

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :  
Regulation of the :  
Purchased Gas Adjustment :  
Clause Contained Within : Case No. 08-204-GA-GCR  
the Rate Schedules of : Case No. 08-209-GA-GCR  
Orwell Natural Gas Company: Case No. 07-934-GA-UEX  
and Northeast Ohio Natural:  
Gas Corporation and :  
Related Matters. :

- - -

PROCEEDINGS

before Ms. Christine Pirik, Attorney Examiner, at the  
Public Utilities Commission of Ohio, 180 East Broad  
Street, Room 11-F, Columbus, Ohio, called at 10:00  
a.m. on Wednesday, December 17, 2008.

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1 APPEARANCES:

2 Weltman Weinberg & Reis Co, LPA  
By Andrew J. Sonderman  
3 175 S. Third St. Suite 900  
Columbus, Ohio 43215

4  
On behalf of the Companies

5 Nancy H. Rogers, Ohio Attorney General  
6 Duane W. Luckey, Senior Deputy  
Attorney General  
7 Public Utilities Section  
By Mr. Werner L. Margard III  
8 Ms. Sarah Parrot  
Mr. William Wright  
9 180 East Broad Street, 9th Floor  
Columbus, Ohio 43215-3793

10  
On behalf of the Staff of the Public  
11 Utilities Commission.

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1 Wednesday Morning Session,

2 December 17, 2008.

3 - - -

4 THE ATTORNEY EXAMINER: My name is

5 Christine Pirik, an attorney-examiner assigned by the

6 Commission to hear this case.

7 We will start with the appearances on

8 behalf of the parties. On the behalf of the

9 companies.

10 MR. SONDERMAN: Good morning, your Honor.

11 My name is Andrew Sonderman with the law firm of

12 Weltman, Weinberg & Reis for Orwell Natural Gas

13 Company and Northeast Ohio Natural Gas Corporation.

14 THE ATTORNEY EXAMINER: Thank you.

15 Could you state your address for the

16 record.

17 MR. SONDERMAN: I'm sorry, certainly. I

shouldn't have omitted that. 175 South Third Street,

18 Suite 900, Columbus, Ohio 43215.

19 THE ATTORNEY EXAMINER: Thank you.

20           On behalf of the staff.

21           MR. SONDERMAN: Thank you, your Honor.

22   On behalf of the staff of Public Utilities Commission

23   of Ohio, Nancy Rogers, Ohio Attorney General, and

24   Duane W. Luckey, section chief, Public Utilities

25   Section, the case of Orwell Natural Gas, Case No.

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1 08-204-GA-GCR, Assistant Attorney General Werner L.  
2 Margard and Sarah J. Parrot; in the matter of  
3 Northeast Ohio Natural Gas Corporation, Case  
4 Nos. 08-209-GA-GCR and 07-934-GA-UEX by Assistant  
5 Attorneys Generals William L. Margard and William  
6 Wright, 180 East Broad Street, Ninth Floor, Columbus,  
7 Ohio 43215.

8 THE ATTORNEY EXAMINER: Let the record  
9 reflect there are no members of the public here today  
10 to testify in any of these cases.

11 I understand there's a statement on  
12 behalf of the parties.

13 MR. SONDERMAN: If I may, just at the  
14 outset with respect to the notice this morning, I did  
15 file with the docketing office the affidavits of  
16 publication. We filed in two newspapers of general  
17 circulation with respect to each company, and those  
18 have been filed for the record, and I do have copies  
19 for your Honor and for the staff. I'd like to mark

20 those as Company exhibits.

21 THE ATTORNEY EXAMINER: The one for

22 08-204 will be Orwell Company Exhibit 1, and the one

23 for 08-209 as Northeast Ohio Company Exhibit 1.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 MR. MARGARD: Your Honor, if I may, on

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1   behalf of the parties to the case, I would like to  
2   present a Stipulation and Recommendation that has  
3   been reached in all of these cases, separate  
4   stipulations for the separate companies that we have  
5   identified as joint exhibits. Orwell Joint Exhibit  
6   No. 1 is the Stipulation and Recommendation with  
7   respect to case No. 08-204, and Northeast Joint  
8   Exhibit 1 is the Stipulation and Recommendation with  
9   respect to case Nos. 08-209 and 07-934.

10           (EXHIBIT MARKED FOR IDENTIFICATION.)

11           MR. MARGARD: In support of those  
12   stipulations I would like to call Mr. Roger Sarvar to  
13   the stand on behalf of the Commission staff.

14                       - - -

15                       ROGER SARVAR

16   being first duly sworn, as prescribed by law, was  
17   examined and testified as follows:

18                       DIRECT EXAMINATION

19   By Mr. Margard:

20 Q. Mr. Sarvar, would you please state your

21 name and business address.

22 A. My name is Roger L. Sarvar. My business

23 address 180 East Broad Street, Columbus, Ohio, 43215.

24 Q. And by whom are you employed and in a

25 what capacity please?

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1       A. I am currently employed as an energy  
2 specialist in the Rates, Energy and Water Division in  
3 the Utilities Department of the Public Utilities  
4 Commission of Ohio.

5       Q. And in that capacity do you have  
6 responsibility for the cases that are currently at  
7 issue today?

8       A. Yes, I am responsible for all GCR.

9       Q. Mr. Sarvar, we had previously marked for  
10 purposes of identification as Orwell Joint  
11 Exhibit 1 the Stipulation and Recommendation in that  
12 case. Do you have that document before you?

13      A. Actually, I don't have the Joint Exhibit.  
14 I had it a moment ago, but it was returned, but I  
15 have reviewed it.

16           All right, now the question was do I have  
17 Orwell Joint Exhibit No. 1?

18      Q. Yes.

19      A. Yes.

20 Q. And have you reviewed that document?

21 A. Yes.

22 MR. SONDERMAN: Your Honor, I'd like to

23 ask to be marked for purposes of identification as

24 Orwell Commission-Ordered Exhibit No. 1 the audit

25 record of the Gas Cost Recovery Mechanism in this

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1 case.

2 THE ATTORNEY EXAMINER: It will be so  
3 marked.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 Q. Mr. Sarvar, do you have that before?

6 A. With respect to?

7 Q. Orwell Commission-Ordered Exhibit No. 1.

8 A. The staff audit report?

9 Q. Yes, sir.

10 A. Yes, I do.

11 Q. And were you responsible for that audit  
12 and the preparation of this report?

13 A. Yes, sir.

14 Q. And in your opinion does that report  
15 support the stipulation reached by the parties in  
16 this case?

17 A. Yes.

18 Q. You were involved in the negotiations  
19 that resulted in the Stipulation and Recommendation

20 in the Orwell case; is that correct?

21 A. Yes, sir.

22 Q. And are you familiar with the

23 Commission's three-part test for evaluating

24 stipulations?

25 A. Yes, sir.

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1       Q. And in your opinion in light of the audit  
2 that you performed, in light of Orwell  
3 Commission-Ordered Exhibit No. 1, in light of your  
4 involvement in the negotiations in this case and your  
5 familiarity with the Commission's test for evaluating  
6 stipulations, do you believe that the stipulation  
7 reached in the Orwell case is reasonable and should  
8 be adopted by the Commission?

9       A. Yes, I do.

10      Q. Do you also have before you what has  
11 previously been marked as Northeast Joint Exhibit  
12 No. 1?

13      A. Yes, sir.

14      Q. And that's the Stipulation and  
15 Recommendation in the Northeast cases; is that  
16 correct?

17      A. Yes, sir.

18      Q. And have you reviewed that document?

19      A. Yes.

20 Q. And were you involved in the negotiation

21 of this agreement?

22 A. Yes, sir.

23 MR. MARGARD: Your Honor, may I ask this

24 be marked for purposes for identification as

25 Northeast Commission-Ordered Exhibit No. 1, the GCR

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1 Audit Report conducted in the Northeast case.

2 THE ATTORNEY EXAMINER: The document will  
3 be so marked.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 Q. Do you have that exhibit before you,  
6 Mr. Sarvar?

7 A. Yes, sir.

8 Q. And what is that document, please?

9 A. Northeast Commission-Ordered Exhibit 1 is  
10 the staff-performed GCR audit of Northeast Ohio  
11 Natural Gas Corporation for the period of March 1,  
12 2006 through February 29, 2008.

13 Q. And were you responsible for that audit  
14 being performed?

15 A. Yes, sir.

16 Q. And were you responsible for the  
17 preparation of this document?

18 A. Yes, sir.

19 MR. MARGARD: Your Honor, I would ask be

20 marked for purposes of identification as Northeast  
21 Commission-Ordered Exhibit No. 1A, the supplemental  
22 filing made by the Commission staff to that audit  
23 report on November 5, 2008?

24 THE ATTORNEY EXAMINER: The document will  
25 be so marked.

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1 (EXHIBIT MARKED FOR IDENTIFICATION.)

2 Q. And, Mr. Sarvar, do you have that  
3 document before you?

4 A. Yes, sir.

5 Q. And what is that document, please?

6 A. That document is a series of I'll say  
7 corrections to the initially filed Northeast report  
8 that went in and looked at accounting changes that  
9 took place during the audit period that were not  
10 initially captured by staff in this audit report, and  
11 when staff went back in and captured those accounting  
12 changes, it resulted in substantial changes of our  
13 calculations of over- and underrecovery costs.

14 Q. And were those corrections prepared or  
15 overseen by you?

16 A. Yes, sir.

17 Q. And you prepared the document that is  
18 contained as Northeast Commission-Ordered  
19 Exhibit No. 1A?

20       A.   Yes, sir.

21           MR. MARGARD: Your Honor, may I ask be  
22 marked for purposes for identification as Northeast  
23 Commission-Ordered Exhibit No. 2, the audit report of  
24 the companies' uncollectible expenses?

25           THE ATTORNEY EXAMINER: It will be so

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1 marked.

2 (EXHIBIT MARKED FOR IDENTIFICATION.)

3 Q. Do you have that document before you,  
4 sir?

5 A. Northeast Exhibit No. 2?

6 Q. Commission-ordered, yes, sir.

7 A. Yes, sir.

8 Q. What is that document please?

9 A. That is the Audit of the Uncollectible  
10 Expense for Northeast Ohio Gas Corporation for the  
11 period of July 2003 through December 2006.

12 Q. And is that a report that was prepared by  
13 you or at your direction?

14 A. It was prepared by me.

15 Q. And what was the purpose of this audit  
16 report?

17 A. This audit report is -- it's the  
18 uncollectible expenses to be audited in the course of  
19 a GCR audit so when we initiated the audit for

20 Northeast Ohio Natural Gas Corporation, at the same  
21 time we initiated GCR audit we also simultaneously  
22 initiated an uncollectible expense audit, and this  
23 was done at the same time or in sequence with the  
24 2008 GCR audit of Northeast.

25 Q. And those uncollectible expenses relate

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1 to the GCR mechanism?

2 A. No. They are separate and distinct, but  
3 it is when the Commission initiates a GCR audit, it  
4 also initiates at the same time the audit of the  
5 uncollectible expenses.

6 Q. So these audits were conducted  
7 simultaneously?

8 A. Correct.

9 Q. You are familiar with all three of the  
10 Commission-identified orders and prepared all three  
11 of those exhibits, correct?

12 A. Yes, sir.

13 Q. In your review of Northeast Joint Exhibit  
14 No. 1, based on your involvement in conducting the  
15 audits in this case, based on the reports that you  
16 prepared, and based on your knowledge previously of  
17 the Commission's test in evaluating stipulations, do  
18 you believe that the agreement reached and evidenced  
19 in Northeast Joint Exhibit No. 1 is reasonable?

20       A. Yes. Both of these stipulations that are  
21 being adopted by the Commission, asked for to be  
22 adopted by the Commission, used as a basis for the  
23 stipulations the underlying staff audit reports and  
24 the stipulations adopt those audit report findings.

25       MR. MARGARD: Your Honor, I have no

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1 further questions for Mr. Sarvar and would ask for

2 the admission of the identified exhibits.

3 THE ATTORNEY EXAMINER: Thank you.

4 I have a couple questions.

5 THE WITNESS: Yes.

6 - - -

7 EXAMINATION

8 By The Attorney Examiner:

9 Q. Looking at both of the stipulations

10 before you in the Orwell case and the Northeast case,

11 would you say that the bargaining to arrive at those

12 stipulations were done between knowledgeable parties

13 at an arm's-length?

14 A. Yes. In the course of these negotiations

15 staff worked along with the AGs that represent staff

16 and the company, what I'll say is the controller

17 accountant worked closely with the preparation of the

18 numbers and their legal counsel to arrive at a

19 stipulation where both parties were satisfied with

20 the findings of the audit report.

21 Q. And in looking at those two stipulations

22 again, do they violate any public policy or statute

23 to your knowledge?

24 A. No. In staff's opinion or in my opinion

25 the stipulations adopt the Commission-ordered audit

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1 reports and the findings and recommendations  
2 contained within those audit reports.

3 THE ATTORNEY EXAMINER: Thank you.

4 THE WITNESS: You're welcome.

5 THE ATTORNEY EXAMINER: Any other  
6 questions.

7 MR. SONDERMAN: I have no questions, your  
8 Honor.

9 I would move that the Northeast Ohio  
10 Companies Exhibit 1 and Orwell Company Exhibit 1 be  
11 admitted in the respective cases.

12 THE ATTORNEY EXAMINER: Thank you,  
13 Mr. Sarvar, that will be all.

14 With regard to Companies Exhibits 1 both  
15 in the Orwell case and Northeast case, are there any  
16 objections?

17 MR. MARGARD: No, your Honor.

18 THE ATTORNEY EXAMINER: Hearing none,  
19 those exhibits shall admitted into the record.

20 (EXHIBITS ADMITTED INTO EVIDENCE.)

21 THE ATTORNEY EXAMINER: With regard to

22 Orwell Exhibit 1 and Northeast Exhibit 1, are there

23 any objections?

24 MR. SONDERMAN: No, your Honor.

25 THE ATTORNEY EXAMINER: Hearing none,

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1 those exhibits will be admitted into the record.

2 (EXHIBITS ADMITTED INTO EVIDENCE.)

3 THE ATTORNEY EXAMINER: With regard to

4 the admission of the Commission-Ordered Orwell

5 Exhibit 1, are there any objections?

6 MR. SONDERMAN: No, your Honor.

7 THE ATTORNEY EXAMINER: Hearing none, it

8 is admitted on the record.

9 (EXHIBIT ADMITTED INTO EVIDENCE.)

10 THE ATTORNEY EXAMINER: With regard to

11 the Northeast Exhibit 1, 1A and Exhibit 2, are there

12 any objections.

13 MR. SONDERMAN: No objection.

14 THE ATTORNEY EXAMINER: Hearing none,

15 they shall be admitted into the record.

16 (EXHIBITS MARKED FOR IDENTIFICATION.)

17 THE ATTORNEY EXAMINER: I believe that is

18 all we have for today. Anything further we need to

19 discuss on the record?

20 MR. MARGARD: Nothing further, your

21 Honor.

22 MR. SONDERMAN: Nothing further.

23 THE ATTORNEY EXAMINER: The hearing will

24 be adjourned and submitted to the Commission for

25 their consideration.

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1 MR. SONDERMAN: Thank you.

2 (The hearing adjourned at 10:20 a.m.)

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CERTIFICATE

I do hereby certify that the foregoing is

a true and correct transcript of the proceedings

taken by me in this matter on Wednesday, December 17,

2008, and carefully compared with my original

stenographic notes.

---

Rosemary F. Anderson,  
Registered Professional Reporter.

(rfa-8223)

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**This foregoing document was electronically filed with the Public Utilities**

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Summary: Transcript Orwell Natural Gas from 12/17/08 electronically filed by Mrs. Jennifer D. Duffer on behalf of Armstrong & Okey, Inc.