your Honor.

12 EXAMINER PRICE: Any other preliminary
13 matters before we take our next witness?

14 (No response.)

15 EXAMINER PRICE: Proceed.

16 MR. SAUER: The OCC calls Bruce M. Hayes
17 to the stand, and I'd like his prepared testimony to
18 be marked as OCC Exhibit No. 12. Mr. Hayes will also
19 be indicating he has some changes to his testimony
20 and we'd like the schedule marked as OCC Exhibit 12A.

21 EXAMINER PRICE: Thank you.

22 (EXHIBITS MARKED FOR IDENTIFICATION.)

23 EXAMINER PRICE: I'd like to remind
24 everybody that we do have a very loud heating and

1 cooling system, so if everybody can try to speak up
2 so everybody can hear.

3 (Witness sworn.)

4 EXAMINER PRICE: Please sit down and
5 state your name and address for the record.

6 THE WITNESS: Name is Bruce M. Hayes.
7 Address is Ten West Broad Street, Columbus, Ohio
8 43215.

9 EXAMINER PRICE: Please proceed,
10 Mr. Sauer.

11 - - -

12 BRUCE M. HAYES

13 being first duly sworn, as prescribed by law, was
14 examined and testified as follows:

15 DIRECT EXAMINATION

16 By Mr. Sauer:

17 Q. Are you the same Bruce H. Hayes who has
18 prepared this testimony as filed in these case?

19 A. Yes, I am.

20 Q. And on whose behalf do you appear?

21 A. On behalf of the office of the Ohio
22 Consumers' Counsel.

23 Q. And do you have your prepared testimony
24 with you today on the stand?

1 A. Yes, I do.

2 Q. And did you prepare the testimony or have
3 it prepared at your direction?

4 A. Yes, I did.

5 Q. Did you have any changes or corrections
6 to your prepared testimony?

7 A. Yes, I do.

8 Q. Could you please explain what those are?

9 A. On page 13, and that is a reoccurring
10 correction, on page 13, line 18, you'll notice that
11 "TCRRP" should read "TCCRP."

12 Q. Okay.

13 A. That also occurs on page 14, line 1; page
14 14, line 7; page 14, line 10; page 14, line 11; page
15 15, line 1; and page 15, line 4.

16 Also, BMH Schedule 1, line 5 where it
17 says "Exhibit 55," that should read "OCC
18 Interrogatory 112."

19 Q. That was BMH Schedule 1, line 5?

20 A. Yes.

21 And then also the supplemental schedule
22 that was passed out.

23 MR. SINGH: Your Honor, to be clear,
24 could we have the witness run through those changes

1 one more time?

2 EXAMINER PRICE: Certainly.

3 Would you run through the changes one
4 more time?

5 THE WITNESS: On page 13, line 18,
6 "TCRRP" should be changed to "TCCRP." That same
7 change is to be made on page 14, line 1; page 14,
8 line 7; page 14, line 10; page 14, line 11; page 15,
9 line 1; and page 15, line 4.

10 Also on BMH Schedule 1, line 5, "Exhibit
11 55" should be changed to "OCC Interrogatory 112."

12 Q. And the changes from "TCRRP" to "TCCRP"
13 was just a typographical change, is that --

14 A. Yes, it was.

15 Q. And on page 14, line 5, is there an
16 additional "TCRRP" that should be a "TCCRP"?

17 A. Yes, there is. That should be corrected
18 as well.

19 Q. Okay. And the supplemental schedule 12A
20 that you have handed out, does that schedule refer to
21 or tie back to another one of your schedules?

22 A. Yes. If you look on BMH Schedule 1, page
23 2 of 2, line 28, Net Choice Savings, the negative 13
24 is a -- a chart was provided by Rusty Russell and

1 that supports those numbers. He prepared that at my
2 direction.

3 Q. And Mr. Russell prepared that schedule at
4 your direction?

5 A. Yes, he did.

6 Q. Are there any additional changes to your
7 testimony?

8 A. No, there are not.

9 Q. If I asked you today the same questions
10 found in your prepared testimony, and taking into
11 account the changes and edits that you have provided
12 and described on the stand today, would your answers
13 be the same?

14 A. Yes, they would.

15 MR. SAUER: The OCC moves for the
16 admission of OCC Exhibit Nos. 12 and 12A and tenders
17 the witness for cross-examination.

18 EXAMINER PRICE: Mr. Seiple.

19 MR. SEIPLE: Thank you.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. Seiple:

23 Q. Good morning, Mr. Hayes.

24 A. Good morning.

1 Q. On page 3 of your testimony between lines
2 13 and 21 you state that you reviewed various audit
3 work papers and some Commission orders and entries
4 related to this proceeding. Can you tell me what
5 prior Commission entries and orders you reviewed?

6 A. I reviewed the -- actually, I reviewed
7 briefly some of the orders that went back as far as
8 '94 in the --

9 Q. In which docket? Which case?

10 A. The '94, starting with the 94-987-GA-AIR.

11 Q. Did you also review any of the pleadings
12 filed by Columbia in that docket?

13 A. I don't think so.

14 Q. Can you point me to any pleading or
15 filing made by Columbia in which Columbia suggested
16 that the Commission should rely on your BMH
17 Attachment 2 or any document similar to that in order
18 to approve the 2003 stipulation?

19 A. No.

20 Q. On page 20 of your testimony you
21 summarize the errors that you claim Columbia made in
22 its assumptions reflected on Attachment BMH-2, and
23 specifically on lines 16 to 18 you state that you do
24 not believe that this is how the Staff, the OCC, or

1 other signatory parties envisioned implementation of
2 the 2003 stipulation.

3 Did you talk to any of the other
4 signatory parties and ask them if they shared your
5 concerns about implementation of the stipulation?

6 A. I did not.

7 Q. Did anybody else in the OCC office?

8 A. Yes. I believe Mr. Serio probably talked
9 to some people.

10 Q. And who did Mr. Serio talk to?

11 A. Dale Arnold of the Farm Bureau, and I
12 believe he also talked to someone with the city of
13 Toledo, and possibly somebody with the OCC -- or,
14 with the Staff.

15 Q. You say possibly somebody with the Staff;
16 are you not sure about that?

17 A. No, I'm not.

18 Q. With regard to the Farm Bureau, did the
19 representative from the Farm Bureau, I believe you
20 said it was Mr. Arnold, did he share the OCC's
21 concern about the implementation of the stipulation
22 based on whatever you were told about that
23 conversation?

24 MR. SAUER: I object. Mr. Hayes can't

1 speculate as to what --

2 EXAMINER PRICE: Pardon? You'll have to
3 speak up, Mr. Sauer.

4 MR. SAUER: Mr. Hayes can't testify to
5 what the understanding was of the Farm Bureau.

6 MR. SEIPLE: Well then I would move to
7 strike the sentence in his testimony which he talks
8 about his belief of the other parties.

9 EXAMINER PRICE: Mr. Sauer.

10 MR. SAUER: There's no way Mr. Hayes can
11 discuss or have an ability to testify to
12 conversations between Mr. Serio and the Farm Bureau.

13 EXAMINER PRICE: Then why is Mr. Seiple
14 not correct? Why shouldn't that line be stricken?
15 He wasn't competent to testify.

16 MR. SAUER: Farm Bureau's moved to
17 intervene in the case.

18 EXAMINER PRICE: That's not the basis of
19 his --

20 MR. SEIPLE: That's irrelevant.

21 EXAMINER PRICE: -- motion to strike the
22 statement. If the witness is competent to testify,
23 then he needs to testify. If he's not competent to
24 testify as to this fact, it should be stricken.

1 MR. SAUER: Which line was it again,
2 please?

3 MR. SEIPLE: I'm addressing the sentence
4 that begins on page 20, line 16, and that sentence
5 concludes on line 18 of page 20.

6 MR. SAUER: The Farm Bureau has
7 intervened and they lay out their concerns in their
8 documents beginning on page 2 in their comments to
9 the proceeding.

10 EXAMINER PRICE: Mr. Sauer --

11 THE WITNESS: May I answer the question?

12 EXAMINER PRICE: Your counsel objected.

13 Do you want to withdraw your objection?

14 MR. SAUER: Yeah, we'll withdraw the
15 objection.

16 EXAMINER PRICE: Please proceed.

17 THE WITNESS: I do not believe that the
18 Staff and the OCC are the significant parties other
19 than the company envisioned in how COH would
20 implement it. I don't think it's been implemented
21 the way we thought it was going to be; therefore, I
22 believe that they don't think that as well.

23 Q. (By Mr. Seiple) Mr. Hayes, my question to
24 you is your testimony obviously reflects the OCC

1 position, but what I'm trying to explore with you is
2 your basis for the statement that other parties share
3 the OCC's position. So my question to you is: Did
4 Mr. Arnold from the Farm Bureau express a concern
5 about the implementation of the stipulation in the
6 OCC's discussions with him?

7 A. First of all, this was written before
8 those discussions, and I believe Mr. Arnold was --
9 after this was written I believe Mr. Arnold was
10 concerned about that. I think he was concerned that
11 the off-system sales and capacity release revenues
12 weren't going to offset the program cost.

13 Q. You believe that was his concern. Is
14 that what he stated to the OCC representatives to
15 whom he talked?

16 A. I think that's what he later filed in his
17 testimony. I believe.

18 Q. You believe. Are you sure about that, or
19 are you speculating?

20 A. I'm speculating at this point. But I can
21 go back and read his testimony.

22 Q. With regard to this conversation with a
23 representative from the city of Toledo, what
24 concerns, if any, did Toledo express to the OCC

1 representatives?

2 A. I don't know. I don't know that.

3 Q. So, again, you're speculating as to
4 whether or not the city of Toledo really shares the
5 same concerns as the OCC about the stipulation?

6 A. That is correct.

7 EXAMINER LESSER: Can I just ask a quick
8 question? You referred to testimony of the Farm
9 Bureau.

10 THE WITNESS: Or, I'm sorry, the comments
11 filed by the Farm Bureau.

12 EXAMINER LESSER: Okay.

13 Q. And those comments were the statements
14 they made as part of their motion to intervene in
15 this case?

16 A. Yes.

17 Q. And I believe you stated you weren't sure
18 who the representative from the Staff was that might
19 have talked to the OCC representative; is that
20 correct?

21 A. On this particular issue, no.

22 Q. There again, would it be correct to
23 assume that you don't really know exactly what the
24 Staff expressed to the OCC about any concerns

1 regarding the implementation of the 2003 stipulation?

2 A. I don't think the OCC -- or, excuse me, I
3 don't think the PUCO as stated by Mr. Puican's
4 testimony believes that it's been implemented
5 correctly.

6 Q. Is there anything other than Mr. Puican's
7 testimony upon which you rely for that belief that
8 the Staff shares this concern that the OCC has?

9 A. Well, obviously I felt that they -- I
10 think their response indicates that they didn't feel
11 it, so I must have believed that somewhere. And
12 that -- I don't know. Perhaps we picked that up just
13 throughout the period of time in casual
14 conversations.

15 Q. Do you know who those conversations were
16 with between the OCC and the Staff?

17 A. It would probably be Mr. Sarver,
18 Mr. Puican, and Tom Pierce.

19 Q. Are you able to recall any specific
20 conversations in which the Staff indicated that they
21 shared the OCC's concern about implementation of the
22 2003 stipulation for the reasons that you have set
23 forth in your testimony?

24 A. I think there was the concern of the lack

1 of balance and exactly what the problem with that
2 balance, I don't know if we made any conclusions at
3 that time.

4 Q. When the OCC was participating in the
5 collaborative discussions that led up to the filing
6 of the 2003 stipulation, did the OCC prepare any
7 studies of its own to evaluate the proposals that
8 were being discussed at those negotiations?

9 MR. SAUER: I object, your Honor. Those
10 are privileged settlement discussion conversations.

11 MR. SEIPLE: I'm not asking about the
12 content, I'm just asking if they prepared any of
13 their own studies.

14 EXAMINER PRICE: Overruled. Please
15 answer the question.

16 THE WITNESS: Okay. Yes, we did prepare
17 some studies.

18 Q. Do you think it's likely that other
19 parties prepared their own studies to help them
20 evaluate the 2003 stipulation?

21 A. I have no idea.

22 Q. But as for the OCC itself, you all were
23 not willing to rely entirely on the company's
24 evaluation, were you?

1 A. No, we weren't.

2 Q. Now, under the 2003 stipulation you
3 understand, don't you, that Columbia's responsible
4 for all of the Choice program costs?

5 A. Yes, I do.

6 Q. And the 2003 stipulation provides
7 Columbia with various funding sources in order to
8 offset those Choice program costs, doesn't it?

9 A. Yes, it does.

10 Q. But the 2003 stipulation is not designed
11 so that the revenue sources exactly match the Choice
12 program costs, is it?

13 A. That's correct. There's -- but it is
14 supposed to be designed to provide balance between
15 all parties, and not harm the GCR.

16 Q. In exchange for managing the Choice
17 program costs, the 2003 stipulation provides Columbia
18 with an opportunity to enhance its earnings if it is
19 successful in managing the Choice program costs,
20 doesn't it?

21 A. That opportunity does exist.

22 Q. And that's part of the balance you just
23 referred to, isn't it?

24 A. Yes.

1 Q. Is there anything in the 2003 stipulation
2 that characterizes an excess of revenue funding over
3 Choice program costs as windfall profits?

4 A. Again, I think it's an issue of balance.

5 Q. My question is is there anything in the
6 2003 stipulation that characterizes funding in excess
7 of costs as "windfall profits"?

8 A. Again, I point out I think it does point
9 out that there should be balance among the parties,
10 and I guess it doesn't say anything specifically
11 about windfall profits, but I think it does say there
12 should be balance.

13 Q. So when your testimony uses the term
14 "windfall profits," that's the OCC's
15 characterization, isn't it?

16 A. Yes.

17 Q. Now, the contention in your testimony is
18 that the 2003 stipulation should be terminated
19 because it was not implemented as projected, correct?

20 A. That is correct.

21 Q. Other than having projections that did
22 not materialize as envisioned by the OCC, your
23 testimony doesn't contend that Columbia violated any
24 provisions of the 2003 stipulation, does it?

1 A. I think that my testimony indicates that
2 the off-system sales net revenues and capacity
3 release revenues were intended to go to offset
4 program Choice and failed to do that. And as later
5 indicated in Mr. Puican's testimony, that is probably
6 due to incorrect implementation of the TCCRP.

7 Q. Can you point to anyplace in your
8 testimony where you make the same argument that
9 Mr. Puican does about the accounting for the
10 different revenue sources?

11 A. No, I cannot.

12 Q. As I understood your testimony, and
13 correct me if I'm wrong, I understood you to say that
14 the stipulation should be terminated because the
15 projections fell far short of actual results, and
16 that that was an implementation issue; is that
17 correct?

18 A. I think the -- I think part of it is
19 implementation and I think also part of it is, again,
20 the lack of balance.

21 Q. And my question to you is -- I understand
22 your implementation argument. What I'm asking you is
23 is there anything in your testimony, point me to it
24 if there is, where the OCC maintains that Columbia

1 actually violated a provision of the stipulation as
2 opposed to simply not implementing it as expected?

3 A. I think the use of the -- well, again, I
4 think the off-system sales and capacity release
5 should have gone to offset Choice program costs.

6 Q. And where in your testimony does it say
7 that?

8 A. This does not say it specifically.

9 Q. And your testimony doesn't allege that
10 Columbia violated its tariff in any way, does it?

11 A. No, it does not.

12 Q. Mr. Hayes, would you agree that Choice
13 participation levels can be impacted by the activity
14 of governmental aggregation programs?

15 A. I think they can.

16 Q. During the negotiations that preceded the
17 filing of the 2003 stipulation, did the OCC ever
18 prepare its own analysis of expected Choice
19 participation rates during the term of the 2003
20 stipulation?

21 A. Is that -- again, we're talking about
22 negotiations. Am I allowed to answer that?

23 EXAMINER PRICE: Your counsel hasn't
24 objected. Please answer the question.

1 A. Would you repeat the question again?

2 MR. SEIPLE: Could I have it read back,
3 please?

4 (Question read.)

5 A. We had an analysis that you could put in
6 different Choice participation rates, but, I mean
7 that was used for our analysis and we made no -- I
8 mean, we covered the range.

9 Q. Did the OCC ever present that type of
10 analysis to the collaborative for its consideration?

11 A. I don't recall.

12 Q. Now, you understand, don't you, that the
13 2003 stipulation as approved and modified by the
14 Commission runs through October 2008?

15 A. Yes.

16 Q. And, therefore, it's possible, isn't it,
17 that during the next roughly year and a half that
18 Choice participation rates can vary from what we are
19 experiencing today?

20 A. They could vary; however, your forecast
21 doesn't indicate that. Your long-range forecast.
22 Your long-range forecast states that you think that
23 things will remain steady.

24 Q. I'm sorry, I couldn't hear the last part

1 of your answer because of the speaker.

2 A. Okay. The latest forecast, long-term
3 forecast, LTFR or whatever it's called, I believe
4 says that while aggregation is a consideration, that
5 you don't believe that there'll be much change in it.

6 Q. You're referring to the 2006 long-term
7 forecast report which was used by your counsel
8 yesterday I believe which contains a statement by
9 Columbia as to Choice participation rates. What does
10 the OCC project for OCC's participation rate over the
11 next year or two?

12 A. I don't think we have a -- at this point
13 we don't -- I don't think we have a forecast. I
14 don't know if it's going to change or not.

15 Q. What is the OCC doing to try to encourage
16 participation in Columbia's Choice program?

17 A. Just provide -- well, I don't know. Let
18 me rephrase that. OCC has a website that discusses
19 Choice and shows Choice prices. I think OCC's
20 position has always been encouraging people to shop.

21 Q. Does the OCC engage in any efforts to
22 encourage participation in Columbia's Choice program
23 other than including information on a website?

24 A. OCC has a group of people that talk with

1 community groups, and Choice is a subject that is
2 brought up and is probably encouraged for people to
3 look at.

4 Q. Now, your testimony indicates that Choice
5 participation rates at the time of your testimony
6 were actually lower than they were at the time the
7 2003 stipulation was being negotiated. Does your
8 office have any specific concerns which they have
9 addressed regarding that drop in Choice participation
10 rates?

11 A. I think that OCC has tried to encourage
12 all companies -- all the major four companies in Ohio
13 to have open choice programs and has tried to help
14 eliminate any barriers for marketers to enter the
15 market.

16 Q. Has the OCC conducted any studies to
17 determine why Columbia's Choice participation rates
18 have dropped in the last three years?

19 A. Not that I'm aware.

20 Q. The 2003 stipulation does not contain any
21 specific Choice participation rate targets, does it?

22 A. It has some thresholds, but not expected
23 participation levels.

24 Q. And those thresholds are the thresholds

1 specified in the Choice program sharing credit?

2 A. Yes.

3 Q. And those thresholds affect the retention
4 or the sharing of the off-system sales revenues to
5 the extent the mechanism is applicable in any given
6 year?

7 A. Yes. And I might add that they were
8 suggested by OCC to try to encourage Choice
9 participation in that program.

10 Q. Now, you were an active participant as
11 part of the OCC delegation that participated in the
12 negotiation of the 2003 stipulation, weren't you?

13 A. Yes.

14 Q. And isn't it true that the OCC remained
15 in those negotiations right up until the day that
16 other parties started signing the 2003 stipulation?

17 A. I'm not sure of the exact day to when we
18 remained.

19 Q. Would you accept that subject to check
20 that the --

21 A. Yes. Yes, I would.

22 Q. Thank you.

23 So the OCC had access to all of the
24 information shared as part of their negotiations that

1 led up to the filing of the 2003 stipulation in
2 October 2003, didn't it?

3 A. I would hope so.

4 Q. On page 13 of your testimony, lines 1
5 through 3, you state that none of the participants in
6 those negotiations focused on or understood the
7 calendar year issue that relates to the Choice
8 program sharing credit. Have you talked to other
9 signatory parties about that issue and whether or not
10 they understood how the Choice program sharing credit
11 was to operate?

12 A. No, I have not.

13 Q. So when you state that you do not believe
14 that any of the participants focused on or understood
15 that issue well, that's simply your -- speculation on
16 your part?

17 A. Yes.

18 Q. During the OCC's participation in the
19 negotiations that led up to the filing of the 2003
20 stipulation did the OCC ever question the calendar
21 year reference during the collaborative negotiations?

22 A. I don't know.

23 Q. Now, the bottom line of your testimony is
24 that you believe the stipulation has not been

1 implemented as it should have been or expected, and
2 you recommend that the 2003 stipulation be
3 terminated, don't you?

4 A. Yes, I do.

5 Q. I'd like for you to describe for me what
6 you see the ramifications being on Columbia's
7 operations if this stipulation were to be terminated.

8 A. The ramifications would probably result
9 in having to get everybody back together and figuring
10 out what to do.

11 Q. Now, since you were a party to the
12 negotiations that led up to the filing of the 2003
13 stipulation, you realize that those negotiations
14 lasted for a little over a year, don't you?

15 A. Yes, I do.

16 Q. And that the stipulation was filed in
17 2003, October 2003, and it was sometime in the summer
18 of 2005, I believe, before the litigation concerning
19 the case was over; is that correct?

20 A. Yes.

21 Q. So that's a little over three years of
22 processing time from the beginning of the
23 negotiations to the conclusion of the Commission
24 process to adopt that stipulation; isn't it?

1 A. Yes, it is.

2 Q. And were the next set of negotiations
3 that you just referenced to take a similar length of
4 time, how would you propose that Columbia operate the
5 Choice program, balancing service issues, and things
6 of that nature during the interim period?

7 A. Columbia would have the opportunity, if
8 there was any stranded costs, if it continued to
9 operate much like they are today, you have the
10 opportunity to recover any stranded costs through
11 other mechanisms.

12 Q. What mechanisms, if the 2003 stipulation
13 were to be terminated?

14 A. I don't know exactly. I think it's -- I
15 want to say it's related to something that was
16 provided in House Bill 9, but I'm not positive about
17 that. I may also add that the language of
18 termination is what was in the Commission's entry,
19 and modification is also a choice as well.

20 Q. I'm sorry, I couldn't hear the last part
21 of your answer.

22 A. Modification could also potentially be a
23 choice that the Commission could decide to do as
24 well.

1 Q. Did your testimony recommend the
2 termination of the stipulation -- did you give any
3 consideration as to how the company would operate if
4 the stipulation were to be terminated as you suggest?

5 A. I didn't -- no.

6 Q. And isn't it true that the structure of
7 Columbia's Choice program is related to and actually
8 dependent upon the cost recovery provisions of the
9 2003 stipulation?

10 A. Again, I think Columbia would have other
11 alternatives to recover that.

12 Q. That didn't answer my question, though.
13 My --

14 MR. SEIPLE: Can I have my question
15 reread, please?

16 (Question read.)

17 THE WITNESS: I'm sorry, would you read
18 it one more time, please?

19 (Question read.)

20 A. It's related to. I wouldn't call it
21 dependent on.

22 Q. If the OCC's position were to be adopted
23 by the Commission and the 2003 stipulation terminated
24 and another process was initiated to discuss what

1 were to take the place of the 2003 stipulation, what
2 goal should prevail? Is the OCC encouraging Choice
3 or is it trying to protect GCR customers? What would
4 be its primary goal?

5 A. OCC's primary goal is to protect the
6 residential customers, and that would include Choice
7 customers and GCR customers.

8 Q. In looking at the sales customers who are
9 residential customers, is the OCC indifferent as to
10 whether or not customers are sales customers or
11 Choice customers, or do they have a preference?

12 A. No; we are indifferent.

13 Q. In terms of that indifference, is the OCC
14 also indifferent as to cost allocations of capacity
15 costs between Choice and sales customers?

16 A. I'll refer that to Mr. Haugh.

17 MR. SEIPLE: Thank you. I have nothing
18 further of Mr. Hayes.

19 EXAMINER PRICE: Mr. Royer?

20 MR. ROYER: No questions.

21 EXAMINER PRICE: Mr. Singh?

22 MR. SINGH: Yes, your Honor, we have a
23 few questions.

24 - - -

CROSS-EXAMINATION

By Mr. Singh:

Q. Mr. Hayes, do you remember the line of questioning Mr. Seiple asked you as to the length of the collaborative process --

A. I'm sorry, could you speak up a little bit.

Q. Yes, certainly. You recall the questions where Mr. Seiple asked you as to the length of time for the negotiations for the 2003 stipulation lasting about a year?

A. I think it was a little longer than a year.

Q. Okay. Did those collaborative -- you were involved in those collaborative meetings, correct?

A. Yes.

Q. Did those meetings have -- did the collaborative participants meet every week through that entire year and a half or longer process?

A. No.

Q. Did they even meet every month during that year and a half or longer process? Regularly.

A. I don't think it was even once a month.

1 Q. Indeed, there were times when a month or
2 so passed between meetings, correct?

3 A. Yes.

4 Q. Thank you.

5 MR. SINGH: No further questions, your
6 Honor.

7 EXAMINER PRICE: Mr. Reilly.

8 MR. REILLY: Staff has nothing, your
9 Honor.

10 EXAMINER PRICE: Mr. Sauer, redirect?

11 MR. SAUER: Could we take a few minutes,
12 your Honor?

13 EXAMINER PRICE: Yes. Let's be back by
14 10:30.

15 (Recess taken.)

16 EXAMINER PRICE: Let's go back on the
17 record.

18 Mr. Sauer.

19 MR. SAUER: We have a couple redirect
20 questions, your Honor.

21 - - -

22 REDIRECT EXAMINATION

23 By Mr. Sauer:

24 Q. Mr. Hayes, do you recall when Mr. Seiple

1 had asked you some questions about what your belief
2 was that other parties had similar concerns with the
3 implementation of the 2003 stipulation?

4 A. Yes, I do.

5 Q. And did you read the Ohio Farm Bureau
6 motion to intervene and their comments?

7 A. Yes, I did.

8 Q. And did you read the Ohio Marketers Group
9 motion to intervene?

10 A. Yes, I did.

11 Q. And did you read the testimony of the
12 Staff, the supplemental testimony of the Staff?

13 A. Yes, I did.

14 Q. And did those pleadings confirm your
15 belief that there were other parties that had similar
16 concerns about the 2003 stipulation?

17 A. Yes, it did.

18 Q. And those concerns were just general
19 concerns, not necessarily the same specific concerns
20 you're raising.

21 A. That is correct.

22 Q. And, Mr. Hayes, do you recall a series of
23 questions Mr. Seiple asked you regarding whether or
24 not in your testimony there is an allegation of a

1 specific provision which the stipulation is not being
2 implemented as you thought it should be implemented?

3 A. Yes.

4 Q. And where would that be in your
5 testimony, sir?

6 A. On page 15, question 27. In the first 12
7 months \$14.8 million went to offset the Choice
8 program costs.

9 Q. How much of off-system sales and capacity
10 release revenues in the first year were used to
11 offset Choice program costs?

12 A. None.

13 Q. Mr. Hayes, do you recall a series of
14 questions that Mr. Seiple asked you regarding the
15 termination and the ramifications of the termination
16 of the 2003 stipulation?

17 A. Yes, I do.

18 Q. And do other LDCs in Ohio, if you know,
19 have choice programs?

20 A. Yes, they do.

21 Q. And do their choice programs operate
22 without the benefit of a stipulation like the 2003
23 stipulation Columbia has -- without the funding
24 sources that are included in the 2003 stipulation

1 that Columbia has?

2 A. Not like Columbia, no.

3 MR. SAUER: We have no further questions.

4 EXAMINER PRICE: Mr. Seiple?

5 MR. SEIPLE: Yes, thank you.

6 - - -

7 REXCROSS-EXAMINATION

8 By Mr. Seiple:

9 Q. Mr. Hayes, you just stated that with
10 regard to your belief about the opinions of other
11 parties concerning the stipulation, that you based
12 your opinion in part upon the motions to intervene
13 filed by the Farm Bureau, the marketers group, and
14 the testimony of Commission staff; is that correct?

15 A. No; I said that those confirmed what I
16 believed.

17 Q. At the time you filed your testimony,
18 though, you did not have the benefit of having read
19 any of those documents, did you?

20 A. That's correct.

21 Q. Referring to page 15 of your testimony,
22 question 27, anywhere in that answer do you indicate
23 that you believe the company failed to actually
24 implement any provision of the stipulation?

1 A. Again, off-system sales and capacity
2 release revenues do not go to cover the program
3 costs. And I think that's a violation.

4 Q. You also just answered a question about
5 other LDCs in Ohio and how they operate their choice
6 programs. Do you know how the other LDCs in Ohio
7 fund their choice programs?

8 A. Not without going back and reviewing.

9 Q. And I take it, then, you're not in a
10 position to say that Columbia could emulate the
11 funding mechanism structure of any other LDC without
12 doing some type of study or analysis?

13 A. Well, obviously I think that Columbia
14 would have to, if they wanted a similar type funding
15 mechanism, would probably have to study it, yes.

16 Q. And until you do that study, you don't
17 know if any of those other structures would work for
18 Columbia or not, do you?

19 A. That's right.

20 Q. Now your testimony again, page 15
21 carrying over to page 16 your testimony discusses the
22 transition capacity cost recovery pool, and wasn't
23 the point of your testimony that Columbia failed to
24 include the balance of that pool in its projections

1 that it shared with the collaborative?

2 THE WITNESS: I'm sorry, would you repeat
3 the question, please?

4 MR. SEIPLE: Could I have the question
5 read back, please?

6 (Question read.)

7 A. Yes, that was not included in those
8 projections.

9 Q. And that's part of your argument that
10 Columbia failed to implement the stipulation as
11 expected?

12 A. No.

13 Q. What is your argument with regard to the
14 transition capacity cost recovery pool balance?

15 A. That they were applied incorrectly.

16 Q. And can you point me to a specific line
17 where you say that the funds were applied
18 incorrectly?

19 A. I think the answer to question No. 27
20 infers that.

21 Q. But your testimony never comes out and
22 says that, does it?

23 A. No, it doesn't.

24 MR. SEIPLE: Thank you. I have nothing

1 further.

2 EXAMINER PRICE: Mr. Royer? Mr. Singh?

3 MR. SINGH: No questions, your Honor.

4 EXAMINER PRICE: Mr. Reilly.

5 MR. REILLY: No questions, your Honor.

6 MR. SAUER: At this time the OCC would
7 move for admission of OCC Exhibit 12 and 12A.

8 EXAMINER PRICE: Mr. Seiple.

9 MR. SEIPLE: I would like to note that
10 before the hearing in this case Columbia had filed a
11 motion to strike this testimony, that motion was
12 rejected by the Attorney-Examiners. For the record,
13 I would just like to note a continuing objection
14 based on the same grounds in our motion to strike.

15 EXAMINER PRICE: The motion to strike
16 will be overruled again based upon the grounds we set
17 forth in the Attorney-Examiner entry. OCC Exhibits
18 12 and 12A will be admitted.

19 (EXHIBITS ADMITTED INTO EVIDENCE.)

20 EXAMINER PRICE: Thank you.

21 THE WITNESS: Thank you.

22 (Witness excused.)

23 MR. SINGH: Your Honor, could we request
24 that you take administrative notice of the docket

1 relating to the 2003 stipulation which is the
2 03-1459-GA-ATA docket, as well as the docket relating
3 to the 1999 stipulation, and that's the stipulation
4 that relates to the TCCRP rider which are dockets
5 98-222-GA-GCR, et cetera?

6 There are a number of briefs as well as
7 comments that were filed in those dockets that I
8 think are going to be necessary in responding on
9 brief to some of the cross-examination that occurred
10 today, particularly with respect to the intent of the
11 parties.

12 I can certainly provide you with some
13 examples now if you'd so like, but if counsel would
14 agree to that, I would appreciate it.

15 MR. SEIPLE: I have no objection to
16 taking administrative notice of any other Commission
17 docket.

18 EXAMINER PRICE: Mr. Reilly.

19 MR. REILLY: It seems to me that that
20 creates a very large record in this case, a very
21 large record that's filled with material that may not
22 be relevant to this case. If there are items in
23 there that are relevant to this case, perhaps they
24 could be identified, but just to take administrative

1 notice of various comments, for whatever they're
2 worth, that were prepared in another case for other
3 issues seems to me to be overbroad. And you're
4 talking about a lot of irrelevant information here.

5 MR. SINGH: I appreciate that. Your
6 Honor, perhaps counsel can get together and try to
7 identify some of these documents and present this
8 issue to you again.

9 MR. ROYER: I have a question of what the
10 issue is we're talking about here.

11 MR. REILLY: So do I.

12 MR. ROYER: Are we talking about whether
13 the past witness believes something? In which case
14 he didn't cite to these other documents so you can't
15 rehabilitate him by saying that this is the basis for
16 his belief. I didn't hear anything else in the
17 cross-examination that would require opening up
18 everything that's ever been said about these subjects
19 to be used again on brief with no notice to anybody
20 else as to what's going on.

21 EXAMINER PRICE: Mr. Singh is going to
22 try to narrow his request and then we'll go from
23 there.

24 MR. SINGH: Thank you, your Honor.

1 And just for the record, your Honor, it's
2 not our desire to rehabilitate Mr. Hayes. We're in
3 this case to make our own arguments on the issues
4 that matter to us.

5 EXAMINER PRICE: Thank you. Mr. Serio.

6 MR. SERIO: Yes, your Honor, thank you.
7 Call Mr. Haugh to the stand.

8 (Witness sworn.)

9 EXAMINER PRICE: Please be seated and
10 state your name and address for the record.

11 THE WITNESS: Michael P. Haugh,
12 H-a-u-g-h, address is Ten West Broad Street, Suite
13 1800, Columbus, Ohio 43215.

14 EXAMINER PRICE: Thank you.

15 Please proceed, Mr. Serio.

16 MR. SERIO: Thank you, your Honor.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 - - -

19 MICHAEL P. HAUGH

20 being first duly sworn, as prescribed by law, was
21 examined and testified as follows:

22 DIRECT EXAMINATION

23 By Mr. Serio:

24 Q. Do you have in front of you a

1 multiple-page document dated December 8th, 2006,
2 that indicates it's the prepared testimony of Michael
3 P. Haugh previously marked as OCC Exhibit 13?

4 A. I do.

5 Q. And are you the same Michael P. Haugh
6 that this testimony refers to?

7 A. I am.

8 Q. Do you have any corrections or additions
9 you'd like to make to your testimony?

10 A. One revision. My MPH Exhibit 3 was the
11 comparison of Dominion East Ohio and Columbia of Ohio
12 GCRs to the NYMEX, and since my testimony was filed I
13 have three months that have been updated on that
14 chart. And along with that there's a --

15 Q. Let me take it one at a time.

16 A. Okay.

17 Q. Other than adding the three months of
18 data is there any other changes on your revised MPH
19 Exhibit 3?

20 A. No, they're just three additional data
21 points.

22 Q. Okay. And then does that relate to any
23 other modifications within your testimony?

24 A. Yes. On page 10, line 13, the start of

1 the first full sentence "In the three months since
2 September 2006," "three" should be replaced with
3 "five."

4 And on line 15, the rate has been over
5 or has been -- the difference by which the DEO rate
6 is below COH has been 20 percent, so replace "over
7 19" to "20 percent."

8 Q. Let me repeat those. On line 13 on page
9 10 you're replacing "five" instead of "three." And
10 on line 15 of page 10 instead of "over 19 percent"
11 you indicate it's "20 percent."

12 A. That is correct.

13 Q. And both of those modifications are based
14 on the additional data that you have added to your
15 revised MPH Exhibit 3, correct?

16 A. That is correct.

17 MR. SERIO: Your Honor, we can either
18 make this Exhibit 13A or simply replace MPH-3. If
19 you have a preference.

20 EXAMINER PRICE: I'd think I'd prefer to
21 make it 13A.

22 MR. SERIO: Then I guess we'd like to
23 mark Revised MPH Exhibit 3 as OCC Exhibit 13A.

24 EXAMINER PRICE: It will be so marked.

1 (EXHIBIT MARKED FOR IDENTIFICATION.)

2 MR. SERIO: Thank you, your Honor.

3 Q. (By Mr. Serio) Mr. Haugh, if I was to ask
4 you the same -- let me strike that.

5 The testimony was prepared by you
6 directly or by others operating at your direction,
7 correct?

8 A. Correct.

9 Q. And if I was to ask you the same
10 questions today, would your answers be the same or
11 similar taking into account the revision and
12 modifications that you've just walked us through?

13 A. They would be the same.

14 MR. SERIO: Your Honor, Mr. Haugh's
15 available for cross-examination.

16 EXAMINER PRICE: Thank you.

17 Mr. Seiple.

18 MR. SEIPLE: Thank you.

19 - - -

20 CROSS-EXAMINATION

21 By Mr. Seiple:

22 Q. Good morning, Mr. Haugh.

23 A. Good morning.

24 Q. What were your duties and

1 responsibilities while you were employed at Enron
2 Energy Services?

3 A. At Enron? I had a variety of different
4 responsibilities and the majority of what I did was
5 we were a retail supplier for customers within Ohio,
6 West Virginia, Pennsylvania were the areas that I
7 focused on. I would forecast usage for our
8 customers; I would purchase gas, schedule it along
9 pipelines, things of that nature.

10 Q. While there did you perform any
11 cost-of-service studies for regulated natural gas
12 utilities?

13 A. No.

14 Q. What were your duties at AEP Energy
15 Services?

16 A. Over the five years I had a variety
17 starting with I was working in the Risk Management
18 division where I would balance the wholesale trading
19 floors, natural gas, electricity, coal, and liquids
20 trading portfolios. I was involved in natural gas
21 trading. I was involved with electric trading. As I
22 said, that would probably be the majority of my
23 duties there.

24 Q. And while at AEP Energy Services did you

1 perform any cost-of-service studies for natural gas
2 utilities?

3 A. I did not.

4 Q. What were your duties at Mid-American
5 Energy?

6 A. There I was in charge of hedging
7 purchasing all gas for retail customers within the
8 state of Ohio and a variety of regulatory duties that
9 would involve Mid-American and the state of Ohio.

10 Q. And while at Mid-American Energy did you
11 perform any cost-of-service studies for natural gas
12 utilities?

13 A. I did not.

14 Q. Would you explain for me what operating
15 experience you might have regarding the use of
16 storage to provide balancing services for a natural
17 gas utility?

18 A. Sure. While working for Enron we had a
19 large number of customers in the Dominion East Ohio
20 service territory. While there I was charged with
21 purchasing and balancing their gas, their deliveries
22 with their usage.

23 Q. On page 2, lines 16 to 23, you discuss
24 the documents you reviewed to prepare your testimony

1 for this case, and you mention relevant documents
2 from other proceedings. What's that a reference to?
3 What documents did you review from other proceedings?

4 A. I reviewed some of the documents from
5 the -- I'm trying to recall the exact case numbers,
6 but the case numbers involved with the 2003
7 stipulation. I don't know the full list of case
8 numbers that are involved, but I reviewed documents
9 related to that proceeding. And also to the Dominion
10 East Ohio phase 1 exit the merchant function, I
11 believe that case number was 05-474 with the Public
12 Utilities Commission of Ohio.

13 Q. Did you review all the stipulations and
14 Commission orders in case No. 94-987-GA-AIR, which is
15 one of the dockets in which the 2003 stipulation was
16 filed?

17 A. I can't recall if I reviewed all of them.

18 Q. Did you review the document that we are
19 referring to as the 2003 stipulation?

20 A. Yes.

21 Q. Did you review the entries and orders in
22 which the Commission acted upon that stipulation
23 after it was filed?

24 A. Now, there were a variety -- if I recall,

1 there were a variety of entries, motions for
2 rehearing, entries on rehearing, and I believe I
3 reviewed the majority, I can't specifically say if I
4 reviewed every single one of them, though.

5 Q. You weren't employed by the OCC at the
6 time Columbia, the OCC, and other parties were
7 negotiating the 2003 stipulation, were you?

8 A. If I was, I wasn't involved in that.

9 Q. Because you started with the OCC in 2004,
10 correct?

11 A. October of 2004, correct. And I don't
12 believe there was -- if there were any negotiations
13 at that point, I wasn't involved with them.

14 Q. Did you rely upon anybody else in the OCC
15 to explain to you the history of the collaboration
16 and negotiation process that led up to the 2003
17 stipulation?

18 A. Well, sure, there were discussions with
19 various staff members.

20 Q. Did you engage in any conversations or
21 discussions with Commission staff about the 2003
22 stipulation?

23 A. When you say that, I can't recall
24 specific conversations, but I'm sure at some point

1 during conversations with PUC staff members I was --
2 we did discuss the 2003 stipulation.

3 Q. Do you recall any of the specific
4 individuals you might have talked to at the
5 Commission staff?

6 A. As I stated, I can't remember specific
7 conversations that I would have had.

8 Q. Now, one of the issues that the 2003
9 stipulation dealt with was the allocation of pipeline
10 capacity costs, correct?

11 A. That is correct.

12 Q. And do you realize that Columbia's
13 pipeline capacity costs are a fixed cost, that is the
14 capacity costs don't vary based on monthly
15 throughput?

16 A. I'll accept that subject to check.

17 Q. Is there anything in your testimony where
18 you indicate that Columbia was violating the pipeline
19 capacity provisions of the 2003 stipulation?

20 A. I don't believe I state anywhere in my
21 testimony that there were any violations. Though
22 there does seem to be an inconsistency with the
23 stipulation and the tariffs filed.

24 Q. Can you point that out to me in your

1 testimony where you address that?

2 A. As I stated, I don't address that in my
3 testimony. It was after the filing of my testimony
4 that I realized that.

5 Q. On page 4 of your testimony starting at
6 line 12 you express a concern that Columbia allocates
7 pipeline capacity costs to Choice customers based on
8 the assumption that all residential customers have
9 the same demand usage curve, correct?

10 A. That is correct.

11 Q. And is it your belief that Columbia's
12 assumption is an incorrect assumption on the part of
13 the company?

14 A. That is correct. I go on to explain that
15 later in my testimony.

16 Q. Upon what did you rely to determine that
17 Columbia allocates pipeline capacity costs to Choice
18 customers based on the assumption that all
19 residential customers have the same demand usage
20 curve?

21 A. Now, I prepared this a while ago and I'm
22 trying to recall exactly -- I can't specifically
23 recall if it was from depositions of Columbia
24 witnesses or through discovery that I came to that

1 conclusion.

2 Q. Did you confirm your conclusion with
3 anybody at Columbia?

4 A. As I stated, I believe it was through
5 depositions of Columbia witnesses.

6 Q. Can you point me to a specific provision
7 of any of the depositions where you drew that
8 conclusion?

9 A. I don't have the depositions available to
10 me. I would assume it was either Mr. Anderson or
11 Mr. Phelps.

12 It was also, I believe the auditor also
13 mentioned in his -- in the audit report that there
14 were -- that the demand curves were the same for all
15 residentials.

16 Q. Can you point me to that portion of the
17 audit report?

18 A. If I can -- let me take a moment to look,
19 see if I can find that.

20 I can't seem to find that point right
21 now.

22 Q. Would you like some additional time, or
23 would you like me to move on through my questioning?

24 A. I suppose we could go on.

1 Q. Were you present yesterday when
2 Mr. Anderson on behalf of Columbia was
3 cross-examined?

4 A. Yes.

5 Q. Do you recall hearing him say that all
6 residential customers -- let me strike that.

7 Do you recall him saying that Columbia
8 does not allocate pipeline capacity to Choice
9 customers based on an assumption that all residential
10 customers have the same demand usage curve?

11 A. I don't recall that specifically, but
12 subject to check I'll accept that.

13 Q. Now, you do realize, don't you, that some
14 of Columbia's Choice customers are commercial or
15 industrial customers?

16 A. Yes.

17 Q. Is it your understanding that Columbia
18 also uses an average demand curve for small
19 commercial and industrial customers on the Choice
20 program?

21 THE WITNESS: Could you repeat the
22 question, please?

23 (Question read.)

24 A. I would assume that to be the situation.

1 Q. Is that assumption based on anything you
2 learned during the deposition process, or discovery,
3 or what is it based upon?

4 A. Just through my learning about Columbia
5 throughout this case. I didn't specifically look
6 at -- the reason I assume that is because I didn't
7 specifically look at the industrial or commercial
8 customers.

9 Q. Are you aware that Columbia determines
10 the amount of firm capacity for which it must
11 contract based upon the peak-day demands of its firm
12 customers?

13 A. That's my understanding.

14 Q. And are you aware that the costs for firm
15 pipeline capacity are incurred on a demand basis paid
16 monthly irrespective of customer consumption?

17 A. You stated that the costs are based on
18 monthly demand; is that correct?

19 Q. We could have the question reread.

20 A. Yeah, that would be better, I believe.

21 (Question read.)

22 A. Yes.

23 Q. And isn't it true that Columbia includes
24 Choice customers among the firm customers when it is

1 determining the amount of firm capacity needed?

2 A. Yes, that's my understanding.

3 Q. Are you aware that Columbia determines
4 the design peak-day capacity of the Choice customer
5 class based on the Choice customers' actual historic
6 usage at the same design peak-day temperature used by
7 Columbia in determining its total capacity
8 requirements?

9 A. I believe that was stated by Mr. Anderson
10 yesterday, and I believe that was the first time I
11 heard that.

12 Q. If you had been aware of that fact
13 earlier, would your testimony today be different?

14 A. I can't say right now if it would or
15 would not change.

16 Q. When you heard Mr. Anderson say that
17 yesterday, did you have any reason to disagree with
18 his statement?

19 A. The statement regarding that choice
20 demand is based on historical usage?

21 Q. Yes, at the same design peak-day
22 temperature used by Columbia in determining total
23 capacity requirements.

24 A. No, I had no reason -- no basis to

1 disagree with that.

2 Q. And as I understand your testimony, you
3 would prefer to see Columbia allocate pipeline
4 capacity costs based upon the actual demands of just
5 the Choice customers instead of an allocation based
6 upon the entire residential class?

7 THE WITNESS: Could you restate that
8 question, please? Or, reread the question; I'm
9 sorry.

10 (Question read.)

11 A. No. My testimony states that I think the
12 capacity allocation costs should be allocated based
13 on customer usage.

14 Q. And for Choice customers you prefer to
15 see it based on the customer -- based on the usage of
16 Choice customers as opposed to an average for the
17 entire residential class?

18 A. Well, no. My calculation takes the --
19 takes a percentage based on actual usage that if
20 Choice customers are using -- are being delivered,
21 just using an example, 70 percent of the gas coming
22 through the pipeline, they should in turn pay 70
23 percent of the cost associated with capacity.

24 My testimony has the exact numbers that I

1 derived from the usage numbers.

2 Q. What I'm trying to make sure that we're
3 clear on is if the percentage for the Choice
4 customers is 70 percent, you'd prefer to use that
5 rather than a percentage for the residential customer
6 class as a whole, Choice and sales, to the extent
7 that that might be a different number other than 70
8 percent.

9 A. Well, no. My numbers in my testimony are
10 based on total throughput to Columbia customers,
11 Choice and GCR customers, and from that I derive --
12 it's an equal number, so if you were -- if you turn
13 to MPH Exhibit 2, the OCC Proposed Capacity Cost
14 Allocation, I take the GCR volumes, in this case
15 column C are 91,263,877, which equals out to 59
16 percent of the total customer volume. The Choice
17 customer volumes in this case are 63,416,356 which
18 equal out to 41 percent. So in that case the sum of
19 those two equals 100 percent.

20 So what I'm saying is that the allocation
21 should be based on customer usage in these cases, and
22 regardless if you take Choice first or GCR first,
23 it's going to equal a hundred percent.

24 Q. You just stated you want the allocation

1 or the allocation should be based on customer usage.

2 A. Correct.

3 Q. For Choice customers is that customer
4 usage the usage of the Choice customer class or the
5 larger residential customer class?

6 A. That's the -- the numbers that I received
7 from Columbia in discovery were for usage of all
8 Choice customers.

9 Q. On page 5 of your testimony, lines 9 to
10 14, you testified that the calculation of the Choice
11 customer capacity cost allocation methodology were
12 filed as a result of the 2003 stipulation, correct?

13 A. With that I was just referring to the
14 tariffs that are in -- that Columbia's tariffs
15 were -- the effective date was as a result of this
16 case.

17 Q. Now, your testimony doesn't claim that
18 Columbia's allocation of pipeline capacity costs
19 violated any provision of those tariffs, does it?

20 A. No. My testimony states that I don't
21 believe they are just and reasonable ways to allocate
22 costs among the customers.

23 Q. And your testimony doesn't allege that
24 Columbia's allocation of pipeline capacity costs

1 violated any other provisions of Columbia's tariffs,
2 does it? Tariffs that might have existed before the
3 filing of the stipulation, the approval of the --

4 A. No. I state that they violate the basic
5 GCR rules.

6 Q. Can you show me where you indicated that
7 you thought the tariffs violated the Commission's
8 rules?

9 A. Well, in question 9 up on the top of page
10 5 I state that it's my belief that the GCR -- that
11 costs passed through to GCR customers need to be
12 fair, just, and reasonable. And I state later in my
13 testimony that I don't believe this allocation of
14 costs is, in fact, fair, just, and reasonable.

15 Q. So when you state that you believe that
16 the tariffs violate the rules, it's just that you
17 believe the result of the tariffs is not fair, just,
18 or reasonable -- I'll let you answer that question.

19 A. Yes, that is correct.

20 Q. It's not your testimony that Columbia is
21 inaccurately applying any of the formulas or
22 equations that apply to the determination of the GCR
23 rate, is it?

24 A. No.

1 Q. And your testimony doesn't claim that
2 Columbia violated any specific provision of the 2003
3 stipulation as modified and approved by the
4 Commission, does it?

5 A. No, I don't believe it violated the
6 stipulation.

7 Q. On page 5, lines 18 to 19 you state that
8 there should be a more equitable allocation of
9 capacity costs between Choice and GCR customers. So
10 is it your conclusion that the OCC finds the
11 allocation of pipeline costs included within the 2003
12 stipulation to be inequitable, unfair, unjust, and
13 unreasonable?

14 A. I believe the current tariffs, in fact,
15 are not fair, just, or reasonable.

16 MR. SEIPLE: Your Honor, at this time I'd
17 like to renew my motion to strike this portion of
18 Mr. Haugh's testimony. It's clear that he's not
19 claiming that Columbia violated its tariffs or any
20 provision of the stipulation. He's not claiming that
21 Columbia failed to implement the stipulation as the
22 Commission intended. Instead, he finds that the
23 allocation of the capacity costs included within the
24 stipulation as approved by the Commission are

1 inequitable.

2 It's now clear with regard to the
3 allocation of pipeline capacity costs the OCC is not
4 alleging that Columbia failed to implement the
5 stipulation as intended, but is instead trying to
6 collaterally attack the allocation of the capacity
7 cost provision of the 2003 stipulation as approved by
8 the Commission. That should not be allowed, that's
9 an improper collateral attack and should be
10 prohibited by the doctrines of res judicata and
11 collateral estoppel.

12 EXAMINER PRICE: Mr. Serio.

13 MR. SERIO: Thank you, your Honor. This
14 is the first GCR case after the stipulation in which
15 the effects of the stipulation can be addressed by
16 the Commission in the context of a GCR case. In the
17 context of the GCR case the Commission's supposed to
18 evaluate whether the costs passed through to the GCR
19 customers are fair, just, and reasonable pursuant to
20 4905:3-02 and 4901:1-14-07 and 08.

21 Mr. Haugh's testimony says that based on
22 GCR standards in a GCR proceeding what Columbia's
23 allocating to GCR customers doesn't meet the fair,
24 just, and reasonable standard. That's the

1 appropriate standard that's supposed to be applied to
2 GCR review in a GCR proceeding. And in fact the
3 auditor identified that that was an issue and he used
4 terms like -- give me a second, I'll find the exact
5 terms he used in identifying his concerns.

6 I believe he indicated that it was
7 possible that there was -- the GCR customers are
8 underwriting allocation, he indicated that there was
9 an unfair burden, he questioned the calculation of
10 the allocation between the customers, and on the
11 stand two days ago the auditor said that Mr. Haugh's
12 calculation was a reasonable substitute for doing a
13 full calculation based on a customer-by-customer
14 analysis.

15 That's an absolute issue for a GCR case
16 and for the Commission to contemplate as part of a
17 GCR proceeding.

18 MR. SEIPLE: The problems I have with the
19 OCC's arguments are two-fold. First, they're trying
20 to allege that the rates are not fair, just, and
21 reasonable, but those are the allocation
22 methodologies and the rates approved by the
23 Commission in the 2003 stipulation.

24 With regard to the auditor's findings,

1 the auditor said yes, there may be an inequity here,
2 but it should be addressed on a going-forward basis,
3 a prospective basis, and the auditor made no
4 suggestion whatsoever that the 2003 stipulation
5 should be undone, attacked, or terminated as a result
6 of that; that is where the OCC has gone too far.
7 They are trying to use that same inequity as the
8 basis for overturning a duly adopted Commission
9 order.

10 EXAMINER PRICE: The motion to strike
11 will be denied. You can make the arguments as to the
12 impact of the testimony in your brief as to how the
13 Commission should use it.

14 Q. (By Mr. Seiple) Mr. Haugh, if during the
15 audit period Columbia had allocated pipeline capacity
16 costs based upon the actual demands of just the
17 Choice customers, would there have been any
18 misallocation of capacity charges, in your opinion?

19 A. I did not do that analysis.

20 Q. Isn't that what you are suggesting in
21 your testimony, though, that Columbia allocate
22 pipeline capacity costs based upon the actual demands
23 of just the Choice customers instead of an allocation
24 based upon the entire residential class?

1 A. I don't -- where are you -- where am I
2 stating that?

3 Q. I think this is the foundation that you
4 lay on page 4, question 8, question and answer 8.
5 Lines 12 through 14 you state that the demand curves
6 for Choice customers -- in establishing demand curves
7 for Choice customers the company assumes that all
8 residential customers have the same demand usage
9 curve, which is an inaccurate assumption.

10 A. With that I'm just stating that the --
11 that in assuming that Choice and GCR customers have
12 the same demand curves, that that's not -- that's not
13 an accurate assumption. The auditor in his report
14 and also when he was on the stand stated that through
15 the -- well, I summarize the auditor's findings in
16 MPH Exhibit 4 where I show the difference in the
17 residential class of customers; that Choice uses, on
18 average over the four years 2002 to 2005, Choice uses
19 an average of 9.3 percent more than GCR customers.
20 That's what I'm stating in that.

21 But my recommendation is that the
22 pipeline capacity needs to be allocated based on
23 customer usage.

24 Q. Let me direct you back to page 4 of your

1 testimony, lines 12 to 14. Is it your belief that in
2 establishing the demand curves for Choice customers,
3 the company assumes that all residential customers
4 have the same demand usage curve, and then in
5 parentheses you state that is an inaccurate
6 assumption?

7 A. Yes, that is my belief.

8 Q. Are you aware that Columbia utilizes the
9 actual 12-month historical usage of the actual
10 customers enrolled in the Choice program for each
11 marketer by each TCO market area -- by "TCO" I mean
12 Columbia Gas Transmission Corporation -- to develop
13 its Choice demand curves?

14 A. I believe that was -- I stated earlier I
15 believe that's what Mr. Anderson said on the stand
16 yesterday.

17 Q. Have you done any analysis that evaluates
18 the load factor utilization rates of the
19 participating Choice customers either for residential
20 or for all Choice customers?

21 A. The load factor rates?

22 Q. Load factor utilization rates.

23 A. Load factor utilization? No.

24 Q. Is it possible that differing load factor

1 utilization rates between GCR and Choice customers
2 could account for the differences in cost
3 allocations?

4 A. I don't know that.

5 Q. Isn't it possible that two residential
6 customers that have identical peak-day requirements
7 could have different annual consumption requirements?

8 A. It's possible, but I normally associate
9 that if you have higher usage -- higher annual usage,
10 you more than likely also have higher peak usage.

11 Q. To your knowledge, does Columbia's GCR
12 differentiate costs between customers with differing
13 load factors?

14 A. I don't know that.

15 Q. Have you done any analysis regarding the
16 allocation of capacity costs between GCR and Choice
17 customers on a designed peak-day basis?

18 A. On a designed peak-day notice?

19 Q. Designed peak-day basis.

20 A. Basis.

21 No, I have not.

22 Q. Are you aware of any Ohio natural gas
23 utility that acquires firm upstream capacity on an
24 annual throughput basis?

1 A. I haven't studied all Ohio utilities, I
2 can't say.

3 Q. Are you aware of any?

4 A. Any? No.

5 Q. Are you aware of any Ohio natural gas
6 utility that allocates choice program capacity on an
7 annual throughput basis?

8 A. I believe you stated earlier -- I believe
9 Mr. Anderson stated that Columbia does that.

10 Q. Is that your understanding of what
11 Columbia does?

12 A. Based on Mr. Anderson's statements.

13 Q. Are you talking about Mr. Anderson's
14 statements while he was testifying yesterday?

15 A. Yesterday, yes.

16 Q. Did you have a different understanding
17 before you heard Mr. Anderson?

18 A. I stated earlier no, I did not.

19 Q. Should capacity costs be allocated based
20 upon cost incurrence? That is, should Columbia
21 allocate capacity costs to customers for whom
22 Columbia incurs the cost?

23 A. Yes. I believe my way achieves that.

24 Q. Do you know whether Columbia's capacity

1 costs are based upon peak-day requirements or annual
2 requirements?

3 A. I believe peak-day.

4 Q. Now, the OCC represents all residential
5 customers and that includes Choice and GCR customers,
6 correct?

7 A. That is correct.

8 Q. In making the recommendations contained
9 in your testimony did you give any consideration to
10 the impact of your recommendations upon Columbia's
11 Choice program and Choice program customers?

12 A. Well, yes, and that's why I state I
13 believe this is a fair and reasonable way to allocate
14 the capacity costs.

15 Q. You believe the capacity costs were
16 overallocated to GCR customers and underallocated to
17 Choice customers; is that correct?

18 A. In this particular instance I believe
19 that is the case.

20 Q. And you are suggesting, are you not, that
21 the GCR customers are entitled to refund because
22 costs were overallocated to them?

23 A. Yes. In this proceeding.

24 Q. And does it then flow as a logical

1 conclusion that those costs must be then assessed to
2 the Choice customers?

3 A. Well, in this -- this case is a GCR case,
4 so I stated that the GCR customers in this case were
5 harmed, and they -- as applied to this particular
6 case they deserve a refund.

7 Q. Do you disagree that if the residential
8 sales customers receive a refund because of costs
9 that were overallocated to them, that the Choice
10 customers should somehow then be allocated the costs
11 that they were previously underallocated?

12 A. I believe it's Columbia's -- Columbia's
13 decision as to how to --

14 Q. Do you have any objection to allocating
15 those costs to the customers for which they were
16 incurred, that being the Choice customers?

17 MR. ROYER: I do.

18 EXAMINER PRICE: Overruled.

19 MR. ROYER: Thank you.

20 THE WITNESS: Can you repeat the
21 question, please?

22 (Question read.)

23 A. Well, I think my allocation, my proposed
24 allocation methodology I believe is the fair, just,

1 and reasonable way to allocate capacity costs.

2 Q. And you would recommend allocating more
3 capacity costs to the Choice program, wouldn't you?

4 A. As a result of this -- I can't say what
5 it's going to -- what's going to happen in the
6 future, I just know that this is the allocation
7 methodology that should be used, in my opinion.

8 Q. Under the 2003 stipulation that's
9 currently in effect wouldn't the refund cost that
10 you've recommended be allocated to the Choice
11 program?

12 A. I'm sorry, was there a, I didn't know if
13 there -- was that a question?

14 THE WITNESS: Could you repeat the
15 question?

16 (Question read.)

17 A. I'm not positive where they would be
18 allocated.

19 Q. Let me ask you this question, then: If
20 your testimony were adopted by the Commission and GCR
21 customers received a refund, and if Columbia were
22 then to take those same dollars and apply them to the
23 Choice customers with Commission approval, and to the
24 extent that that made Columbia's Choice program more

1 difficult for the marketers to operate under, would
2 that be a concern of the OCC?

3 A. Well, what I'm getting at here is my
4 testimony is on looking at cost causation, and I
5 don't think we have a problem with everyone paying
6 the costs that are incurred by that particular class.

7 Q. And that would include the Choice
8 customer class.

9 A. That is one of the classes; correct.

10 Q. And if that cost allocation worked to
11 further -- worked to the further detriment of the
12 Choice program, would the OCC be concerned about
13 that, or is the OCC's concern -- is your concern
14 strictly proper cost allocation?

15 A. You may be going a couple steps ahead.
16 I'm trying to understand the -- if you could describe
17 what implications this would have on the Choice
18 program.

19 Q. What I'm implying is is that if the GCR
20 customers are given a refund, it naturally follows
21 that those additional costs must then be charged to
22 the Choice customers --

23 MR. SERIO: Objection.

24 Q. -- that is going to -- that is going to

1 increase the cost to the Choice marketers of doing
2 business which could potentially harm the Choice
3 program. What I'm asking you is, is that something
4 that you considered or that the OCC is concerned
5 about?

6 EXAMINER PRICE: One moment, Mr. Haugh.
7 Grounds?

8 MR. SERIO: Columbia's question presumes
9 if A then B. That's not necessarily the way it
10 works. In a GCR proceeding an overallocation to the
11 GCR is handled by a disallowance to the company. If
12 the company chooses to address that problem with
13 allocations, the company has the opportunity to file
14 a rate proceeding.

15 A rate proceeding isn't limited to only
16 looking at the allocation issue, so it's very
17 possible in the course of a rate case proceeding the
18 Commission could look at unbundling issues which
19 could result in costs to Choice customers actually
20 being significantly less than they are today. So it
21 doesn't necessarily follow that if you adjust an
22 allocation with a disallowance in the GCR case, it
23 will absolutely result in an increase to Choice
24 customers as a result of an ensuing rate case that

1 hasn't been filed yet.

2 EXAMINER PRICE: Mr. Seiple, would you
3 care to respond?

4 MR. SEIPLE: Part of my concern is that
5 counsel for the OCC represents that this cost
6 allocation issue can't be addressed at all in this
7 case. I don't know of any instance where a cost
8 allocation methodology adopted in a rate case has
9 been overturned in a GCR case to provide refunds to
10 GCR customers.

11 The whole issue really should be in a
12 rate case, which goes to my original objection which
13 is this is really a rate case issue. What the OCC is
14 trying to do is trying to attack the Commission order
15 in which these costs were allocated in the first
16 place. The entire cost allocation issue properly
17 belongs in a base rate case not in a GCR case.

18 MR. SERIO: Your Honor, again, this is a
19 GCR proceeding that reviews the costs that flow
20 through the GCR to GCR customers. Mr. Haugh's
21 testimony says that there are costs that flow to the
22 GCR that are related to costs that provided service
23 for customers other than GCR customers.

24 Whether it's Choice customers or

1 industrial customers doesn't matter, the GCR is
2 supposed to be limited to flowing costs to GCR
3 customers that were incurred to serve GCR customers.
4 If the costs were incurred to serve other customers,
5 they shouldn't flow through the GCR and that's the
6 basis of a disallowance to the company because they
7 didn't follow what the GCR requires in a GCR
8 proceeding.

9 EXAMINER PRICE: The objection's going to
10 be sustained.

11 Q. (By Mr. Seiple) Mr. Haugh, in making your
12 recommendation about cost allocations did you confer
13 with any of the Choice marketers about your
14 testimony?

15 A. I don't believe so.

16 Q. On page 9 of your testimony, lines 2 to
17 3, you recommend that the PUCO order a full
18 cost-of-service study to be filed in this docket if
19 your recommendations are not adopted. What exactly
20 did you mean by a "cost-of-service study" in the
21 context of your recommendation?

22 A. Well, I think there needs to be a full
23 study of the costs -- if mine -- first of all, if my
24 recommendations are not accepted, then as an

1 alternate the Commission needs to take a closer look
2 at the cost causation involved with these capacity
3 charges.

4 Q. Are you anticipating a rate case type
5 cost-of-service study or some other type of
6 cost-of-service study?

7 A. I believe that's up to the Commission to
8 decide.

9 Q. I want to turn your attention now to the
10 other part of your recommendation which has to do
11 with the DEO wholesale auction process. Given that
12 it is now February 1st and the hearing in this case
13 is not yet concluded, is it still your recommendation
14 that April 1st, 2007, is an appropriate start date
15 for the Commission to order a DEO style wholesale
16 supply auction for Columbia?

17 A. Well, when I originally prepared my
18 testimony it was -- it was a reasonable time line. I
19 understand now it's very, very aggressive to go with
20 an April 1 start date. But I don't see why it
21 couldn't start shortly thereafter.

22 Q. Didn't you testify that April 1st was
23 an appropriate date to start because of storage
24 inventory levels?

1 A. It would have been an ideal date to
2 start, but if you look at the Dominion auction
3 process that started in -- that had a start date of
4 October, so it's possible to start at any time.

5 Q. You haven't ever met with any Columbia
6 representatives to discuss or be involved with
7 Columbia implementing a DEO type auction process,
8 have you?

9 A. I'm trying to recall. I've had a number
10 of discussions with different parties regarding this
11 auction process for Columbia. And I can't recall if
12 they were marketer specific or their attorneys or
13 just industry representatives. I can't recall
14 particular individuals.

15 Q. What I'm interested in -- what my
16 question asked is did you meet with any
17 representatives from Columbia?

18 A. Oh, from Columbia? No.

19 Q. So you don't know what concerns Columbia
20 personnel might have about implementing a DEO style
21 auction process by April 1st, 2007, or any other
22 date, do you?

23 A. Well, I know in response to discovery
24 that's attached to my testimony they stated some of

1 their concerns. I don't know if those were all their
2 concerns or just a sampling.

3 Q. On page 16 of your testimony, lines 12 to
4 17, you recommend the April 1st, 2007, start date
5 as the most logical time for Columbia to start a
6 wholesale auction process because storage will be
7 empty at that time. Is it your understanding that
8 storage will be empty on April 1st, 2007?

9 A. Given the current state of the storage
10 reports that are coming out, I don't believe it will
11 be empty, but as I stated, the Dominion wholesale
12 auction had a mechanism for the auction which started
13 on October for the allocation of the storage.

14 Q. Are you aware that Columbia's contract
15 storage has never been empty as of any April 1st?

16 A. I'm not aware of that. What I was saying
17 in this, though, is that obviously I realize storage,
18 it's virtually impossible for storage to be
19 completely empty, but it has been -- it would be
20 beneficial to have an auction and allocation of that
21 storage space when it was at a minimum level.

22 Q. So in your testimony when you reference
23 storage being empty as of April 1st, that was a bit
24 of an exaggeration or a stretch, perhaps?

1 A. I was more inferring that it is the end
2 of the storage withdrawal season and it's time when
3 storage injections begin traditionally on April
4 1st.

5 Q. You indicated earlier that you had
6 reviewed the 2003 stipulation. Do you understand
7 that Columbia is allowed to utilize off-system sales
8 and capacity release revenues to help offset
9 Columbia's Choice program capacity costs?

10 A. Yes.

11 Q. And isn't the case that under the
12 wholesale auction approach only Choice marketers,
13 transportation customers, and transportation customer
14 marketers, as well as the auction suppliers, would
15 have title to the gas in Columbia storage?

16 A. No.

17 Q. Why is that not true?

18 A. Well, using the Dominion auction as a
19 blueprint, Dominion East Ohio kept, I don't know the
20 exact amount, it was roughly 8 to 10 percent that
21 they used for their own on-system balancing. And
22 on-system balancing and any other needs of Dominion
23 East Ohio.

24 I would anticipate Columbia to also have

1 a similar allocation, obviously based on
2 Columbia's -- the differences in the two systems,
3 theirs could be higher and/or lower.

4 Q. So DEO kept title to only the gas it
5 needed for system balancing purposes?

6 A. I don't know if it was just system
7 balancing, that was one of the -- it was one of the
8 reasons they kept that 9 percent of capacity storage
9 and the like.

10 Q. To the extent that Columbia would not
11 have title to gas being supplied to GCR customers,
12 Columbia couldn't use those gas supplies to make
13 off-system sales or capacity releases, could it?

14 A. But I'm not suggesting that they don't
15 have any access to capacity and storage. It's my
16 belief that they're going to need auction capacity
17 and storage under my wholesale auction process.

18 Q. Have you conducted any analysis to
19 determine what impact your wholesale audit
20 recommendation would have upon Columbia's off-system
21 sales and capacity release programs?

22 A. Did you say "audit" or "auction"?

23 Q. Auction.

24 A. Oh, auction.

1 No, I didn't look into the impact.

2 Q. Have you conducted any study to determine
3 what impact your wholesale auction recommendation
4 would have upon Columbia's ability to fund Choice
5 program costs under the 2003 stipulation?

6 A. No, but in my knowledge of the
7 stipulation it states that, and also reviewing
8 Mr. Puican and Mr. Hayes's testimony, that those
9 costs are offset by the -- under the current
10 stipulation they're offset by the TCCRP along with
11 the revenues -- a portion of the revenues associated
12 with off-system sales and capacity release. So
13 under -- it's my belief that there's a significant
14 amount of money that is still in the TCCRP and
15 they'll still be able to do off-system sales and
16 capacity release.

17 Q. But have you conducted any studies?

18 A. Particular studies? No.

19 Q. Does the DEO wholesale auction process
20 guarantee that their standard service offer price
21 will be lower than what the GCR would have been
22 without the wholesale auction?

23 A. No, there's no guarantee, but the
24 Commission has the ultimate ruling as to if they

1 believe the auction is beneficial.

2 Q. For the first five months of the DEO
3 wholesale auction has the standard service offer
4 price been lower than what DEO's GCR rate would have
5 been in the absence of the wholesale auction?

6 A. Now, the question you asked isn't
7 entirely valid because there is no Dominion GCR
8 during those five months to compare, but I believe a
9 good comparison is the Columbia GCR which, as in my
10 testimony, states they track very closely. The
11 Dominion and Columbia GCR tracked very closely to
12 each other during the past -- during the, I believe I
13 did 20, 23 months prior to the auction.

14 And the SSO has been lower than the
15 Columbia GCR for those five months.

16 Q. And is it your position or is it your
17 belief that DEO's standard service offer price is
18 likely to continue to be below Columbia's GCR rate
19 for the duration of the phase 1 of the DEO wholesale
20 auction process?

21 A. Now, I don't have a crystal ball, but
22 based on the historical numbers that I have put
23 together and based on the five months that I
24 currently have, it appears as though the number will

1 stay, on average, lower than the Columbia GCR.

2 Q. Is that a projection?

3 A. Is that a projection of what?

4 Q. Is it your projection that the DEO
5 wholesale auction SSO price will stay below
6 Columbia's GCR for the duration of the DEO phase 1
7 program?

8 A. I don't know. Taking the -- I'm taking
9 the historical numbers and based on those -- based on
10 that information it leads me to believe that it will
11 stay lower than the Columbia GCR.

12 Q. So you are projecting, based on the
13 information you have, that it will stay below
14 Columbia's GCR.

15 MR. SERIO: Objection; asked and answered
16 twice, your Honor.

17 EXAMINER PRICE: Sustained.

18 Q. If your belief turns out to be
19 inaccurate, and if the DEO SSO price during the term
20 of the DEO phase 1 process is higher than Columbia's
21 GCR, will you recommend termination of the DEO
22 auction process?

23 A. Well, that would have to be a pretty
24 significant change seeing that currently it's on

1 average 20 percent below the Columbia GCR, whereas
2 historically it was only about 2 percent below. And
3 there would have to be some significant changes to
4 switch that -- take that average. I didn't say at
5 any point that, sure, the Dominion GCR or the
6 Dominion SSO at some point could be above the
7 Columbia GCR, but as of right now it is trending
8 below the Columbia GCR.

9 Q. And that's been based on what, five
10 months of experience?

11 A. Five months, yes.

12 Q. And the DEO process has how long until
13 it's concluded, the phase 1 process?

14 A. I believe it's 17 months, so there's
15 about another 12 months of this. Subject to check on
16 that 17 months; I'm -- I'm not positive on that.

17 Q. I'm willing to accept that as a ballpark
18 estimate.

19 A. Sure.

20 Q. And my question to you is: With 17
21 months remaining, isn't it possible that the rates
22 could flip so that the Columbia GCR rate is lower
23 than the DEO SSO rate for any or all of those 17
24 months?

1 A. Well, sure, if you want to get into
2 particulars, anything could happen. But what I'm
3 stating is that I believe, given the current data,
4 that it would be beneficial for GCR customers to have
5 their gas be procured by a wholesale auction as
6 opposed to the current process that Columbia's
7 engaging in.

8 Q. And that recommendation is based upon 5
9 months of actual data and 17 months of unknown data;
10 is that correct?

11 A. I would say it's based on my experience
12 in the gas industry in wholesale marketing.

13 Q. Within the DEO auction supply process how
14 would a drastic price spike at the time the NYMEX
15 futures contracts are settled be mitigated for the
16 customer?

17 A. How would it be mitigated?

18 Q. Yes.

19 A. I don't believe there are any mitigations
20 that are in the mechanism, but at the same point then
21 Columbia GCR customers currently aren't mitigated if
22 there's a price spike when they're setting their
23 prices which I believe they set their prices, I can't
24 remember the exact Commission order from that case,

1 but the Commission -- but they do set their price
2 during a certain time frame of the month. And if the
3 price is -- currently there's no mitigation if prices
4 spike during that time.

5 Q. Isn't it true that under DEO's auction
6 process the DEO supplies do not contain any price
7 hedge during the duration of the phase 1 program?

8 A. What do you mean exactly, a price hedge?

9 Q. Let me ask you, do you understand what
10 hedging a gas supply is?

11 A. Yes.

12 Q. What do you understand it to be?

13 A. I understand it using a variety of
14 products to offset large fluctuations in price.

15 Q. Does the DEO wholesale auction supply
16 process utilize any of those products?

17 A. Yes.

18 Q. Which ones?

19 A. In essence, what the DEO supply auction,
20 their process involves, is the fixing of the basis
21 portion of the gas cost, meaning that -- they refer
22 to it as a retail price adjustment. The Dominion
23 costs -- as I state in my testimony, the Dominion SSO
24 is based on taking the NYMEX and adding on a dollar

1 44. Essentially, they fixed that dollar 44, what I
2 describe as the basis portion of the cost of gas.

3 Q. You just stated that the DEO price is the
4 NYMEX settle price plus a dollar 44, correct?

5 A. Correct.

6 Q. So all of the gas that's procured under
7 the DEO wholesale auction process is tied directly to
8 the final settle price on the NYMEX of each of the
9 months under the natural gas futures contracts,
10 aren't they?

11 A. Yes, it's tied directly to that.

12 Q. What would happen to those NYMEX gas
13 prices if there were to be hurricanes in the Gulf of
14 Mexico this summer as there were last -- two summers
15 ago?

16 A. I can't speculate on that.

17 Q. Do you know what happened to the NYMEX
18 gas prices after Hurricanes Katrina and whatever the
19 other one was called at the same time in the gulf --
20 Rita?

21 A. I believe it was Rita.

22 They were -- yes, I do.

23 Q. What happened?

24 A. They increased.

1 Q. What was the magnitude of the increase;
2 do you know?

3 A. Offhand I don't know the exact magnitude
4 of those.

5 Q. Would you characterize the increases as
6 unusual or significant?

7 A. Both of those are subjective terms and
8 I'll state there were increases.

9 Q. Based on your experience in the gas
10 industry would you personally refer to them as
11 unusual or significant?

12 A. I wouldn't use those words.

13 Q. What would you use?

14 A. I would accept they were large increases
15 compared to the normal fluctuations that the NYMEX
16 sees.

17 Q. If the first three months of the current
18 winter period had been colder than average instead of
19 warmer than average, what impact might that have had
20 upon the NYMEX gas prices for this winter?

21 A. I can't speculate.

22 Q. On page 10 of your testimony, lines 4 to
23 16, you state that you used the NYMEX to compare the
24 GCR rates of Columbia and DEO for the period November

1 2004 through November 2006.

2 A. September 2006.

3 Q. I'm sorry. I stand corrected on that.

4 What else did you study in addition to
5 the comparison of the GCR rates to the NYMEX?

6 A. Well, in doing that study what I did was
7 I -- I was attempting to compare the difference
8 between DEO and Columbia's GCR, and what I thought
9 was an easy benchmark, as I state in my testimony,
10 was the NYMEX. And NYMEX is sort of an industrywide
11 used standard for cost of gas.

12 So in evaluating these two I was
13 attempting to see how the two variated, or how the
14 two were different between each other along that time
15 frame and used the NYMEX as a basis of comparison.

16 Q. My question to you then, is did you look
17 at anything else for a basis of comparison other than
18 the NYMEX?

19 A. I didn't think there was a need to.

20 Q. And did you take your analysis any
21 further back than November 2004?

22 A. I have -- I evaluated the numbers prior
23 to November of 2004 and, as I state in my testimony,
24 the reason I used -- my start date was 2004 was

1 because that's when both Columbia and Dominion
2 switched from quarterly GCR calculations to monthly
3 GCR calculations.

4 Q. Did your analysis include any study of
5 location basis differentials and the variable that
6 might impact location -- and the variables that might
7 impact location basis differentials?

8 A. Those would be implied in the evaluation
9 of those two.

10 Q. How?

11 A. Well, the location differentials, I refer
12 to them as the basis points, the different trading
13 points along the pipelines, those would be implied in
14 the differences between the DEO and Columbia GCRs,
15 and their difference between the GCR and the NYMEX.

16 Q. Under the DEO wholesale auction the price
17 that all the supplies will be based on depends
18 directly on the settle price for the natural gas
19 futures contract; isn't that right?

20 A. That's, as I stated earlier, that's one
21 of the two factors in calculating the SSO price.

22 Q. And isn't it true that there's only one
23 settle price that exists for each month?

24 A. Yes.

1 Q. And isn't it true, in terms of minutes,
2 only 30 minutes each trading day determines the
3 settle price?

4 A. I'm sorry, I'm trying to recall the exact
5 rules and regulations of the NYMEX and the settling
6 of the price. Subject to check I'll accept that.

7 Q. So that wouldn't it logically follow that
8 in each year there would be a total of 12 days of
9 trading that are used to determine the price DEO
10 customers paid and during those 12 days just a total
11 of 30 minutes each day is all that's really relevant
12 to determining the price?

13 A. I don't really agree with that assumption
14 because the prices -- people are trading on the NYMEX
15 for future deliveries for, I believe it's up to -- I
16 can't recall if it's 24 or 48 months prior to the
17 settle. So those prices aren't necessarily
18 determined in those 12 minutes [sic]. I believe the
19 price is determined over that full time that the
20 contract is being traded. And you're minimizing the
21 impact of the NYMEX by saying it's all determined in
22 a 30-minute time span.

23 Q. But to the extent that there are unusual
24 events such as a hurricane or extremely cold weather

1 that occur shortly before or after that 30-minute
2 window, might not the 30-minute trading window
3 accurately reflect those types of impacts?

4 A. Yes, but you're bringing -- you're
5 using -- you're using sort of extreme circumstances
6 to minimize how these prices are set. Sure, they
7 affect the -- they impact the close price, but what
8 you're stating is that a hurricane hitting shortly
9 before the close is going to run up the price and
10 impact the ultimate SSO. Sure, it's possible.

11 Q. And --

12 A. But I don't see it being extremely likely
13 that that's going to happen on a number of occasions.
14 I can see it happening once or twice during a term of
15 an auction that the auction is filling, but to happen
16 on numerous occasions, I find that highly unlikely.

17 Q. And shouldn't a natural gas utility
18 responsible for serving over a million customers be
19 worried about those type of extreme circumstances?

20 A. I don't know if I can speak for the --
21 for a gas utility on what they should and shouldn't
22 be worried about.

23 Q. But yet you're willing to stand here
24 today and tell us that Columbia Gas of Ohio should be

1 worried about a DEO style auction process?

2 A. I'm not saying they should be worried
3 about it. I'm saying they should implement one.

4 Q. And to the extent the company has
5 concerns about those processes, shouldn't your office
6 take those into account?

7 A. Well, sure. I believe that following
8 this hearing, assuming that the Commission does order
9 a wholesale auction process to take place, I envision
10 a stakeholder process where we could determine the
11 concerns of Columbia, we could weigh those and figure
12 out exactly what needs to be done, the particulars of
13 this.

14 My testimony doesn't get into the
15 particulars of what needs to happen, the balancing
16 requirements for Columbia, et cetera. Those needs to
17 be hashed out in a stakeholder process, I believe.

18 Q. Your testimony didn't mention a
19 stakeholder process, did it?

20 A. Well, I'll say now that if my testimony
21 didn't state that, it's my belief that it would be
22 necessary and I would fully anticipate that to occur.

23 Q. And how long do you think a reasonable
24 time would be for that process to work in order to

1 come up with some type of consensus recommendation
2 for presentation to the Commission?

3 A. Well, currently we have a blueprint for
4 this auction process that was developed by Dominion,
5 and as I state in my testimony, I fully realize that
6 there are differences in the systems, in Columbia's
7 and Dominion's systems. And the Commission has
8 stated that they believe that the Dominion wholesale
9 auction process was a success. And I believe there
10 were a large number of participants in the wholesale
11 auction process, stakeholders, that also agree that
12 it was a success.

13 So using that as a blueprint, I believe a
14 portion of our work is already done, and to put a
15 time line on it right now without knowing such things
16 as when orders will come out, rehearing, et cetera,
17 the legal process of this, I would anticipate a --
18 possibly for this auction to occur in early to
19 mid-summer.

20 Q. How long did the Dominion East Ohio
21 stakeholder process take?

22 A. I'm not sure. It was a period of time.
23 But with that, they were also proposing to exit the
24 merchant function. My testimony doesn't suggest

1 Columbia exit the merchant function with this
2 auction. My suggestion is that they take their --
3 how they're procuring the gas for their GCR and
4 procure it through a wholesale auction process. I'm
5 not suggesting -- and that's the one difference in
6 the stakeholder process between Dominion and what
7 this -- what my proposed stakeholder process would be
8 for Columbia.

9 Q. Isn't it true it took more than two years
10 for the DEO stakeholder process to -- from start to
11 finish?

12 A. Yes, but they laid out, as I stated, they
13 laid out a pretty good framework for this that could
14 be used and I believe we wouldn't need two years.

15 And similar to the discussion earlier
16 with Mr. Hayes regarding the discussions in the
17 stakeholder groups leading up to the 2003
18 stipulation, the Dominion -- there were lags of, if I
19 recall, four to six months between stakeholder
20 meetings, and a lot of those -- unfortunately, there
21 was a lot that -- not a lot was reworked during that
22 time, and I think that this can be an expediated
23 process taking into account all stakeholders -- we
24 don't need to take two years. This can be done in a

1 couple months, I believe.

2 Q. To date DEO has five months' experience
3 with the wholesale auction process, correct?

4 A. Correct.

5 Q. The program hasn't operated through a
6 full winter heating season yet, has it?

7 A. No.

8 Q. And the Commission has not yet conducted
9 any evaluation to review the results of the DEO
10 wholesale auction process, has it?

11 A. They reviewed the results of the
12 auction; was that your question?

13 Q. Well, let me rephrase it. Obviously they
14 cannot have reviewed the whole phase 1 program
15 because it doesn't expire for another 17 months,
16 correct?

17 A. Correct.

18 Q. No other Ohio LDCs other than DEO are
19 currently using this wholesale auction process, are
20 they?

21 A. This particular process, no.

22 Q. Are there any other LDCs in other states
23 that are using this same wholesale auction process?

24 A. I don't know of any.

1 Q. On page 13, lines 9 to 10 you state that
2 moving to a wholesale auction process would not be a
3 significant change in Columbia's current procurement
4 process; on what do you base that statement?

5 A. Well, during the deposition of, I believe
6 it was Mr. Phelps and also discussions with the
7 auditor on Tuesday of this week my impression of the
8 current process of procurement for gas is that
9 Columbia sends out an RFP to 20 to 30 different
10 potential suppliers and then takes the, I guess I
11 don't know if it's necessarily the best price or the
12 best contract terms or a mixture of both, but -- and
13 they determine the best respondents to that RFP and
14 accept those.

15 So in doing this they are, with the
16 auction process, they are essentially going out and
17 procuring gas from a certain number of suppliers.
18 Using the Dominion example, there were 12 tranches
19 that were bid out, 12 -- it was the total GCR
20 requirement was parceled out into 12 what they
21 described as tranches, and I believe there were six
22 winners to those 12 tranches. So currently Dominion
23 only has six suppliers for all of its GCR gas.

24 And in this instance, in the RFP process

1 Columbia limits the number of -- takes the best of
2 the respondents to the RFP and chooses them to
3 supply -- they choose those suppliers to supply their
4 gas for the GCR.

5 Q. The last attachment to your testimony is
6 Columbia's response to OCC interrogatory No. 103 in
7 case No. 04-221. On my copy I can't read that, what
8 appears to be a label at the top of that. What is
9 that up there?

10 A. It's, I believe it's the description of
11 what that document is and it is MPH Attachment 1.

12 Q. In that attachment the Columbia response
13 prepared by Columbia Witness Anderson noted
14 operational differences between DEO and Columbia with
15 regard to implementation of a wholesale auction
16 process. Would you please read the last sentence of
17 the last bullet on the first page of the response?

18 A. Starting with "A wholesale auction"?

19 Q. Yes.

20 A. "A wholesale auction such as that
21 conducted by DEOG would substantially increase COH's
22 ability to balance its system and have substantial
23 impacts on COH's industrial and large commercial
24 customers."

1 Q. And what weight did you attach to that
2 statement?

3 A. I don't know if I can -- using your
4 terminology, weight, I don't know if I can quantify
5 it. I can say that I did take that into
6 consideration in my proposal.

7 Q. How much consideration did you give it
8 given that you testified that moving to a wholesale
9 auction process would not be a significant change in
10 Columbia's current procurement practice?

11 A. Well, I state that -- earlier I stated
12 that Dominion keeps a certain percentage on for
13 on-system balancing, and I also stated I would
14 anticipate Columbia to also have that, not the same,
15 as I stated not the same amount, I'm not saying that,
16 but I believe that would be another item hashed out
17 in the stakeholder process, that we would discuss
18 with Columbia their needs as to what they need for
19 on-system balancing and, in turn, alleviate the
20 concerns of Mr. Anderson.

21 Q. Were you to discuss with Columbia Gas
22 procurement personnel the whole subject of a
23 wholesale auction, and were they to tell you that
24 there would be significant changes required to

1 implement a wholesale auction process, how much time
2 do you think would be reasonable to allow these
3 stakeholders to work out those kind of differences?

4 A. Right now at this moment given the
5 information I have currently, I can't specifically
6 give a time frame, but as I stated earlier, using
7 Dominion as a blueprint, that I think it could be
8 done by this summer.

9 Q. Should it turn out that the Dominion
10 blueprint does not exactly fit Columbia's
11 circumstances and that there are a number of
12 operational issues that the stakeholders would have
13 to discuss, is it more important for the parties to
14 take the time to develop a process that works well
15 for everybody involved or is it more important to
16 establish this new process by a date certain?

17 A. Well, I believe everyone's issues have to
18 be resolved, but I don't believe there needs to be
19 the -- a two-year stakeholder process as with
20 Dominion. I think if we sit down and we know what we
21 have to achieve, we can achieve an auction sooner as
22 opposed to later. I just don't -- in this situation
23 I think there are a number of parties that are in
24 favor of this and I don't want this -- I don't want

1 any one party to drag their feet and harm what I
2 believe would be beneficial to GCR customers. I
3 think this needs to be on an aggressive time line.

4 Once again, taking into account all of
5 Columbia's, obviously OCC's, obviously the
6 marketers', any other stakeholders or intervenors
7 would -- taking into account their concerns.

8 Q. If this is such an important issue, why
9 didn't the OCC approach Columbia personnel about this
10 before you filed your testimony?

11 A. I don't know. That's -- I don't know
12 why.

13 Q. Did you ever suggest to anybody at the
14 OCC that that might be an appropriate thing to do?

15 A. I can't recall. I know there have
16 been -- since the completion of the Dominion auction
17 there have been a number of -- there have been a
18 number of discussions, and some of them which I
19 believe would be considered confidential, that I
20 can't recall the particular conversations.

21 Q. You understand, don't you, that Dominion
22 East Ohio has on-system storage and Columbia does
23 not?

24 A. Yes.

1 Q. What portion of Columbia's winter season
2 supply is provided by storage; do you know?

3 A. I'm not positive.

4 Q. Do you know how it compares to Dominion
5 East Ohio's percentage of what supplies are provided
6 by storage?

7 A. Not being positive of the Columbia system
8 it's difficult for me to compare the two.

9 Q. Do you know, does Dominion East Ohio sell
10 any of its on-system gas in storage to the winning
11 auction bidders?

12 A. Yes, there's an allocation of the -- of
13 both their off-system and on-system storage to the
14 winners of the auction.

15 Q. Do you know at what price that storage is
16 sold, the gas in storage is sold?

17 A. Subject to check on what the exact rules
18 or what the exact agreement was in the Dominion
19 auction, I believe the gas in storage was sold at a
20 WACOG. That would have to be subject to check,
21 though, but that's my belief right now that it was a
22 weighted average cost of gas was the price sold to
23 the winning auction.

24 Q. And do you know how that WACOG compares

1 to Dominion's standard service offer price?

2 A. No. I don't believe I was ever at
3 liberty to know the WACOG number of Dominion.

4 Q. Isn't it true that Dominion has 35
5 interstate pipeline receive points?

6 A. That's what's stated in response to OCC
7 interrogatory No. 103.

8 Q. And isn't it true that Columbia has over
9 900 interstate pipeline receive points?

10 A. Once again, that's in response -- that's
11 the answer given in response to interrogatory
12 No. 103.

13 Q. Do you have any reason to doubt those
14 responses?

15 A. No.

16 Q. And isn't it true that Dominion has
17 characterized its wholesale auction process as phase
18 1 of a longer term process under which Dominion would
19 plan to exit the merchant function?

20 A. Yes, but I consider the phase 1, that is
21 just a -- they're just procuring their gas
22 differently, in a different aspect. There's -- phase
23 1, the exact phase 1, I don't believe that has any
24 ramifications, the auction process from phase 1 has

1 any implication of the exit from the merchant
2 function.

3 Q. Hasn't Dominion characterized it as being
4 phase 1 of 2, phase 2 being exit from the merchant
5 function?

6 A. Yeah, the portion -- a portion of phase 1
7 is its auction, is the auction that they conducted,
8 but whether the terminology they use is phase 1 of 2,
9 it doesn't take away from the fact that this was
10 just -- that proceeding was primarily a wholesale
11 auction for their GCR customers.

12 Q. Does the Office of Consumers' Counsel
13 have a position on whether or not DEO or Columbia
14 should exit the merchant function?

15 A. No. I have -- I do have issue with
16 the -- being the position that I'm in, I am privy to
17 confidential discussions that could be based on my
18 discussion with my attorney, so I'm not positive what
19 the public statements of the Consumers' Counsel is on
20 both of those issues.

21 MR. SERIO: Your Honor, easier to
22 clarify; OCC filed testimony in the DEO proceeding,
23 05-474, Ms. Beth Hixon. That testimony consolidates
24 OCC's position with regard to the Dominion exit

1 proceeding and it's there as a matter of record.

2 MR. SEIPLE: Counsel, could I have you
3 repeat the case number?

4 MR. SERIO: I believe it was 05-474 is
5 the case that -- GA-ATA, it's the case that Mr. Haugh
6 cited in his testimony on line 13, page 2 of his
7 testimony.

8 MR. SEIPLE: Thank you.

9 Q. Under Dominion's plan isn't it true that
10 Dominion plans to eventually eliminate the audits
11 currently associated with the GCR?

12 A. Yes. But I believe that OCC filed
13 testimony stating that we believe the audits need to
14 continue.

15 Q. Other than the data request response
16 referenced at the end of your testimony which was OCC
17 interrogatory No. 103, have you conducted any studies
18 that evaluate the operational differences between the
19 Columbia and the DEO distribution systems?

20 A. I would say I have discussed with other
21 parties the differences and the implications of a
22 wholesale auction, those -- and I believe most
23 discussions were in agreement with these, that these
24 are issues, but my testimony states that some of

1 these issues aren't as big of a concern as Columbia
2 may present them.

3 Q. But you haven't talked to Columbia about
4 this, have you?

5 A. I stated earlier I have not.

6 Q. Who are these other parties that you
7 talked to about the Columbia-DEO differences?

8 A. I had a few different discussions with
9 former coworkers of mine throughout my work in the
10 industry, and more of just discussions as to what
11 the -- how the Dominion auction went, what other LDCs
12 could do this type of auction, et cetera, whether it
13 be successful in other LDCs.

14 Q. What entities do these other coworkers --
15 former coworkers work for?

16 A. There's one coworker that's currently
17 employed with Energy Gateway, another former coworker
18 that's -- honestly he's switched jobs quite
19 frequently and I believe he's currently employed with
20 a wholesale trading arm of a hedge fund. Those would
21 be the two main discussions that I had.

22 Q. Are you aware of any FERC proceedings in
23 which the FERC is reviewing capacity allocation by
24 asset managers?

1 A. No.

2 Q. Now, in your testimony you're
3 recommending an auction process that is different
4 than that approved by the Commission for DEO, aren't
5 you?

6 A. Yes. Yes. I believe it's question 24 on
7 page 14, yes.

8 Q. And the recommendation that you're making
9 for Columbia is a recommendation that you made in the
10 Dominion case which the Commission rejected; isn't
11 that correct?

12 A. That is correct.

13 Q. How important is it to the Consumers'
14 Counsel -- Office of Consumers' Counsel that Columbia
15 contract for sufficient capacity to meet the designed
16 peak-day demand of its customers?

17 A. How important is it?

18 Q. Yes.

19 A. I believe that we feel that it is
20 important that they have enough capacity for their
21 customers.

22 Q. As part of the preparation of your
23 testimony in this case did you prepare any studies to
24 determine the impact of your proposed wholesale

1 auction upon Columbia's supply reliability?

2 A. Any particular studies? No. But my
3 experience with the auction, with the -- as I stated
4 earlier, with the Dominion auction would lead me to
5 believe that I don't see how there would be supply
6 issues.

7 Q. And if Columbia indicated there might be
8 such supply issues, would that be an appropriate
9 topic for your stakeholder group to discuss and try
10 to resolve?

11 A. Well, of course.

12 MR. SERIO: Objection, your Honor. Could
13 we get some specifics instead of these broad
14 generalities? I mean, if Columbia's got a particular
15 item that's different or specific type of concern
16 they've got, they ask Mr. Haugh, he can answer it.
17 Otherwise, he's in general indicated that he doesn't
18 think that generally speaking the concerns are as
19 significant as Columbia's blowing them up to be.

20 EXAMINER PRICE: Mr. Seiple.

21 MR. SEIPLE: Mr. Haugh's testified that
22 there are not significant differences between
23 Columbia's -- the operation of Columbia's system and
24 the operation of DEO's system. I'm just trying to

1 explore that with him in a general sense because
2 there aren't very many details here.

3 One statement we can rely upon is the
4 response in the interrogatory which he seems to have
5 largely ignored, and I'm trying to determine what
6 issues the OCC might consider worthy of discussion as
7 part of the stakeholder process that Mr. Haugh has
8 testified to today.

9 MR. SERIO: Well, your Honor, OCC asked
10 Columbia what are the differences. Columbia's
11 interrogatories lay out three differences. Mr. Haugh
12 indicated that based on the fact that Columbia's
13 currently got a functioning Choice program with
14 marketers doesn't seem to bother marketers that
15 there's 900 delivery points versus 35.

16 And we've also got the fact that he's
17 indicated in general that the other differences that
18 Columbia's laid out here haven't affected his
19 analysis of how the wholesale function would work,
20 and the auditor agreed with him.

21 So if there's other specifics, Columbia
22 should point to them, otherwise we're just -- we're
23 asking the same thing about operational differences,
24 but what are they other than these three?

1 EXAMINER PRICE: I think Columbia needs
2 to narrow its question somewhat.

3 MR. SEIPLE: Actually, that's my last
4 question, so if you'll overrule the objection, I can
5 be done.

6 EXAMINER PRICE: If you guarantee that's
7 your last question, I'll overrule the objection.

8 MR. SERIO: In fact, your Honor, I'll
9 withdraw my objection.

10 (Laughter.)

11 MR. SEIPLE: That is the last question I
12 have for Mr. Haugh. Thank you.

13 EXAMINER PRICE: Please answer the
14 question.

15 THE WITNESS: I'm sorry, could you repeat
16 the question?

17 (Record read.)

18 A. I believe that that would be another
19 topic for the stakeholder group, yes.

20 MR. SEIPLE: Thank you, Mr. Haugh. I
21 have no further questions.

22 EXAMINER PRICE: Mr. Royer?

23 MR. ROYER: Yes, I have a few, thank you.

24 - - -

CROSS-EXAMINATION

By Mr. Royer:

Q. I believe in response to counsel's question regarding your experience regarding cost-of-service studies you indicated that you -- for various entities you identified that you'd been employed by, you had not done so; is that correct?

A. Correct.

Q. Have you ever done a cost-of-service study for a -- a natural gas cost-of-service study?

A. Natural gas, no.

Q. Any other cost-of-service studies?

A. I've worked with cost-of-service studies in the electric industry.

Q. Would you agree with me that it's somewhat commonplace in any cost-of-service study that the cost allocation methodology you use ought to reflect cost causation?

A. Yes.

Q. Basic principle.

A. I would say yes.

Q. Can you explain to me, then, why you are recommending that the cost -- that the capacity costs that are a function of the demand should be allocated

1 based on usage?

2 A. Well, I --

3 MR. SINGH: Excuse me, your Honor, I'm
4 sorry, could you have -- Mr. Royer, would you speak
5 up, please?

6 And could I have the question reread?

7 (Question read.)

8 EXAMINER PRICE: And Mr. Royer will speak
9 up on future questions.

10 MR. ROYER: I'll try.

11 A. I would say that the -- my analysis of
12 this particular case shows that I believe the --
13 using the assumption that customers using -- with
14 higher usage also have higher demand, I believe that
15 given my -- I believe my allocation is fair.

16 Q. Well, it isn't a question of whether they
17 have higher demand. It's a question of what the
18 relative load factor is; is it not?

19 A. Yes, I believe that was stated earlier.

20 Q. And you have actually without doing --
21 you have no way of knowing whether customers with
22 higher usage displayed different load factor from
23 another customer with a different amount of usage, do
24 you? Unless a study is conducted.

1 A. Well, my experience primarily with
2 residential customers shows that -- would show that
3 higher demand and higher usage are closely related.

4 Q. Let's start backing up, then. At your
5 testimony at page 3 you indicate that you concur with
6 the audit report observation that the allocation of
7 capacity costs unfairly burdens GCR customers; do you
8 see that on line 12?

9 A. Yes.

10 Q. And could I direct your attention to page
11 5-16 of the audit? Do you have that?

12 A. Yes, I do. Thank you.

13 Q. Okay.

14 A. I'm there.

15 Q. And in line 2 or, I'm sorry, in column 2
16 on that page at the top of the column, isn't what the
17 auditor actually said was that it believes that the
18 allocation of pipeline capacity costs may unfairly
19 burden GCR customers and shield Choice customers?

20 A. Well, yes, but based on my analysis and
21 my calculations I feel that they are actually being
22 burdened.

23 Q. But your testimony states that you concur
24 with the audit report observation that the allocation

1 of pipeline capacity costs unfairly burdens GCR
2 customers. Now, that was not what the auditor said,
3 correct?

4 A. Let me go -- where -- could you point to
5 my testimony where --

6 Q. Page 3, line 12.

7 A. Page 3, line 12.

8 Well, I believe I just took the auditor's
9 suggestion and expanded it to say that it does
10 unfairly burden GCR customers.

11 Q. But that's not what the auditor said,
12 correct?

13 A. The auditor did say as the audit report
14 states.

15 Q. And then the auditor didn't say that they
16 should make some sort of retroactive adjustment based
17 on usage as a part -- as a refund -- to be used as a
18 refund in this case, did it?

19 A. No. I just, once again, I just took what
20 the -- the auditor suggested that he believed there
21 may be a problem with this, and I took it and
22 determined there was a problem and it needs to be
23 reallocated as I state in my testimony.

24 Q. And the solution the auditor recommended

1 was not the refund you suggest in your testimony, but
2 the solution was, as shown farther down in the second
3 column on page 5-16 in the report, was that the
4 demand studies should be undertaken so that we could
5 specifically allocate capacity costs appropriately
6 between Choice and GCR, correct?

7 A. Correct. And I don't believe that
8 auditor took his -- he just -- the auditor I guess
9 just sort of walked up to the line and said there was
10 a problem. I'm taking that, what he perceived as a
11 possible problem, I feel it is a problem that needs
12 to be fixed.

13 Q. Well, but the fix that the auditor
14 recommends is not the fix that you're recommending,
15 correct? The fix the auditor recommends is that we
16 have to know demand characteristics of both groups
17 before we can properly allocate costs between the two
18 groups -- capacity costs between the two groups,
19 right?

20 A. Yes. I disagree with the auditor in that
21 instance.

22 Q. Okay. And again, your background in
23 performing cost-of-service studies is what? Do you
24 have any educational background in this?

1 A. No.

2 Q. Okay. Now, if we were to go down the
3 road --

4 A. Actually, check that. If I could go
5 back. I apologize for interrupting you.

6 I did attend a NARUC group where there
7 was cost-of-service issues addressed in a classroom
8 setting.

9 Q. And that's the week-long NARUC program at
10 Michigan State?

11 A. Correct. Yes, as I state in my
12 testimony.

13 Q. How much of that is directed to cost of
14 service as opposed to other --

15 A. I went to a class on cost of service.

16 Q. Okay. And that's the extent of your
17 formal training --

18 A. Of my formal education.

19 Q. -- with respect to how to do a
20 cost-of-service study.

21 A. Yes. I wanted to clarify that.

22 Q. Yes. Thank you.

23 Now, if we were to go down this road and
24 the Commission were to order a refund of this 8-plus

1 million dollars that you've identified based on your
2 method of analysis that was overcharged to GCR
3 customers, do I take it that the recommendation is
4 that Columbia refund that amount but that -- and that
5 that's it, there's no attempt to recover that amount
6 from the customers who underpaid for capacity costs
7 according to your theory?

8 A. Well, in my study I'm just addressing
9 the -- this being a GCR case I'm addressing the
10 impact on the GCR customers, and my recommendation is
11 to refund to the GCR customers what they were
12 overcharged during this audit period.

13 Q. Well, this is a zero sum gain though,
14 isn't it? I mean, there's a fixed amount of capacity
15 cost dollars that have to be paid somewhere. You're
16 not saying that Columbia's not entitled to recover
17 the capacity costs, right, from somebody?

18 A. To be honest, I didn't really focus much
19 on the -- where exactly the money's going to come
20 from. I'm focusing on the fact that GCR customers
21 were wronged during this GCR audit and this is the
22 way to repair this. How that's refunded is, I really
23 don't have an opinion on that.

24 Q. Well, there's only -- seems to be only

1 one candidate and that would be the marketers, and
2 the Choice program participants. Can you think of
3 anybody else who would be ponying up to make Columbia
4 whole for this?

5 MR. SERIO: Objection. Again, your
6 Honor, that assumes that there's only two parties
7 involved, that's Choice and GCR customers, in any
8 allocation study. And any allocation study would
9 have to involve a rate proceeding and in a rate
10 proceeding you're looking at everything and not just
11 the cost of service allocation between two subclasses
12 of customers.

13 MR. ROYER: Well, I'm hoping that would
14 be true, but I want to be sure what the understanding
15 is as to how this is going to be -- how this would
16 play out if this witness's recommendation would be
17 adopted by the Commission.

18 MR. SERIO: Well, your Honor, I guess in
19 that respect, to the extent that it's a GCR
20 proceeding, it would be OCC's position that the
21 Commission can't do any reallocation in the context
22 of a GCR proceeding. Any reallocation would have to
23 occur as laid out in 4909-18 and 19 in a rate case
24 proceeding, and I think that's what counsel's concern

1 is. If that's the case, then we would stipulate
2 that's our understanding and that's what we're going
3 to argue on brief.

4 MR. ROYER: I appreciate your assurances,
5 but I'd like to explore it because there's another
6 side to this question that I think is worthwhile to
7 bring to the Commission's attention.

8 EXAMINER PRICE: We'll give you a little
9 bit of leeway, but let's not go too far on this.

10 Q. (By Mr. Royer) Well, just to back up,
11 then, there's nothing in your recommendation that
12 suggests that if the Commission adopts your view of
13 the refund of the 8-million-plus dollars should be
14 ordered that that should then be -- that Columbia
15 should then be permitted to retroactively recover
16 that from Choice customers, marketers, or any other
17 customer class, correct?

18 A. That is not my recommendation.

19 Q. All right. Now, and you were a
20 participant in the DEO auction case?

21 A. That is correct.

22 Q. Do you remember the discussions, general
23 discussions in that case, regarding the difficulty
24 marketers had competing against the GCR as the price

1 to compare?

2 A. That was one of the main topics -- I
3 don't recall during the hearing that was one of the
4 main topics of the marketers' argument.

5 Q. And part of that argument was that
6 because -- it was a difficult target because it was
7 affected by retroactive adjustments for out-of-period
8 or -- out-of-period changes and things of that nature
9 so that the GCR really wasn't reflective of the
10 market price; do you recall that part of the
11 discussion?

12 A. I believe that's a good summary of what
13 the marketers' argument was.

14 Q. And wouldn't an \$8 million refund of the
15 type you're referring to here also have an impact in
16 that regard in terms of making it difficult for GC --
17 marketers to compete against a number that's not
18 really reflective of the market price?

19 A. I have a problem that I'm not correlating
20 the 8.9 million-dollar refund with anything with the
21 choice marketers or with anything else. I'm just
22 stating that GCR customers, according to my
23 calculations, deserve a refund of the \$8.9 million.

24 Q. How would the refund be effectuated?

1 A. I don't think I understand what you mean
2 by that.

3 Q. Well, how are the GCR customers going to
4 get the \$8 million back?

5 A. I see, you're going back and -- the
6 refund to the customers.

7 Q. Correct.

8 A. I misunderstood you earlier.

9 Q. I apologize. Yes, how will the refund --

10 A. The refund would go back to GCR
11 customers, yes.

12 Q. And that would be through a reduction
13 from what the GCR rate would otherwise have been,
14 correct?

15 A. That is correct.

16 Q. Okay. And that would be a retroactive
17 adjustment that would render the GCR not
18 representative of really the market price of gas at
19 the time, correct?

20 MR. SERIO: Objection, your Honor, to the
21 word "retroactive." I don't believe the Commission
22 considers any adjustments made in a GCR proceeding to
23 be retroactive.

24 EXAMINER PRICE: Sustained.

1 MR. ROYER: Well, let me explore that in
2 a different way, then.

3 Q. Should Columbia be required to conduct a
4 cost-of-service study yearly to be used in allocating
5 these capacity costs so as to avoid being
6 second-guessed down the road if there was evidence
7 that perhaps there may have been a misallocation?

8 A. Now, there's one issue that -- I don't
9 believe Columbia's conducted a cost-of-service study,
10 at least not one that's been public since, I don't
11 recall if it was the '91 or '94 rate case, so it's
12 been quite some time and it was prior to a Choice
13 program.

14 So with that I believe that they -- a
15 cost-of-service study could be conducted, once again,
16 assuming the Commission does not accept my
17 recommendation and in turn goes with my alternate
18 recommendation of forcing Columbia to conduct a
19 cost-of-service study, and I believe that the
20 cost-of-service study, it could be edited annually
21 based on the factors that may change with that.

22 Q. I guess what I'm having problems with is
23 how would Columbia have -- should Columbia have
24 protected itself from this claim in this case? What

1 should they have done differently?

2 A. I think they should have set up a fair
3 and reasonable allocation of capacity costs.

4 Q. And that's what I'm asking you. So do
5 they do that annually? I mean, when do they do it?

6 A. Being that that's my alternate
7 recommendation, I would say that that would be a
8 decision made by the Commission.

9 Q. All right. Are you familiar with or
10 aware of any other instances where after-the-fact
11 cost analyses are used to retroactively -- make
12 retroactive adjustments to rate -- to tariffed rates?

13 MR. SERIO: Objection, your Honor.
14 Similar to before, I don't believe the Commission
15 considers anything done in the context of a GCR case
16 to be retroactive. There's a law that says you can't
17 do retroactive rate-making. The Commission in a GCR
18 proceeding stays to the correct side of the law.

19 EXAMINER PRICE: Sustained.

20 MR. ROYER: That's all I have then.

21 EXAMINER PRICE: Thank you.

22 Mr. Singh?

23 MR. SINGH: No questions, your Honor.

24 EXAMINER PRICE: Mr. Reilly?

1 MR. REILLY: No questions, your Honor.

2 EXAMINER PRICE: Mr. Serio.

3 MR. SERIO: Thank you, your Honor, yes, I
4 do have a few questions I'd like to clarify with the
5 witness.

6 - - -

7 REDIRECT EXAMINATION

8 By Mr. Serio:

9 Q. Mr. Haugh, I believe that Mr. Seiple
10 asked you regarding the cost allocation issue on the
11 demand curve issue if you had relied on anything from
12 the M/P auditor, I think you indicated that in
13 general you had agreed with the auditor's findings;
14 was that correct?

15 A. That's correct.

16 Q. May I turn your attention to page 3-8 of
17 the M/P audit report? Top paragraph on the
18 right-hand column, is that one of the sections of the
19 M/P audit report that you got your understanding
20 from?

21 A. Yes, that would have been.

22 Q. Now, I believe that there was also a line
23 of questioning regarding Columbia having the
24 opportunity to do off-system sales or capacity

1 release transactions under a wholesale auction
2 scenario; is that correct? Do you recall those?

3 A. That is correct, yes.

4 Q. And it's your testimony, your position,
5 that the company would have the opportunity to use
6 whatever percentage of system capacity was retained
7 for operational purposes, could be used to do
8 off-system sales and capacity releases, correct?

9 A. That is correct.

10 Q. Your testimony wouldn't completely
11 preclude the company from doing any off-system sales
12 or capacity release transactions, would it?

13 A. Not at all. It would have full access to
14 those -- the capacity and storage retained.

15 Q. Mr. Seiple asked you a series of
16 questions regarding possible impact of increases in
17 the NYMEX and how that would affect the DEO SSO
18 price; do you recall those?

19 A. That is correct.

20 Q. If the NYMEX price goes up, does that
21 generally also affect the Columbia GCR rate?

22 A. I would assume, as I stated earlier, the
23 NYMEX is sort of a -- is used as a industry standard
24 on cost of gas, as a base for the cost of gas.

1 Q. If a hurricane was to hit the gulf coast
2 and that resulted in a NYMEX increase that caused the
3 DEO SSO price to increase, would you anticipate that
4 that would also have ramifications for any LDC and
5 their GCR or PGA rate also going up?

6 A. It would affect anyone that has to
7 purchase gas, yes.

8 Q. In the DEO wholesale auction proceeding
9 are you familiar with the concept of the
10 winter/summer price differential that was involved
11 with the DEO storage?

12 A. Yes.

13 Q. And would you agree that that was a form
14 of hedging that occurred because the company was able
15 to purchase gas and store it in storage?

16 A. Yes, that would lead to the, essentially
17 that would be a form of hedging because that would
18 lead to, I would say additional revenues that would
19 go to suppliers, hence the suppliers would be able to
20 lower their -- lower their ultimate SSO price.

21 Q. That's a form of physical hedging,
22 correct?

23 A. Correct, yes.

24 Q. As opposed to financial hedging.

1 A. Yes.

2 Q. And Columbia uses its storage to do
3 similar physical hedging for the GCR, correct?

4 A. Yes.

5 Q. To the extent there was a differential in
6 that storage price that was then allocated to
7 marketers, wasn't that reflected in the bids that
8 they made in the wholesale auction?

9 A. Exactly.

10 Q. Now, you indicated that you did your
11 comparison between -- Mr. Seiple asked you some
12 questions about why you compared the Columbia GCR to
13 the Dominion GCR going back I believe it was 23
14 months, your response was that's when they went from
15 the 3-month GCR to the 1-month GCR; do you recall
16 that?

17 A. Yes.

18 Q. Do you recall that the reason that both
19 companies went from a 3-month GCR to a 1-month GCR
20 was to better reflect the NYMEX price and give GCR
21 customers a more accurate price signal?

22 A. Yes, that was the reason.

23 Q. Mr. Seiple asked you a number of
24 questions regarding how the NYMEX price could be

1 affected by one day a month or 30 minutes a day; do
2 you recall that?

3 A. Yes.

4 Q. If that one day a month or 30 minutes a
5 day affected the NYMEX price and resulted in the SSO
6 price that Dominion has being affected, would that
7 have also some effect on the Columbia GCR price?

8 A. Yes, I presume it would.

9 Q. And that's because regardless of when an
10 impact hits the NYMEX, the NYMEX is used by virtually
11 every distribution company in the country to base at
12 least part of its purchases on, correct?

13 A. Yes, the majority of LDCs will purchase
14 gas on a variable basis, on a variable price basis.

15 Q. Are you familiar with any other Ohio
16 distribution companies that are having discussions
17 regarding potential wholesale auctions or exit from
18 the merchant function that are proceeding at a
19 significantly accelerated rate rather than the way
20 the DEO time line operated?

21 A. Yes, I believe the Vectren -- Vectren is
22 accelerating at a much faster rate than Dominion
23 proceeded.

24 Q. And without going into any discussion of

1 the confidential discussions that Vectren's having
2 with the various stakeholders, is the accelerated
3 time line there made possible because of the
4 blueprint from the Dominion wholesale auction?

5 A. I would presume that, yes, that's the
6 reason.

7 Q. Mr. Royer asked you a couple of questions
8 regarding your testimony where you indicated that you
9 agreed with the auditor's recommendation and he
10 pointed out that the auditor never made a
11 recommendation as to any disallowance, correct?

12 A. Correct.

13 Q. Were you in the room when the auditor
14 testified regarding his review of the allocation
15 methodology that you recommended in your testimony?

16 A. Yes.

17 Q. Do you recall that the auditor said that
18 your recommended allocation was a reasonable way to
19 address the issue?

20 A. Yes, I do.

21 MR. SERIO: That's all I have, your
22 Honor, thank you.

23 EXAMINER PRICE: Mr. Seiple.

24 MR. SEIPLE: Yes, thank you.

RECROSS-EXAMINATION

By Mr. Seiple:

Q. Mr. Haugh, Mr. Royer asked you a few minutes ago how Columbia should have protected itself with regard to the cost allocation issue. And I believe your response was Columbia should have set up a fair and reasonable allocation of costs. Am I characterizing your testimony correctly?

A. Yes.

MR. SERIO: Excuse me, your Honor, I have a question. Is any further cross supposed to be based on my redirect?

EXAMINER PRICE: Yes, I believe so.

MR. SERIO: I don't believe I asked any questions about how Columbia should have or might have protected itself, and that's where Mr. Seiple's question is going. So I have an objection to the question on that basis.

MR. SEIPLE: He's correct. I'll address it in brief.

EXAMINER PRICE: Thank you.

MR. SERIO: Thank you, your Honor.

MR. SEIPLE: Nice try.

MR. SINGH: Your Honor, I've got a

1 follow-up question.

2 EXAMINER PRICE: Mr. Royer's next.

3 MR. ROYER: Nothing.

4 EXAMINER PRICE: Mr. Singh.

5 - - -

6 RECROSS-EXAMINATION

7 By Mr. Singh:

8 Q. Mr. Haugh, you recall Mr. Serio just
9 asked you whether the VEDO was proceeding rapidly
10 towards exiting the merchant function or towards an
11 SSO supply; do you recall that line of questioning?

12 A. Yes.

13 Q. And Mr. Serio asked you if that speed was
14 related to the Dominion blueprint, and you answered
15 yes; is that correct?

16 A. I said I believe that was the reason.

17 Q. Okay. Do you believe that the speed with
18 which VEDO is moving towards exiting the merchant
19 function for making available an SSO supply is also
20 based on VEDO's desire to do that?

21 A. I would say yes, that does -- the LDC
22 being cooperative with the discussions makes for a
23 much simpler and faster stakeholder process.

24 MR. SINGH: Thank you, your Honor.

1 MR. SERIO: Nothing further.

2 I'm sorry.

3 EXAMINER PRICE: Mr. Serio.

4 MR. SERIO: I have nothing further your
5 Honor. Again, I would move admission of OCC Exhibit
6 13 and OCC Exhibit 13A into the record.

7 MR. SEIPLE: And I would just like to
8 have the record reflect my continuing objection based
9 on the motion to strike even though I know that it's
10 been overruled.

11 EXAMINER PRICE: The record will reflect
12 that.

13 OCC 13 and 13A will be admitted.

14 (EXHIBITS ADMITTED INTO EVIDENCE.)

15 EXAMINER PRICE: You're excused.

16 THE WITNESS: Thank you.

17 (Witness excused.)

18 EXAMINER PRICE: Let's go off the record
19 for one minute.

20 (Recess taken.)

21 EXAMINER PRICE: Let's go back on the
22 record.

23 Mr. Reilly.

24 MR. REILLY: Thank you, your Honor. Your

1 Honor, we would like the prepared supplemental
2 testimony of Stephen Puican which was docketed on
3 December 21, 2006, marked as Staff Exhibit 1 for
4 identification purposes.

5 EXAMINER PRICE: So marked.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 MR. REILLY: Thank you. Mr. Puican --

8 EXAMINER PRICE: He has not been sworn in
9 yet.

10 MR. REILLY: What?

11 EXAMINER PRICE: He has not been sworn.

12 MR. REILLY: I would call Mr. Puican.

13 (Witness sworn.)

14 EXAMINER PRICE: Please be seated and
15 state your name and address for the record.

16 THE WITNESS: Stephen E. Puican, 180 East
17 Broad Street, Columbus, Ohio.

18 - - -

19 STEPHEN E. PUICAN

20 being first duly sworn, as prescribed by law, was
21 examined and testified as follows:

22 DIRECT EXAMINATION

23 By Mr. Reilly:

24 Q. Mr. Puican, do you have a copy of your

1 prepared supplemental testimony with you?

2 A. Yes.

3 Q. And was that testimony drafted by or
4 under your supervision?

5 A. Yes.

6 Q. Are there any additions or corrections
7 you would like to make to that testimony?

8 A. Just a couple of corrections.

9 Q. If you would, please.

10 A. Page 2, the very last sentence that
11 begins "Columbia indicated," there should be a
12 quotation mark before "Columbia."

13 On page 4, line 6, there is a number
14 there, 68,637,375. The last three digits should be
15 "406" instead of "375." So that should read
16 "68,637,406."

17 And that same correction carries over
18 onto page 7, line 9 where the number again should be
19 68,637,406.

20 That's it.

21 Q. With those modifications if I were to ask
22 you the questions that are asked in your prepared
23 testimony, would your answers be the same as the
24 answers in your prepared testimony -- your

1 supplemental prepared testimony?

2 A. Yes.

3 MR. REILLY: With that we would move the
4 introduction of Staff Exhibit 1 subject to
5 cross-examination.

6 EXAMINER PRICE: Mr. Seiple.

7 MR. SEIPLE: Thank you.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. Seiple:

11 Q. Good afternoon, Mr. Puican.

12 A. Good afternoon.

13 Q. Staff was invited to participate in the
14 negotiations that led up to the 2003 stipulation,
15 wasn't it?

16 A. Yes.

17 Q. And, in fact, Staff did participate up
18 until September 5th, 2003; is that correct?

19 A. I don't know the date that we stopped
20 participating, but I don't think we attended meetings
21 up until the very end.

22 Q. And the meetings that you did not
23 participate in after the date that I believe is
24 September 5th, that was because Staff voluntarily

1 withdrew from the negotiations?

2 A. That is because we believed we were at an
3 impasse and there was no point in continuing to
4 attend.

5 Q. And as you just indicated, there was
6 probably roughly a month between the time Staff
7 withdrew and the stipulation was filed in which Staff
8 did not attend any discussions.

9 A. That sounds reasonable.

10 Q. So there may have been discussion
11 documents which Staff did not see after they withdrew
12 from the negotiations.

13 A. That's possible, yes.

14 Q. Your Exhibit SEP-2 is a settlement
15 document that Columbia distributed on September
16 3rd; isn't that correct?

17 A. Yes.

18 Q. And would you agree with me that that
19 document does not fully represent the elements of the
20 stipulation as modified and approved by the
21 Commission?

22 A. There are differences, yes.

23 Q. Are you aware of any instance in which
24 Columbia docketed the sheet that is attached to your

1 testimony in support of the 2003 stipulation?

2 A. I don't believe so.

3 MR. REILLY: Excuse me, when you refer to
4 the sheet attached to his testimony, you mean SEP-2?

5 MR. SEIPLE: Yes. I'm sorry. Thank you,
6 Counsel.

7 A. Although, if I -- I think Mr. Hayes's
8 page 2 of 3, Attachment A, I'm not sure if that's
9 identical but it looks to be similar. So I'm
10 wondering if it was provided through data requests to
11 Mr. Hayes.

12 Q. My question, though, is did Columbia ever
13 file that document in support of the stipulation?

14 A. No. Not that I'm aware of.

15 Q. To the best of your recollection, do you
16 ever recall any Columbia representative during the
17 settlement negotiations making a representation that
18 the assumptions used to prepare the worksheets were
19 Columbia's best estimates as to what would actually
20 occur?

21 A. No. In fact, in the text of my testimony
22 I think I specifically made that point, that I was
23 not, the purpose of the exhibit was not the numbers
24 themselves, but the calculations that it

1 demonstrates.

2 Q. And the Staff was not a signatory party
3 to the 2003 stipulation, correct?

4 A. Correct.

5 Q. So, obviously, the Staff didn't rely on
6 any settlement documents to agree to the stipulation,
7 correct?

8 A. By definition, yes.

9 Q. Did Staff do any analysis of its own on
10 the proposals being discussed in the collaborative
11 negotiations?

12 MR. REILLY: Objection; relevance.

13 MR. SEIPLE: Part of what OCC Witness
14 Hayes represented was his belief as to what other
15 parties may have done in terms of reliance on the
16 settlement documents, and I'm trying to explore
17 whether or not the Staff relied on those documents.

18 MR. SERIO: One clarification. The
19 document attached to Mr. Hayes' testimony is not a
20 settlement document; it's a document that was
21 obtained as part of the 2003 stipulation case. There
22 was a public proceeding and it was obtained through
23 the discovery process, and we have never indicated
24 that that was a document -- that we were using any

1 documents that were distributed as a part of
2 settlement discussions.

3 MR. SEIPLE: Are you moving to strike
4 attachment SEP-2 then?

5 MR. SERIO: No. I'm saying to the extent
6 you're characterizing Mr. Hayes' document being a
7 settlement document, Mr. Hayes' document as I
8 indicated earlier, as is indicated by the cover
9 sheet, was obtained by OCC as part of the case and
10 not the negotiations through discovery.

11 EXAMINER PRICE: Thank you.

12 MR. SEIPLE: And I'll accept Mr. Serio's
13 characterization of his witness's attachment.

14 As to my line of questioning, though, I'm
15 trying to establish whether or not other parties
16 conducted their own analysis of the stipulation,
17 which is a point put in issue by OCC Witness Hayes.

18 EXAMINER PRICE: Overruled.

19 A. We did not independently prepare a
20 spreadsheet along the lines of what I've presented in
21 this exhibit. We relied on the company's
22 calculations and representations of how the
23 calculations were going to be made when we made our
24 decision not to continue to participate.

1 Q. Mr. Puican, I'd ask you to speak up.

2 A. Sure.

3 Q. With this blower here it is very
4 difficult to hear.

5 MR. REILLY: If anybody doesn't mind, I
6 may move over there. I am having trouble hearing.

7 EXAMINER PRICE: Mr. Puican will try to
8 speak up. And feel free to take any vacant seat.

9 MR. REILLY: Thank you.

10 Q. Mr. Puican, to the best of my knowledge,
11 and you can correct me if I'm wrong, I don't believe
12 the issue addressed in your testimony was
13 specifically addressed in the audit report, was it?

14 A. No. It was not.

15 Q. When did Staff discover this issue?

16 A. Mr. Hayes's exhibit kind of hinted at it.
17 It had a line item that showed a sample of how the
18 calculations were being done, but to be honest it was
19 actually a conversation I had with Scott White of IGS
20 who asked me did Staff concur that this was the way
21 that the stipulation indicated that the various
22 calculations were to be done. That got me looking at
23 it and ultimately reached a conclusion that I
24 disagreed with the way the company was doing the

1 calculations.

2 Q. After you had that conversation with
3 Mr. White, did you also discuss this matter with
4 representatives from the OCC?

5 A. Yes.

6 Q. Who did you discuss it with at the OCC?

7 A. Generally I spoke with Mr. Serio.

8 Q. Your testimony references several
9 paragraphs from the 2003 stipulation, in particular I
10 think you discuss paragraphs 21 and 22.

11 A. Yes.

12 Q. Do you have a copy of that stipulation
13 with you?

14 A. Yes.

15 Q. I want to direct your attention to
16 paragraph 15 of the stipulation --

17 A. Okay.

18 Q. -- which starts at the bottom of page 15.

19 A. Okay.

20 Q. And I would like to ask you, why did your
21 testimony not include any discussion of that
22 paragraph?

23 A. I didn't think it was relevant to the
24 point I was making.

1 Q. Thank you.

2 MR. SEIPLE: I have no further questions.

3 EXAMINER PRICE: Mr. Royer?

4 MR. ROYER: No questions.

5 EXAMINER PRICE: Mr. Singh?

6 MR. SINGH: Could we follow the OCC, your
7 Honor?

8 EXAMINER PRICE: Any objection?

9 MR. SERIO: Try to go with the flow
10 whenever I can.

11 EXAMINER PRICE: Mr. Serio.

12 MR. SERIO: Thank you, your Honor.

13 - - -

14 CROSS-EXAMINATION

15 By Mr. Serio:

16 Q. Good afternoon, Mr. Puican.

17 A. Good afternoon.

18 Q. I'll try to keep this as brief as I can.
19 You're familiar with the 2003 stipulation, correct?

20 A. Yes.

21 Q. And your role during that proceeding was
22 as a representative of the PUCO staff, correct?

23 A. Yes.

24 Q. In reading the 2003 stipulation is it

1 your opinion that the stakeholders clearly understood
2 that the 2003 stipulation was awarding all of the
3 November and December off-system sales and capacity
4 release revenues to Columbia without those revenues
5 being set against a cap or against the stranded
6 costs?

7 A. I can only speak for myself and our
8 group, and I don't think we fully appreciated that,
9 but at the same time, as I pointed out, the time
10 period of the stipulation period changed on several
11 different occasions, and within the context of some
12 of those time periods the reference to "calendar
13 year" might have made sense. The way it ended up
14 after the eventual entry on rehearing, I think that's
15 when it became apparent that the result of that was
16 an unintended -- unintendedly eliminated quite a few
17 of the off-system sales from the sharing mechanism.
18 So I'm not sure at the time that it really was as
19 much of an issue as it turned out to be at the end.

20 Q. To the extent that Staff also advises the
21 Commission, and to the extent that you weren't clear
22 that the November and December OSS and capacity
23 release revenues were not being offset against the
24 cap or stranded costs, then you never had the

1 opportunity to make that clear to the Commission; is
2 that correct?

3 MR. SEIPLE: Objection.

4 I'm sorry, Counsel, did you have
5 something to say?

6 MR. REILLY: Administrative privilege,
7 executive privilege. Discussion between an executive
8 and their staff on a matter pending.

9 MR. SEIPLE: And I was going to object on
10 the grounds that this is friendly cross.

11 EXAMINER PRICE: I'm going to overrule
12 Mr. Seiple's objection, but I will sustain
13 Mr. Reilly's objection.

14 MR. SERIO: See if I can ask it in a way
15 that doesn't tread upon that, your Honor.

16 Q. (By Mr. Serio) Mr. Puican, if I
17 understood your prior answer, you indicated that it
18 was not clear to you, correct?

19 A. We didn't appreciate the implications of
20 it.

21 Q. When you say "we," then you refer to
22 anyone in the Staff that was involved?

23 A. To the PUCO -- to the Staff, yes.

24 Q. Are you -- do you know, did the 2003

1 stipulation identify the balance of TCCRP funds that
2 were available at the time the stipulation was
3 presented?

4 A. I don't believe so.

5 Q. Was the Staff aware that as a result of
6 the language in the stipulation that Columbia would
7 be able to retain approximately \$24 million of TCCRP
8 balance?

9 A. Again, we didn't know the balance in the
10 fund, so we couldn't have known what that 25 percent
11 amounted to.

12 Q. In your opinion, did the Staff anticipate
13 that Columbia would take steps to help the Choice
14 program achieve a 62 to 82 percent participation
15 rate?

16 A. Not specifically those numbers, but one
17 of the reasons that the sharing mechanism was set up
18 as an increasing scale in favor of Columbia as Choice
19 program participation increased was to provide that
20 type of an incentive.

21 Q. Were you familiar with the Dominion
22 wholesale auction that occurred earlier --

23 A. Yes.

24 Q. -- that occurred late last year?

1 A. Yes.

2 Q. And your role and participation there,
3 again, was on behalf of the Staff of the Commission,
4 correct?

5 A. Yes.

6 Q. In your opinion did the DEO wholesale
7 auction result in a standard service offer that
8 provided DEO customers with a lower price?

9 MR. SEIPLE: Objection. This is beyond
10 the scope of Mr. Puican's testimony and is also
11 friendly cross.

12 EXAMINER PRICE: Well, Mr. Puican is the
13 Staff expert, I don't think there's anything wrong
14 with asking this question. It isn't -- it was put in
15 issue in the case by OCC and it's very unlikely I'm
16 going to rule on the friendly cross, I don't see the
17 Staff and OCC as occupying the same position in this
18 proceeding. They have different issues that they
19 have raised. Overruled.

20 Please answer the question

21 THE WITNESS: I'm sorry, could you reask
22 it or have it reread?

23 Q. Sure. In your opinion did the DEO
24 wholesale auction result in a standard service offer

1 that provided DEO sales customers with a lower price?

2 A. I think as Mr. -- one of the OCC
3 witnesses pointed out earlier, since there is no GCR
4 to do an exact comparison with there's no definitive
5 answer to that question, but from all appearances
6 that would be the case.

7 Q. In the opinion of the Staff was the DEO
8 wholesale auction a successful auction?

9 A. In my opinion it was, yes.

10 Q. Did the DEO wholesale auction, in the
11 opinion of the Staff, result in a benefit for
12 consumers?

13 A. Yes.

14 Q. And to the best of your knowledge, did
15 DEO consider the DEO wholesale auction to be a
16 success?

17 A. To the best of my knowledge, yes.

18 Q. To the best of your knowledge, did the
19 marketers participating in the DEO wholesale auction
20 consider it to be a success?

21 MR. SEIPLE: Objection; this is hearsay.

22 EXAMINER PRICE: Sustained.

23 Q. Mr. Puican, are you aware of any of the
24 parties that participated in the wholesale auction

1 indicating to you that they felt that the wholesale
2 auction was not a success?

3 A. In all honesty I had one person call and
4 complain about it, yes.

5 Q. And was that a marketer?

6 A. Yes.

7 Q. And was the complaint about the manner
8 which the auction was handled or about the fact that
9 there was an auction at all?

10 A. Really neither of those two. It was a
11 complaint about some of the procedures post auction
12 weren't sufficiently clear at the time.

13 Q. But you're not aware of any participant
14 saying to you that "We thought the wholesale auction
15 did not result in a benefit for everyone involved."

16 A. With the exception of this one marketer.

17 Q. Are you aware of any barriers to the 2003
18 stipulation that would preclude Columbia from
19 purchasing gas for its GCR customers through a
20 wholesale auction?

21 A. I'm not comfortable giving a "yes" or
22 "no" answer to that because I would have to go
23 through all aspects of the stipulation and try to
24 make that determination, and I just haven't done

1 that.

2 Q. Are you aware of any regulatory barriers
3 that would preclude Columbia from purchasing gas for
4 its sales customers through a wholesale auction
5 process?

6 MR. REILLY: Objection; calls for a legal
7 conclusion.

8 MR. SERIO: Your Honor, I'm just asking
9 for regulatory -- to the extent he's involved in the
10 regulatory process. I don't anticipate any legal
11 opinion from the witness.

12 EXAMINER PRICE: Overruled.

13 A. I don't think there's any obvious
14 regulatory impediment to that, no.

15 Q. In your testimony it's your position that
16 the company should have used off-system sales and
17 capacity release revenues to offset transition costs
18 prior to using the TCCRP funds; is that correct?

19 A. That's correct.

20 Q. And it's your testimony that in using the
21 TCCRP funds, that -- before using off-system sales
22 and capacity release funds, that the company did not
23 implement the stipulation as was contemplated; is
24 that correct?

1 A. That's correct.

2 MR. SERIO: That's all I have, your
3 Honor. Thank you.

4 EXAMINER PRICE: Mr. Singh?

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Singh:

8 Q. Good afternoon, Mr. Puican.

9 A. Good afternoon.

10 Q. Mr. Puican, the approval of the 1999
11 stipulation resulted in the existence of the TCCRP
12 rider, correct?

13 A. I believe that's correct.

14 Q. And the TCCRP rider was created to fund
15 the Choice program, correct?

16 A. Yes. It was created to provide a funding
17 source for transition or so-called stranded costs.

18 Q. The TCCRP rider is funded in significant
19 part by revenues from balancing services that
20 marketers are required to use and that marketers pay
21 for, correct?

22 A. That was one of the funding sources.

23 Q. The 1999 stipulation also increased the
24 fee for balancing services, correct?

1 A. I don't have firsthand knowledge of that.
2 I know in '99 it was in the neighborhood of 48 cents,
3 I don't recall when it became 48 cents. I don't
4 recall if there was an increase.

5 Q. Well, subject to check, do you have any
6 reason to disagree with me that the 1999 stipulation
7 increased the balancing fee to 46.8 cents?

8 A. I'll accept that.

9 Q. The fee for balancing service was
10 increased subject to check, but the balancing service
11 itself did not change, correct?

12 A. I'm not familiar with that level of
13 detail going back to the '99 stip.

14 MR. SINGH: Thank you, Mr. Puican.

15 No more questions, your Honor.

16 EXAMINER PRICE: Mr. Reilly?

17 MR. REILLY: Your Honor, I don't have any
18 redirect. I would like to make -- Mr. Puican,
19 Mr. Singh pointed this out, if you would take a look
20 at your testimony on page 3, I have a question about
21 two possible corrections, lines 17 and 18. There are
22 dates for Commission entries in 2005 and I'm
23 wondering if those should be "2004" instead.

24 THE WITNESS: Yes. Sorry, I missed that.

1 MR. REILLY: We have no redirect, your
2 Honor.

3 EXAMINER PRICE: Thank you, Mr. Puican,
4 you're excused.

5 (Witness excused.)

6 EXAMINER PRICE: This hearing will
7 commence again on February 14th at 9:30. That's
8 all for today. Thank you.

9 (Discussion held off the record.)

10 EXAMINER PRICE: Mr. Reilly.

11 MR. REILLY: We would move the admission
12 of Mr. Puican's testimony, Staff Exhibit 1.

13 EXAMINER PRICE: Any objections?

14 MR. SEIPLE: No objection.

15 MR. SINGH: None, your Honor.

16 EXAMINER PRICE: Staff Exhibit 1 will be
17 admitted.

18 (EXHIBIT ADMITTED INTO EVIDENCE.)

19 EXAMINER PRICE: Mr. Serio, there were
20 two OCC --

21 MR. SERIO: Three; Exhibit 1, Exhibit 4,
22 and Exhibit 5. Exhibit 1 was McFadden data request
23 No. 12, OCC Exhibit 4 was OCC interrogatory No. 34,
24 and OCC Exhibit 5 was interrogatory No. 35.

1 EXAMINER PRICE: We had previously
2 reserved ruling on those exhibits. Those exhibits
3 will be admitted.

4 MR. SERIO: Thank you, your Honor.

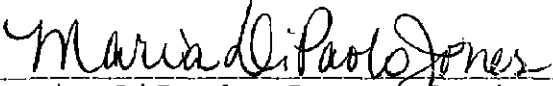
5 (EXHIBITS ADMITTED INTO EVIDENCE.)

6 (Thereupon, the hearing adjourned at 1:40
7 p.m.)

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1 CERTIFICATE

2 I do hereby certify that the foregoing is a
3 true and correct transcript of the proceedings taken
4 by me in this matter on Thursday, February 1, 2007,
5 and carefully compared with my original stenographic
6 notes.

7 
8 Maria DiPaolo Jones, Registered
9 Diplomat Reporter and CRR and
Notary Public in and for the
State of Ohio.

10 My commission expires June 19, 2011.

11 (MDJ-2063)

12 - - -

EXHIBIT

Case Number 05-221-67-6CR

Vol III

The following exhibit(s) were prefiled and can be located with the pleadings:

[illegible]

PUCO Case No. 05-221-GA-GCR
OCC Interrogatory No. 34
Respondent: Scott D. Phelps

COLUMBIA GAS OF OHIO, INC.
RESPONSE TO OCC INTERROGATORIES

Interrogatory No. 34

Did the Company engage in any purchase, loan or exchange transactions during the audit period?

Response:

Yes

Columbia Gas Choice Savings
November 2004-October 2005

<u>Month</u>	Monthly Savings/Loss (In Millions)	Cumulative Choice Savings (In Millions)
<u>2004</u>		
November	- (a)	\$ 74.0
December	\$ (2.0)	\$ 72.0
<u>2005</u>		
January	\$ (3.0)	\$ 69.0
February	\$ (9.0)	\$ 61.0
March	\$ (11.0)	\$ 49.0
April	\$ (2.0)	\$ 47.0
May	\$ (2.0)	\$ 45.0
June	\$ (1.0)	\$ 44.0
July	\$ (1.0)	\$ 43.0
August	\$ - (a)	\$ 43.0
September	\$ 17.0	\$ 60.0
October	\$ 1.0	\$ 61.0
Total	\$ (13.0)	

(a) Columbia reported neither a loss or savings for August.

