

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application :
of The East Ohio Gas Company :
d/b/a Dominion East Ohio for : Case No.
Authority to Increase Rates for : 07-829-GA-AIR
its Gas Distribution Service. :

In the Matter of the Application :
of The East Ohio Gas Company :
d/b/a Dominion East Ohio for : Case No.
Approval of an Alternative Rate : 07-830-GA-ALT
Plan for its Gas Distribution :
Service. :

In the Matter of the Application :
of The East Ohio Gas Company :
d/b/a Dominion East Ohio for : Case No.
Approval to Change Accounting : 07-831-GA-AAM
Methods. :

In the Matter of the Application :
of The East Ohio Gas Company :
d/b/a Dominion East Ohio for :
Approval of Tariffs to Recover :
Certain Costs Associated with a :
Pipeline Infrastructure : Case No.
Replacement Program Through an : 08-169-GA-ALT
Automatic Adjustment Clause, and :
for Certain Accounting Treatment. :

In the Matter of the Application :
of The East Ohio Gas Company :
d/b/a Dominion East Ohio for :
Approval of Tariffs to Recover :
Certain Costs Associated with : Case No.
Automated Meter Reading : 06-1453-GA-UNC
Deployment Through an Automatic :
Adjustment Clause, and for :
Certain Accounting Treatment. :

DEPOSITION of CLIFF ANDREWS

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1 taken before me, Rosemary Foster Anderson, a Notary
2 Public in and for the State of Ohio, at the offices
3 of Jones Day, North Point, 901 Lakeside Avenue,
4 Cleveland, Ohio, on Wednesday, July 23, 2008, at
5 10:00 a.m.

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1 APPEARANCES:

2 Jones Day

By Mr. Mark A. Whitt

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4 Columbus, Ohio 43215-2673

5 On behalf of the Dominion East Ohio.

6 Janine L. Migden-Ostrander, Ohio Consumers'
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On behalf of the Office of Consumers'
10 Counsel.

11 Also Present;

12
Mr. Frank Radigan (via telephone).
13

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WITNESS

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Cliff Andrews

Examination by Mr. Sauer

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1 CLIFF ANDREWS

2 being by me first duly sworn, as hereinafter
3 certified, deposes and says as follows:

4 EXAMINATION

5 By Mr. Sauer:

6 Q. Mr. Andrews, are you sitting near the
7 phone?

8 A. I'm sitting right in front of the
9 speaker.

10 Q. Okay, great. That's better.
11 Mr. Andrews, my name is Larry Sauer. I'm an attorney
12 representing the Office of the Ohio Consumers'
13 Counsel. We are here to take your deposition in the
14 case in which you filed testimony, Case
15 No. 07-829-GA-AIR, et al. Have you had your
16 deposition taken before, sir?

17 A. No, sir.

18 Q. Okay. I'll just go over a couple of
19 ground rules. As you see, there's a court reporter
20 to take down my questions and your answers to my
21 questions so it's somewhat a little more difficult
22 because we are doing it telephonically. If you can
23 try to wait until my questions are done, I'll try not
24 follow with any questions until you've completely

1 answered your questions. And if you don't understand
2 a question or need me to clarify or rephrase
3 something, please let me know.

4 Again, since this is all being -- the
5 court reporter is there taking down what's being
6 said, it would be better for you if your answers
7 would contain yes or no answers such that "un-uhs" or
8 "uh-huhs" are a little more difficult to transcribe
9 and read later when we go through this transcript.

10 If you need a break, just let me know,
11 and if there's a question pending, I ask that you
12 answer the question and then we'll take the break.

13 Do you have any questions?

14 A. Not at this time.

15 Q. Okay. Great. Could you kind of run
16 through what your post high school education consists
17 of?

18 A. Yes. I graduated from Michigan State
19 with a Bachelor's in accounting in 1985. I then
20 earned my MBA from Weatherhead at Case Western
21 Reserve University in 1993, night school. That's in
22 my testimony. One other thing that's not in my
23 testimony, in 2001 I was awarded the CFA Chartered
24 Financial Analyst designation by what is now the CFA

1 Institute.

2 Q. And what did you have to do to earn the
3 CFA, sir?

4 A. It was a three-part exam given in
5 consecutive years requiring the passage, you know, of
6 each exam to take the second and so forth to the
7 third.

8 Q. Uh-huh. Was there a curriculum that went
9 before the testing, or was it just the testing
10 itself?

11 A. There were various topics covered in each
12 exam and suggested readings.

13 Q. Is there anything else that you've
14 accomplished since the 2001 CFA award was earned?

15 A. Not in terms of educational experience,
16 no.

17 Q. All right. And how about your employment
18 history since you graduated from MSU in 1985?

19 A. I joined East Ohio, as I explained in the
20 testimony, in 1986 originally as a contract employee.
21 I was hired to fix and develop some software for
22 doing economic analysis and rate analysis, and after
23 a period of a year I was hired full time to continue
24 that work and began in the market development area of

1 the company and progressed from there, mostly having
2 roles in analysis, market development, key account
3 management, and industrial marketing.

4 Q. And were you doing this work primarily
5 for Dominion East Ohio or a subsidiary of Dominion
6 East Ohio?

7 A. I would say with the exception of a brief
8 period around the time of the acquisition of what was
9 then Consolidated Natural Gas by Dominion, it was for
10 Dominion East Ohio.

11 MR. WHITT: Larry, for clarification,
12 when you are talking about Dominion East Ohio for the
13 time period prior to which that entity existed, do
14 you mean to refer to the East Ohio Gas Company?

15 MR. SAUER: Yes, because I think that's
16 the time period we're essentially dealing with here,
17 prior to the merger.

18 THE WITNESS: That's what I meant.

19 MR. SAUER: Okay.

20 Q. And you were in that key account
21 management position from 1986 until what period of
22 time?

23 A. Well, would you like me to just -- I
24 mean, I don't have my resume in front of me. Do you

1 want me to walk through the years I was in various
2 positions?

3 Q. To the best you can, sir, please.

4 A. From 1986 until 1996 I was in the market
5 development area with the exception of nine months
6 when I was on a task force that was doing an activity
7 based planning analysis of East Ohio Gas. From 1996
8 until 2000 I was a customer manager, you know,
9 basically a key accounts manager. From 2000 to 2002
10 I was a manager of industrial marketing.

11 2002 I actually left the company as part
12 of the post merger downsizing. I ended up being a
13 finance director for the Cleveland Public Schools
14 focusing on federal funding and implementation of the
15 No Child Left Behind Act. In early 2007 I came back
16 to Dominion as a business development manager, and
17 I'm currently working in the Rates Department and Gas
18 Supply Department for Jeff Murphy as a financial
19 consultant. That's the title. I'm an employee of
20 Dominion East Ohio, and that's in a nutshell my
21 career history.

22 Q. And did you say your current position is
23 financial consultant?

24 A. Yes; as of January 2008.

1 Q. So in your current testimony you're
2 supporting the company's cost of service study; is
3 that correct?

4 A. Yes; schedule E-3.2, which is the cost of
5 service study.

6 Q. And is that the first cost of service
7 study you have prepared before?

8 A. Yes; for natural gas, yes.

9 Q. What other cost of service studies have
10 you prepared in the past?

11 A. Well, as I mentioned earlier, I did work
12 for setting up economic analysis programs, and part
13 of the modeling I did was trying to anticipate
14 electric rate increases in the late '80s, early '90s
15 as that would have impacted some gas technologies we
16 were considering, so I was involved in developing
17 some rough cost of service studies for electric
18 companies.

19 Q. So the cost of service study reflected in
20 Schedule E-3.2, was that prepared by you or under
21 your supervision entirely?

22 A. Yes. The mechanics of the cost of
23 service study was my work.

24 Q. When you began to prepare the cost of

1 service study for this case, did you rely on
2 predecessor cost of service studies that were done by
3 Dominion East Ohio or its predecessor the East Ohio
4 Gas Company?

5 A. Yes. I reviewed the cost of service
6 study that was utilized in the 1993 rate proceeding.

7 Q. Did your cost of service study make
8 essentially the same assumptions or were there -- let
9 me rephrase that. Were there any different
10 assumptions that you made from the prior 1993 cost of
11 service study?

12 MR. WHITT: Objection.

13 You can answer.

14 A. I mean, generally I think the assumptions
15 are very similar. You know, I tried to make the cost
16 of service study a little more user friendly and more
17 appealing in terms of ease of looking at and
18 utilizing.

19 Q. Are you talking about formatting and
20 esthetic kind of changes?

21 A. Partially, yes.

22 Q. What other kind of changes were you
23 discussing?

24 A. The cost of service study that was filed

1 in the prior rate case had some information that to
2 me I thought was extraneous so I tried to consolidate
3 what was actually displayed on the current cost of
4 service study so that it applied directly to the
5 function of the cost of service study, which is
6 taking various inputs and organizing them, running
7 them through calculations so that we get to the
8 ultimate outcome, which is a revenue requirement by
9 rate schedule.

10 Q. Can you give me an example of the kind of
11 extraneous information that you're talking about that
12 was in the 1993 cost of service study that you either
13 excluded or streamlined around it, or whatever your
14 work-around was.

15 A. In the 1993 rate filing we had -- similar
16 to the current rate cost of service study, we had
17 information summarized by rate schedule, but within
18 that rate schedule we had information broken down by
19 residential, commercial, and industrial. That
20 information ultimately was not a basis for the
21 ratemaking as we make our rates by rate schedule, not
22 by revenue class or customer class, however you might
23 say that. So that's probably one -- that's what I
24 was really thinking about when I talked about

1 streamlining the cost of service study.

2 Q. Okay. Cost of service, if you could at
3 kind of a 50,000-foot level, could you kind of give
4 me an overview of what the cost of service study
5 similar to the one that you prepared and included as
6 your E-3.2 schedule, what the purpose of the cost of
7 service study is?

8 A. Certainly. The cost of service study's
9 primary function is to take the costs and the
10 investments of the utility for the relevant period of
11 time, in this case it was the test year, and
12 allocating them to the rate classes. You know, the
13 way the companies account for their cost and
14 investments does not necessarily line up exactly
15 with, you know, how a rate schedule is set up; so,
16 therefore, what the cost of service study does is
17 allocate the company's costs and investments to the
18 rate schedule so that one may determine a revenue
19 requirement and ultimately determine whether the
20 various rate classes are recovering sufficient
21 revenue to meet the costs and earn a fair return on
22 that investment, so it is way of summarizing cost
23 information that helps facilitate ratemaking.

24 Q. By looking at your testimony that you

1 filed, it appears that it's a multistep process, is
2 that true?

3 A. That is correct.

4 Q. Can you generally walk me through each of
5 the steps that you performed to do the cost of
6 service study in this case?

7 A. Sure. I mean the traditional steps in a
8 cost of service study are functionalizing,
9 classifying, and then allocating, and I followed
10 those steps. Functionalize means that you break it
11 down into the basic utility functions that in this
12 case Dominion East Ohio engages in, which is
13 production and gathering, storage, transmission, and
14 distribution, and that process was actually done in
15 terms of the developing our B and C schedules.

16 Classification then tries to get into
17 service being provided, and the traditional
18 components there are demand or capacity, energy or
19 commodity, customer-related and revenue-related
20 costs. Within each function you go through and
21 classify the costs in that manner.

22 And then kind of the final piece is then
23 allocating the costs accordingly to the rate
24 schedules.

1 Q. And what are the rate schedules that you
2 allocated these costs to for DEO?

3 A. There were five general rate schedules,
4 four of them that involved natural gas users and the
5 fifth one is a storage class. The four traditional
6 customers in the sense of gas use are the General
7 Sales Service; Energy Choice Transportation Service
8 class; the Large Volume General Sales Service; and
9 Large Volume Energy Choice class. The third class
10 would be the General Transportation Service class,
11 which also includes our Full Requirements
12 Transportation Service and Transportation Service for
13 Schools. And then fourth is Daily Transportation
14 Service and Off System Transportation customers.

15 Q. Is the Off System Transportation
16 customers, is that what you are referring to as the
17 storage only?

18 A. No. That's a very small amount of
19 customers that receive Off System Transportation.
20 They're rolled up with the Daily Transportation
21 Service Class.

22 Q. Okay.

23 A. The fifth class being the Storage.

24 Q. And that's what you refer to as the FSS

1 or EFSS.

2 A. Just one second, because in my cost of
3 service study I call it Storage.

4 Q. On page 6, line 11?

5 A. Yes, sir.

6 Q. You have Storage, and then in parens you
7 have "FSS/EFF/In-Out."

8 A. Right. Those are the three types of
9 storage service a customer is able to purchase.

10 Q. Okay. And then those are the rate
11 schedules then that you allocated the various costs
12 to.

13 A. Yes.

14 Q. I think you had earlier referred to
15 customer classes as -- let me ask you this. Would
16 you consider customer classes to be residential,
17 commercial, industrial, or other?

18 MR. WHITT: Objection.

19 A. Customer revenue class, I guess you could
20 say, are type of customer, residential, commercial,
21 and industrial.

22 Q. So DEO doesn't refer to residential as a
23 part of a customer class.

24 A. I know we talk about residential,

1 commercial, and industrial, but the term "customer
2 class" to me is a vague term.

3 Q. Okay. Is revenue class more how you
4 would consider characterizing residential, commercial
5 or industrial?

6 A. Yes.

7 Q. Okay. I just want to make sure we're
8 using comparable terms.

9 A. That's fine.

10 Q. Then it's possible for different revenue
11 classes to be served under the same rate schedule.

12 A. Yes.

13 Q. Can you explain which of DEO's revenue
14 class of customers are served within the GSS class or
15 served under the GSS rate schedule?

16 A. Yes. Primarily the GSS classes is
17 composed of residential customers.

18 Q. Are there any other revenue class of
19 customers served under the GSS class?

20 A. Yes; there are small number of
21 nonresidential customers.

22 Q. And of which revenue class would the
23 nonresidential GSS customers fall into?

24 A. There could be commercial or industrial

1 customers in that class in addition to residential.

2 Q. And when you're talking about the GSS,
3 does the same hold true for the Energy Choice
4 Transportation Service rate schedule as well?

5 A. Yes.

6 Q. In the sense you could have both
7 residential and nonresidential served under that rate
8 schedule also.

9 A. That's correct.

10 Q. Okay. And as far as the GSS rate
11 schedule, do you know how many residential customers
12 are served under that rate schedule?

13 A. That information is in our E-4 schedule,
14 but I believe it's over 95 percent residential.

15 Q. The other five percent are the commercial
16 or industrial customers you spoke about earlier.

17 A. Right. The remaining percentage of
18 customers would be nonresidential, correct.

19 Q. And can you explain the range of
20 consumption levels that the residential customers
21 served under the GSS rate schedule exhibit?

22 MR. WHITT: I'll object to the form of
23 the question.

24 A. I'm generally aware, but I'm not

1 specifically aware of the distribution of volumes
2 within the class.

3 Q. Are there residential customers who are
4 using natural gas for, perhaps, decorative lighting
5 only?

6 A. There could be. I'm not aware of that.

7 Q. Could be residential customers who are
8 using -- who are served under the GSS rate schedule
9 and who are using natural gas for cooking purposes
10 only?

11 A. I would be speculating to answer that
12 question.

13 Q. Do you know what the largest residential
14 customers served under the GSS rate schedule, what
15 their annual consumption levels are?

16 A. I don't have a figure to answer that
17 question.

18 Q. is there a schedule that you're aware of
19 in DEO's filing that provides a distribution of
20 consumption levels by rate schedule?

21 A. There is, and I'm -- the number is
22 escaping me now, but I believe it's the E-3,
23 4 schedules.

24 Q. Recognizing that you don't have an exact

1 number, do you know, as an order of magnitude, what
2 the average residential customer's annual usage would
3 be?

4 A. The average residential customer usage
5 would be approximately 100 Mcf.

6 Q. And just as an order of magnitude, do you
7 have any sense as to what the largest residential
8 customer served under the GSS rate schedule, what
9 their annual usage would be relative to the average?

10 A. I don't know.

11 Q. You also said that under the GSS class
12 there are nonresidential customers served under the
13 GSS rate schedule, correct?

14 A. Yes.

15 Q. You said those could be commercial or
16 industrial customers, correct?

17 A. Yes.

18 Q. Can you give me a sense as to what the
19 range of consumption levels for commercial customers
20 that are served under the GSS rate schedule would be?

21 A. I really don't have specifics on ranges
22 by revenue class. Again, I think I would be
23 speculating to answer that.

24 Q. As part of the cost of service study, did

1 you look at throughput levels for the various rate
2 schedules?

3 A. Can you clarify that question? When you
4 say throughput, are looking at overall throughput or
5 customer-specific throughput?

6 Q. I was initially going for overall
7 throughput. That would be the initial question.

8 A. Yes. Overall throughput is something
9 that we looked at, and is one of the allocators in
10 the cost of service study.

11 Q. And the throughput by revenue class, is
12 that a component of the cost of service study that
13 you looked at as well?

14 A. Can I ask for a clarification?

15 Q. Sure.

16 A. Because I just heard you say revenue
17 class but I thought your prior question was specific
18 to rate class.

19 Q. Yes, the prior question was directed at
20 rate class, but I was bringing it down to revenue
21 class in the follow-up question.

22 A. Could you please repeat the question.

23 MR. SAUER: Could you read the question
24 please.

1 (Record read.)

2 A. It was considered briefly at the onset as
3 I looked at the prior cost of service study.
4 However, as I mentioned, I felt that the rate
5 classes, since that's how rates were set, were the
6 best representation of usage patterns that we had,
7 that we have or had at the time.

8 Q. So do you know what the average annual
9 consumption level for commercial customers served
10 under a GSS rate schedule would be?

11 MR. WHITT: Objection, asked and
12 answered.

13 A. Off the top of my head I do not know the
14 answer to that question.

15 Q. How about the average annual consumption
16 level for an industrial customer served under the GSS
17 rate schedule?

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

19 Q. Are there usage level limits in the
20 tariffs for nonresidential customers served under the
21 GSS rate schedule?

22 A. There are not; however, there is an
23 economic break-even point at which a customer, you
24 know, ought to switch from GSS to Large Volume GSS.

1 Q. And what is that break-even point, sir?

2 A. It's a customer that averages
3 approximately 250 Mcf a month should be on the Large
4 Volume rate schedule under the current rates.

5 Q. Under the current rates. And, to your
6 knowledge, if you know, will that break-even point
7 change under the proposed rates by DEO?

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

9 Q. Would it be your expectation under the
10 current rates that if a customer used -- a
11 nonresidential customer used less than 250 Mcf per
12 year -- that was per month, I'm sorry -- would be
13 served under the GSS rate schedule?

14 A. Yes, most likely.

15 Q. And DEO serves commercial or industrial
16 customers whose consumption levels are in the range
17 of 250 Mcf per month.

18 A. Are you asking if we have customers that
19 are that size?

20 Q. Yes.

21 A. Yes, we do.

22 Q. I don't know if you stated this or not, a
23 customer that's in the 250 Mcf per month range, would
24 that be considered a small commercial, small

1 industrial customer?

2 A. 250 Mcf a month, I would say that would
3 be a small commercial or industrial, if that's the
4 type of customer they are.

5 Q. Okay. Again, looking at your testimony
6 on page 6, question and answer No. 14, there's a
7 statement: Customers were grouped under the tariff
8 schedule under which they were billed. Where rate
9 schedules had customers with similar usage patterns,
10 the tariff schedules were combined as a single
11 class." Do you see that?

12 A. Yes, I do.

13 Q. When we're talking about single class, in
14 this case we are talking about the GSS class, is that
15 one example?

16 A. Right. The GSS class also includes the
17 ECTS class, which basically the only distinction
18 between those two classes is the source of their
19 natural gas supply.

20 Q. Okay. And under the ECTS you would
21 assume the same break-even points for those customers
22 as well, the nonresidential customers, if they were
23 in the range of 250 Mcf per month they would be
24 better off on the Large Volume Energy Choice

1 Transportation Service rate schedule.

2 A. In general, that's correct.

3 Q. And so we have on the GSS class
4 residential customers who are averaging 100 Mcf a
5 year and nonresidential customers, commercial or
6 industrial, who are using at the most somewhere in
7 the neighborhood of 250 Mcf a month. Is that fair?

8 A. I mean, I can answer yes to the first
9 part of that question, but the second part, when you
10 say "at most," as I stated, there's no minimum or
11 maximum in our rate schedules. I was merely talking
12 about an economic break-even point.

13 Q. I understand. Does DEO provide periodic
14 analysis of their customer usage patterns and then
15 make recommendations to their customers if they
16 believe another rate schedule might be more
17 economical than the one they're on?

18 A. Our rates are published and updated
19 regularly on our website.

20 Q. So it's a customer responsibility to
21 evaluate the rate schedule they're on and make a
22 determination for themselves if they're on the most
23 economical rate. Is that the case?

24 A. In general, in speaking to all

1 1.2 million customers, I would say that's true.

2 Q. Looking at the language you've used in
3 your testimony about grouping customers with similar
4 usage patterns --

5 A. Yes.

6 Q. -- what is it about the usage patterns
7 that made them similar when you were doing your cost
8 of service study?

9 A. Looking at the four -- I'm going to leave
10 aside storage as a class for now and just --

11 Q. Okay.

12 A. Looking at the other four rate classes,
13 in general, each of the four classes has, I would
14 say, an overall fairly unique usage pattern. The GSS
15 class I would say is our smallest customers and, as
16 we've discussed, primarily residential customers, so
17 small customers, and I would say they also are
18 customers with, you know, very much a heating, space
19 heating profile.

20 Customers that are in our LVGSS class,
21 per line 8 of page 6, are going to tend to be small
22 commercial, maybe medium commercial, small industrial
23 customers, larger annual throughputs for some of the
24 smaller users, maybe customers with slightly better

1 load profiles, less space heating as a percentage of
2 their usage.

3 As we get into our General
4 Transportation, GTS class, you're looking at, you
5 know, medium to large commercial accounts with a
6 heating profile and your medium industrial accounts.

7 And then, finally, the Daily
8 Transportation Service accounts are those, the
9 largest customers, with the highest -- with the best
10 load profiles in terms of the most even usage over a
11 12-month period. That's what I meant by similar
12 usage patterns within the groupings.

13 Q. So it's your testimony that the GSS is a
14 customer class, would that be fair?

15 A. For rate class, yeah.

16 Q. The GSS rate class is comprised of
17 customers with similar usage patterns.

18 A. Yes. I would say that is primarily the
19 case.

20 Q. And you base that primarily on their load
21 profile; is that what you were saying earlier?

22 A. Speaking specifically of the GSS class?

23 Q. Yes.

24 A. In that case I would say that the fact

1 over 95 percent of the customers are residential is
2 the primary defining usage pattern for that class.

3 Q. So the nonresidential customers that
4 happen to be in the GSS class don't necessarily
5 demonstrate the same or similar usage patterns as the
6 residential customers.

7 MR. WHITT: Objection.

8 A. They may or may not.

9 Q. Would it be fair to say a residential
10 customer who's using 100 Mcf a year is not
11 demonstrating the same usage pattern as a commercial
12 or industrial customer who's using 3,000 Mcf a year?

13 A. Well, I mean, you've stated the
14 difference in the throughput so there's a difference
15 in the throughput. They could have very similar load
16 profiles, but I would argue there are very few
17 accounts that are at the 3,000 level in that rate
18 class. We design to the primary constituents in the
19 rate class, which is residential customers.

20 Q. At the time you were doing the cost of
21 service study, did you give any consideration to
22 breaking out the nonresidential customers from the
23 GSS class, creating a separate residential class?

24 A. We did not.

1 Q. Can you tell me how long, if you know,
2 the GSS class has been comprised of both residential
3 and nonresidential customers?

4 A. I don't know the answer to that, but I
5 know that it is -- it's a nondiscriminatory rate
6 class. We don't dictate who can take service on GSS,
7 so we don't control -- we don't limit who can be a
8 GSS customer or the tariff does not limit it.

9 Q. Have you read the Staff Report in this
10 case, sir?

11 A. I have perused it and read some sections,
12 you know, in more detail than others.

13 Q. And the Staff Report I'm referring to is
14 the report by the staff of the Public Utilities
15 Commission of Ohio docketed in this case on May 23,
16 2008. Are you familiar with the staff's proposed
17 rate design?

18 A. Yes.

19 Q. And is it your understanding that the
20 staff recommends that the customer charge be
21 increased from 5.78 East Ohio customers or the 4.38
22 that was charged to West Ohio customers to what the
23 staff now proposes, 17.50 per month?

24 A. I understand that to be, true assuming

1 they had approved the full revenue increase we had
2 requested.

3 Q. But that was the staff's proposal, the
4 rate design proposal in their Staff Report, correct?

5 A. Yes; the higher fixed cost, yes.

6 Q. And the company's application proposing
7 retaining a 5.70 per month customer charge; is that
8 correct?

9 A. Yes.

10 Q. And do you know how the staff arrived at
11 the 17.50 customer charge they are proposing?

12 A. I do not know.

13 Q. The 17.50 number, can it be derived
14 through the DEO cost of service study?

15 A. The cost of service study identifies a
16 revenue requirement. It does not design rates. So
17 assuming there are offsets to our proposed service
18 fee that would get to the same revenue requirement,
19 then I would say that it would support it. But,
20 again, the cost of service study is a help towards
21 designing rates; it is not -- it does not design
22 rates.

23 Q. Do you know how the 5.70 customer charge
24 that the company had proposed in their application,

1 what costs were contained or designed to recover
2 through that charge?

3 A. My responsibility here was to design the
4 cost of service study. I was not responsible for
5 rate design.

6 Q. Would that be Mr. Rice?

7 A. I mean, ultimately rate design would be
8 the responsibility of Jeff Murphy. I don't know the
9 specifics on the 5.70.

10 Q. Do you know overall or do you have an
11 opinion overall as to how a customer charge should be
12 designed?

13 A. I have a general notion, yes.

14 Q. And what is your general notion?

15 A. Customer costs should recover costs that
16 are fixed to the company that do not vary with
17 consumption.

18 Q. As part of the cost of service study, did
19 you identify fixed costs that do not vary with
20 consumption for each rate schedule?

21 A. Again, in designing the cost of service
22 study, I did not attempt to design rates. However,
23 as I indicated earlier in this deposition, the
24 classification part of the cost of service process

1 does identify costs that are commodity or usage
2 based, those that are related to capacity to serve a
3 customer, and those that are directly related, you
4 know, to specific customers themselves, so to that
5 extent, yes.

6 MR. SAUER: Could I have the answer read
7 back, please.

8 (Record read.)

9 Q. So if we're looking at the classification
10 parts of the cost of service study for the GSS
11 customer class or rate class, you were identifying
12 customer related costs, commodity or usage costs to
13 serve both the residential and nonresidential
14 customers in that class, correct?

15 A. I was identifying the cost to serve the
16 rate class as a whole, which would encompass any
17 customers in that rate class, residential or
18 nonresidential.

19 Q. And could there be significantly
20 different costs to serve a residential customer who
21 is using 100 Mcf a year compared to a nonresidential
22 customer who could be using as much as 3,000 Mcf a
23 year?

24 MR. WHITT: Objection, form.

1 A. Potentially.

2 Q. And what are the costs to serve those
3 customers that could be different, sir?

4 A. The closer the activity or the asset is
5 to the customer premise, it would be those costs that
6 would be more directly related to serving that
7 particular customer class.

8 Q. I'm not sure I understood what you mean
9 by "the closer." Did you say the premise to the
10 activity? What did you mean by that?

11 A. Well, transmission lines are in place,
12 are far removed from the customer, but they serve --
13 they're in place to give gas to all customers. You
14 know, a particular main-to-curb service would be, you
15 know, specific to a customer. That's what I meant.

16 Q. And, I guess, let me follow up with --
17 let's just kind of focus on the 100 Mcf residential
18 customer compared to a 3,000 Mcf a year commercial
19 customer. Could the metering costs associated with
20 those two customers be different?

21 A. Potentially the metering costs could be
22 different.

23 Q. Would they be significantly different?

24 MR. WHITT: Objection.

1 A. I'm not sure what you mean by
2 significantly?

3 Q. Well, for a 3,000 Mcf a year commercial
4 customer, could there be more sophisticated metering
5 for that customer than a residential customer?

6 A. There could be a larger meter.

7 Q. When you say larger, larger in what way?

8 A. You know, designed to flow more natural
9 gas.

10 Q. Similarly there may be a larger lateral
11 to serve that customer, commercial customer compared
12 to the residential customer?

13 A. I mean, that depends on the specific
14 geography of what's in place. Are you talking about
15 a main line or a service line?

16 Q. Service line.

17 A. I mean, that's really the customer's cost
18 anyway. You know, at the time of this rate case, the
19 customers are responsible for the service lines.

20 MR. SAUER: Mr. Andrews, we have been
21 going on about an hour and 15 minutes. Would you
22 like to take a five-minute break?

23 THE WITNESS: I don't need to. If you
24 need one, that would be great.

1 MR. SAUER: Okay, why don't we take five
2 minutes.

3 (Recess taken.)

4 Q. (By Mr. Sauer) I wanted to try to clarify
5 a couple of things that we had talked about earlier,
6 one being when we look at your testimony on page 6,
7 lines 4 and 5, we were talking about how you group
8 customers with similar usage patterns.

9 A. Yes.

10 Q. Is it true that you really didn't group
11 these customers by similar usage patterns, you
12 essentially put them into the rate classes that they
13 had traditionally been included?

14 MR. WHITT: Objection.

15 A. In terms of putting them in the rate
16 classes where they had been, that is an accurate
17 statement. I would argue that the rate classes, the
18 preponderance of the customers in those classes have
19 similar usage patterns.

20 Q. And I understand that to be what you
21 testified to earlier. My point is, I guess maybe to
22 be more specific about all five of the rate classes
23 that you discuss in your answer 14, the customers
24 that were included within those groupings were

1 traditionally always included within those groupings;
2 is that correct?

3 A. They had been included within the
4 groupings, but, as I stated earlier, the groupings
5 were made up of customers that overall had similar
6 usage patterns, and, therefore, we decided to set up
7 the cost of service study in that manner.

8 Q. So you actually looked at the usage
9 patterns of all the customers to decide whether or
10 not you wanted to change what traditionally had been
11 done?

12 A. In terms of -- yes, in terms of the
13 statistics of types of customers in the classes.

14 Q. And based on that statistical study that
15 you had done, you decided that the traditional rate
16 classes that DEO had used and the customers who fell
17 within those rate classes didn't need to be changed.

18 A. Yes.

19 Q. And I think you had stated earlier, that
20 you had done some electric industry cost of service
21 studies.

22 A. Yes.

23 Q. Is this the first fully allocated cost of
24 service study that you had done?

1 A. Can you explain what you mean by "fully
2 allocated"?

3 Q. Well, I think I'm trying to use the same
4 steps, the functionalizing, classifying, and
5 allocating, the steps you went through in this case.
6 Were these same steps performed in the cost of
7 service study you did in the electric industry
8 studies?

9 A. This cost of service study went into more
10 detail.

11 Q. Okay. And before we took a break, we
12 were talking about -- we were comparing the cost to
13 serve a residential customer using 100 Mcf a year
14 compared to a nonresidential customer using 3,000 Mcf
15 a year. Do you recall that?

16 A. Yes.

17 Q. And assuming these customers are situated
18 in close proximity with each other with the same
19 mains serving them, you identified metering as one
20 cost that may have been different in the cost to
21 serve those two customers. Are there other costs
22 that could be different to serve those two customers?

23 MR. WHITT: Objection as to form.

24 A. Well, potentially on a proportional

1 basis -- I guess the answer is yes.

2 Q. And what are some of those other costs
3 that could be different to serve those two customers?

4 A. Well, the nonresidential customer could
5 have a higher load factor, and, therefore, require
6 proportionately less peak capacity than the
7 residential customer, so on an average basis it could
8 cost more to serve the residential than the
9 nonresidential.

10 Q. Is it also possible that the cost to
11 serve the nonresidential customer could be higher
12 than the cost to serve the residential customer who
13 are again served off the same main from the same
14 transportation system?

15 MR. WHITT: Objection.

16 A. I mean, specifically I'm not sure what
17 you had in mind. I mean, if both meters are read
18 once a month, that would be similar.

19 Q. Well, subject to check, would you agree
20 there is approximately \$300 million in service lines
21 in DEO's rate base?

22 A. I'm just going to look that up. That's
23 approximately what's in gas plan service.

24 Q. And what do those costs generally

1 reflect? Let me rephrase that because what I'm
2 trying to understand is I thought before we took the
3 break you had said that customers owned the service
4 lines so that wouldn't be a cost that would be
5 difference, or whatever cost differences there might
6 be wouldn't impact DEO, and I'm trying to understand
7 what that number is in rate base, given your prior
8 testimony.

9 A. Right. Again, I had asked the question
10 whether you meant the main line or service line.

11 Q. Okay.

12 A. The category of customer services, is
13 that what you are referring to in my cost of service
14 study?

15 Q. Yes.

16 A. That primarily is the main-to-curb
17 portion of the service, which is the basically the
18 connection between a service line and a main line.

19 Q. Okay. And to understand what you had
20 answered previously, the curb to meter was the
21 customer's responsibility.

22 A. Correct.

23 Q. So there could be a difference to serve
24 these two hypothetical customers we have been talking

1 about, residential versus nonresidential from the
2 standpoint of the costs involved in the main-to-curb
3 service.

4 A. There could be.

5 Q. Thank you. I think it was my
6 misunderstanding. I appreciate you clarifying that.

7 Now, if you know, can DEO's residential
8 customers subscribe to budget billing if they would
9 choose to levelize their monthly bills over the year?

10 A. That's my understanding.

11 Q. And do you know what percentage of DEO's
12 residential customers currently subscribe to budget
13 billing?

14 A. I do not.

15 Q. Do you know if Mr. Rice would have that
16 information?

17 A. He may. I don't know for certain.

18 Q. Do you know what a decoupling mechanism
19 is?

20 A. I'm generally aware of what a decoupling
21 mechanism is.

22 Q. Could you explain your understanding of
23 what a decoupling mechanism is?

24 A. I believe a decoupling mechanism is an

1 adjustment or a revenue adjustment available to
2 utilities to compensate for changes in usage pattern
3 by customers.

4 Q. And are you aware if in DEO's application
5 in this case they had asked for a revenue decoupling
6 mechanism?

7 A. My understanding is that DEO did.

8 Q. And is it your understanding that DEO
9 requested a decoupling mechanism to address revenue
10 deterioration that may or may not have resulted from
11 energy conservation?

12 A. I don't know the specifics.

13 Q. Would a decoupling mechanism, based on
14 your understanding of it, be one way to address a
15 concern -- a utility's concern for revenue
16 deterioration?

17 A. I'm not an expert on decoupling, but,
18 yes, my understanding is that it would.

19 Q. Have you done any analysis on the staff's
20 proposed SFV rate design and its impacts on small
21 users in the residential class?

22 A. In terms of -- I'm not sure I understand
23 exactly what you're asking there.

24 Q. In the staff's proposed rate design and

1 the increase in the customer charge from 5.70 a month
2 to 17.50 a month, would it be your understanding some
3 customers would be better off economically under that
4 rate design than other customers?

5 MR. WHITT: Objection.

6 A. Again, I'm getting beyond the limit of my
7 scope. I mean, I could imagine that there could be a
8 difference one way or the other.

9 Q. But have you done any analysis yourself
10 to identify what those differences might be?

11 A. No.

12 Q. Would Mr. Rice have performed those
13 studies?

14 A. He may have looked at that.

15 MR. SAUER: Mark, I sent you some
16 documents earlier. I wonder if I might have one
17 marked as Deposition Exhibit 1. At the top it's the
18 Class and Revenue Schedule, E-4, page 1 of 6.

19 (Discussion off record.)

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 Q. (By Mr. Sauer) Mr. Andrews, I know the
22 witness responsible says L. J. Rice, but have you
23 seen this document before?

24 A. I have seen this.

1 Q. Okay. Do you know what this document is?

2 A. It's a summary of volume and revenue by
3 rate class, yes.

4 Q. Okay. And if you look under the GSS rate
5 code, there's Residential Sales by Mcf of
6 \$34,891,292. Do you see that number?

7 A. Yes.

8 Q. And to the right of that number is
9 Customer Bills under column C, 4,221,824, do you see
10 that number, sir?

11 A. Yes.

12 Q. And subject to check, if I would divide
13 the residential sales per Mcf, the 34,891,292 by the
14 GSS number of customers bills, the 4,221,824, would
15 you agree that would be -- subject to check that
16 would be 8.26 Mcf per customer?

17 A. That would be Mcf per customer per month.

18 Q. Per month, yes.

19 A. Yes.

20 Q. Okay.

21 A. Subject to check. I don't know the
22 exact.

23 Q. Yes, I understand you don't have a
24 calculator there.

1 MR. SAUER: Mark, again, there's another
2 document that I had faxed. This is a document that
3 came off of the Dominion East Ohio webpage. It says
4 Dominion East Ohio rates, Gas Rates in Effect as of
5 June 17, 2008. It's a one-page document. Do you see
6 that.

7 MR. WHITT: I have that.

8 MR. SAUER: Would you mark that as
9 Deposition Exhibit 2.

10 MR. WHITT: It is so marked. I have
11 handed it to the witness.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 Q. Mr. Andrews, have you seen this document
14 before? Are you familiar with the webpage from which
15 this document came?

16 A. Yes.

17 Q. If you look about halfway down the page,
18 there's an approximate total unit rate for the first
19 100 Mcf, again for the General Sales Service, the GSS
20 class, correct?

21 A. Yes.

22 Q. And there's a number that says \$17.0210
23 per Mcf.

24 A. Yes.

1 Q. And if you know, is that \$17 per Mcf, is
2 that a combination of the delivery rate of the first
3 100 Mcf at \$3.0058 per Mcf, plus the standard service
4 offer rate shown as \$13.356 per Mcf, plus the
5 surcredit rider offset, which is \$0.0053 per Mcf,
6 plus the gross receipts tax of \$0.6539 per Mcf?

7 A. Yes, that's my understanding.

8 Q. Is that how that dollar number was
9 arrived at?

10 A. Yes.

11 Q. So it excludes the \$5.70 per month
12 customer charge?

13 A. Yes. The rates, it's just the per Mcf
14 rate so it does not include the service charge.

15 Q. Okay. So in doing the math, I know you
16 don't have a calculator here, but using the average,
17 the 8.26 average Mcf per month number we had talked
18 about earlier, times the \$17.0210 shown on Deposition
19 Exhibit 2, plus the \$5.70 a month customer charge,
20 subject to check would you agree that would be a bill
21 amount of \$146.29?

22 A. I would agree it's approximately 140-some
23 dollars.

24 Q. Okay. As we discussed earlier, you are

1 aware that the staff is proposing to increase the
2 customer charge to \$17.50; is that correct?

3 A. Yes, I'm aware of that.

4 Q. Okay. And are you aware that the staff
5 is proposing to also decrease the delivery charge for
6 the first 50 Mcf by 87 cents per Mcf?

7 A. Yes; subject to check on the cents.

8 Q. Okay. So the volumetric rate on
9 Deposition Exhibit No. 2, the 17.021, would be
10 reduced by approximately 87 cents.

11 A. Correct.

12 Q. Or it would be approximately \$16.15. Do
13 you agree with that?

14 A. Yes, approximately.

15 Q. And, again, using the average 8.26 Mcf
16 per month residential use times that \$16.15 would
17 give you \$133.40, plus the staff proposed charge of
18 17.50, would give you a billing amount of \$150.90.
19 Subject to check would you agree with that?

20 A. Approximately, yes.

21 Q. Which is higher than the \$146.29 average
22 bill we calculated a second ago.

23 A. That's correct.

24 Q. Approximately a 3.2 percent increase,

1 subject to check.

2 A. If that's -- that sounds reasonable.

3 Q. Okay.

4 MR. SAUER: Next if you would mark as
5 Deposition Exhibit 3, looking for schedule E-3.2,
6 pages 1-3 of 16. The witness responsible is
7 C. Andrews. It says Cost of Service Study Allocation
8 factors. Do you see that schedule, Mark?

9 MR. WHITT: Again, looking through --

10 MR. SAUER: It says Larry Sauer - E-3.2.
11 I think it is just page 1. It has Allocation
12 Factors, Allocator, Total Throughput to the left and
13 then it comes across, GSS/ECTS.

14 MR. WHITT: Yes. You want just the first
15 page?

16 MR. SAUER: The first page is all I'm
17 looking at. There's more to it, but the first page
18 is probably all we need.

19 MR. WHITT: Okay. I have handed that to
20 the witness.

21 (EXHIBIT MARKED FOR IDENTIFICATION.)

22 Q. Mr. Andrews, since you are the witness
23 identified on the schedule, I assume you are familiar
24 with this document.

1 A. Yes. This looks like a printout of the
2 cost of service study, first page of it.

3 Q. Okay. And there is a column that says
4 Total Throughput. Do you see that?

5 A. Yes.

6 Q. And then there's also -- that was line 1.
7 Line 3 there's an October - April Throughput. Do you
8 see that?

9 A. Yes.

10 Q. You have those numbers for various rate
11 schedules across the page.

12 A. Correct.

13 Q. And if we just focus on the GSS/ECTS
14 column, the total throughput was 143,308,810; is that
15 correct?

16 A. Yes.

17 Q. And the October through April throughput
18 in line 3 is 123,713,181 for the GSS class.

19 A. Yes.

20 Q. And subject to check the difference
21 between those two numbers is 19,595,629.

22 A. Subject to check that sounds reasonable.

23 Q. Okay. And line 10 you have Number of
24 Customers, 1,207,801 under GSS/ECTS class. Do you

1 see that?

2 A. Yes.

3 Q. And for the five months May through
4 September, that would be 6,039,005 bills rendered.
5 Subject to check would you agree with that?

6 A. I'm not sure I followed that question.

7 Q. Okay. The number of customers, 1,207801,
8 is what is shown on line 10 under GSS/ECTS class; is
9 that correct?

10 A. Yes.

11 Q. And if I multiply that by five for five
12 months May through September, it would be 6,039,005
13 bills rendered, subject to check.

14 A. Subject to check. I agree with the
15 equation you just walked me through.

16 Q. Okay. And the previous subtraction we
17 had done from total throughput less the October
18 through April throughput would leave you the May
19 through September throughput. That answer would give
20 you the May through September throughput of
21 19,595,629, subject to check, correct?

22 A. Are you asking me if the approximate May
23 through September usage for GSS is somewhere
24 around 19 --

1 Q. 19 and a half million, yes, 19.6 million,
2 subject to check.

3 A. Yes.

4 Q. And then what I was going to do next is
5 divide that 19.6 million by the 6,039,005 billings
6 over that five-month period to get an average of
7 3.24 average Mcf per month during the May through
8 September months. Would you agree with that?

9 A. Again, subject to check, that sounds
10 reasonable.

11 Q. And I'm going to kind of run us through
12 that same exercise we had done earlier, sir. This is
13 for the periods of May through September, where if
14 you look at what has been marked previously as
15 Deposition Exhibit No. 2, multiplying that 17.0210
16 times the average Mcf per month during the May
17 through September months of 3.24 would give you
18 \$55.15 volumetric charges. Subject to check would
19 you agree with that?

20 A. You took --

21 Q. I took the 17.0210 from Deposition
22 Exhibit No. 2.

23 A. Correct.

24 Q. And multiplied that by the average Mcf

1 per customer during the May through September period
2 of 3.24 to come up with \$55.15 volumetric charge.
3 Would you agree with that subject to check?

4 A. Yes.

5 Q. And then add to that the customer charge
6 of 5.70 to come up with an average May through
7 September billing of \$60.85. Would you agree with
8 that?

9 A. Yes.

10 Q. And now I'm going to do the same
11 calculation to try to use what the staff is
12 proposing, so that the volumetric charge would be the
13 17.0210 minus the 87 cents they are reducing the
14 volumetric charge by, or the 16.15 we discussed
15 earlier. Do you remember that?

16 A. Yes.

17 Q. Subject to check.

18 A. Yes.

19 Q. Multiplying that times the average use of
20 3.24 Mcf per month coming up with \$52.33. Subject to
21 check do you agree with that?

22 A. Yes.

23 Q. And then adding to that this \$17.50
24 customer charge the staff is proposing, \$69.83.

1 Would you agree with that, subject to check?

2 A. Yes. I agree with the math you're doing,
3 sounds reasonable.

4 Q. Okay. I'm comparing a \$69.83 average
5 billing in the May-September period under the staff's
6 proposal to what the current average billing would be
7 at the \$60.85 we had just done, coming up with a
8 14.8 percent change between those two billings.
9 Would you agree, subject to check?

10 A. That would be the difference in the
11 summer months.

12 Q. Yes.

13 A. Right. Subject to check, I agree that
14 the one number is 14.8 percent, roughly, subject to
15 check, higher than the first number.

16 Q. Mr. Andrews, would you agree that as part
17 of your duties it's important to understand the
18 economic conditions of the service territory that DEO
19 serves when you make planning decisions?

20 A. I think in terms -- that question is
21 vague. I'm really having a hard time following the
22 intent of the question.

23 Q. When you're performing your cost of
24 service study, do you factor in any way the economic

1 conditions in the service territory in reaching your
2 ultimate conclusions or decisions?

3 MR. WHITT: I'll object to the form.

4 A. The cost of service is an objective
5 document. It is not subjective so it merely is an
6 attempt to take actual costs and investments and
7 allocate them to rate classes.

8 Q. The answer is no, you don't take into
9 account economic conditions in any way in performing
10 the cost of service study?

11 MR. WHITT: I'll object. The record
12 reflects the witness' answer.

13 MR. SAUER: Can we go off the record for
14 a few minutes? I may be just about finished here.

15 (Recess taken.)

16 MR. SAUER: I don't have anything further
17 for Mr. Andrews. I think he indicated Mr. Rice may
18 be someone who we may have to ask some questions.
19 Unfortunately, that probably is going to be a fairly
20 brief deposition tomorrow, but I think we need to
21 talk to Mr. Rice.

22 MR. WHITT: So the record is clear, I'm
23 not sure that the witness specifically said Mr. Rice
24 knew about anything.

1 MR. SAUER: I understand.

2 MR. WHITT: Okay.

3 MR. SAUER: But I think he's probably the
4 guy we need to talk to. But as far as today we are
5 done, Mr. Andrews. I appreciate your participation
6 today.

7 MR. WHITT: You're welcome. We will
8 review.

9 (The deposition concluded at 4:16 p.m.)

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1 State of Ohio :
: SS:

2 County of _____ :

3 I, Cliff Andrews, do hereby certify that I
have read the foregoing transcript of my deposition
4 given on Wednesday, July 23, 2008; that together with
the correction page attached hereto noting changes in
5 form or substance, if any, it is true and correct.

6

7

Cliff Andrews

8

9

I do hereby certify that the foregoing
transcript of the deposition of Cliff Andrews was
10 submitted to the witness for reading and signing;
that after he had stated to the undersigned Notary
11 Public that he had read and examined his deposition,
he signed the same in my presence on the _____ day
12 of _____, 2008.

13

14

Notary Public

15

16 My commission expires _____, _____.

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CERTIFICATE

State of Ohio

:

: SS:

County of Franklin

:

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

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Columbus, Ohio, on this 27th day of July, 2008.

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

My commission expires April 5, 2009.

(RFA-8176ra)

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