

**FILE**

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Columbia Exhibit No. \_\_\_\_\_

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Columbia )  
Gas of Ohio, Inc. for Approval of a General Ex- )  
emption of Certain Natural Gas Commodity )  
Sales Services or Ancillary Services from Chap- )  
ters 4905, 4909, and 4935 except Sections )  
4905.10, 4935.01, and 4935.03, and from speci- )  
fied sections of Chapter 4933 of the Revised )  
Code. )

Case No. <sup>00</sup>~~2008~~-1344-GA-EXM

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**PREPARED DIRECT TESTIMONY OF  
LARRY W. MARTIN  
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

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March 26, 2009

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**COLUMBIA GAS OF OHIO, INC.**

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**PREPARED DIRECT TESTIMONY OF LARRY W. MARTIN**

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

2    A:    My name is Larry W. Martin and my business address is 200 Civic Center Drive, Colum-  
3           bus, Ohio 43215.

4  
5    **Q.    By who are you employed?**

6    A.    I am employed by Columbia Gas of Ohio, Inc.("Columbia")  
7

8    **Q.    What is your current position and related responsibilities related to that position?**

9    A.    My current position is Director, Regulatory Matters. My primary responsibilities include  
10          the planning, supervision, preparation and support of all Columbia's filings before the  
11          Public Utilities Commission of Ohio ("Commission") that provide for an adjustment in  
12          rates, tariffs or proposed accounting changes. These include, but are limited to, prepara-  
13          tion of exhibits, development of proposed tariff changes and the provision of testimony  
14          filed in support of proposed changes.

15

16   **Q.    What is you educational background?**

17   A.    I attended West Virginia State College located in Institute, West Virginia, where I majored  
18          in Business Administration.

19

20   **Q:    Please describe your employment history?**

21   A:    I began my career with Columbia in January 1969 in the Finance Department. During that  
22          same year, I was promoted to the position of Rate Accountant in the Rate Department. Since

1 then, I have held the positions of Senior Rate Account, Rate Analyst, Senior Rate Analyst,  
2 Rate Engineer and Senior Rate Engineer. During 1996, Columbia reorganized its operations,  
3 at which time I accepted the position of Director, Regulatory Planning and became jointly  
4 responsible for all technical regulatory matters for Columbia. Upon completion of the  
5 merger, my title was changed to Director of Regulatory Matters; however, I continue to be  
6 jointly responsible for all technical matters for Columbia.

7  
8 **Q. Have you previously testified before the Commission?**

9 A. Yes. I have previously testified before the Pennsylvania Public Utility Commission, the Vir-  
10 ginia State Corporation Commission, the Ohio Board of Tax Appeals and the Public Utili-  
11 ties Commission of Ohio.

12  
13 **I. PURPOSE OF TESTIMONY**

14 **Q: What is the purpose of your testimony in this proceeding?**

15 A: My testimony is being filed in support of certain portions of Columbia's recent Applica-  
16 tion filed in Case No. 08-1344-GA-EXM ("Application"). More specifically, I will ad-  
17 dress Sections 16, 33, 36 and 42. These topics include Rate Schedules Subject to Stan-  
18 dard Sales Offer Rider, SSO Customer Billing, CHOICE/SSO Reconciliation Rider,  
19 CHOICE/SSO Aggregation Fee, Computation of Balancing Service rates for service to  
20 TS customers and Proposed Reports.

21  
22 **II. RATE SCHEDULES SUBJECT TO SSO RIDER**

23 **Q. What is the purpose of Columbia's Application?**

1 A. As explained in Mr. Brown's testimony, Columbia, in part, seeks authority through its  
2 Application filed in Case No. 08-1344-GA-EXM to implement a wholesale auction pro-  
3 cedure to secure gas supply required to serve sales customers. Columbia will obtain gas  
4 supplies required to serve sales customers from alternative suppliers through an auction  
5 process and pass the price of that gas to its customers at a monthly rate titled Standard  
6 Sales Offer Rider ("SSO").  
7

8 **Q: What rate schedules will be subject to payment of the SSO Rider?**

9 A: The SSO Rider will apply to customers served under Columbia's Small General Service  
10 Sales Rate, Small General Service Schools Sales Rate, General Sales Rate, General Ser-  
11 vice Schools Sales Rate, and Large General Service Sales Rate.  
12

13 **Q. Why did Columbia select these rate schedules for provision of service to customers**  
14 **subject to SSO Rider?**

15 A. Columbia will continue to purchase gas to serve customers currently provided sales ser-  
16 vice. The change provided for in this filing is that gas will be obtained through an auction  
17 process to be billed to customers at the monthly SSO rate rather than purchase through  
18 traditional methods with recovery taking place through Gas Cost Recovery ("GCR")  
19 mechanism. These schedules were selected since sales service has historically performed  
20 under these rate schedules.  
21

22 **Q. Does the SSO Rider provide for dollar per dollar recovery of gas costs in a manner**  
23 **similar to the current GCR mechanism?**

1 A. No. The SSO Rider will replace the current the GCR billing adjustment only to the extent  
2 it provides for recovery of the Expected Gas Component of the GCR. Columbia's  
3 monthly SSO Rider will computed each month based on the final settlement price of the  
4 NYMEX natural gas futures contract for the month plus the Retail Price Adjustment de-  
5 termined through the SSO Auction converted from dollars per Mcf to dollars per Ccf for  
6 billing purposes. The SSO Rider does not address the Actual Cost Adjustment, Refund  
7 and Reconciliation components of the GCR mechanism that provide for the true-up of  
8 gas costs with recoveries and the flow-through of refunds to customers.

9  
10 **Q. Will this recovery of gas costs through SSO Rider result in any changes in the bill-**  
11 **ing of sales customers?**

12 A. No. Customers will continue to be billed on a billing cycle basis. Columbia will continue  
13 to be shown as the supplier with the effective SSO Rider being billed per 100 cubic feet.  
14 There will continue to be no proration of bills to compensate for the variance between  
15 calendar month deliveries and billing period deliveries.

16  
17 **III. APPLICATION OF SSO RIDER**

18 **Q. Why did Columbia make the decision not to prorate the SSO billing rate?**

19 A. This decision not to prorate the SSO billing rate was made for several reasons including,  
20 but not limited to, the following:

- 21 (1) simplifies the comparison of SSO rate(s) with CHOICE Program rates;  
22 (2) Columbia's decision results in all customers being billed the same rate versus  
23 having 21 different billing rates in effect during a billing month;

(3) It simplifies the preparation of billing adjustments; and

(4) Billing in this manner is consistent with the billing of CHOICE Program rates.

#### **IV. PROPOSED CSRR BILLING ADJUSTMENT**

**Q Has Columbia proposed in its Application filed in Case No. 08-1344-GA-EXM a mechanism that will provide for the true-up of gas costs; pass-through of refunds and processing of reconciliation adjustments?**

**A.** Yes. Columbia has proposed the establishment of a CHOICE/SSO Reconciliation Rider ("CSRR") to be billed to both sales and customers participating in the CHOICE program.

**Q. Why is it proper to bill customers participating in the CHOICE Program the CSRR adjustment?**

**A.** The billing of the CSRR to both sales and customers participating in the CHOICE program is proper to maintain a level playing field for competitive reasons. In addition, both groups are treated in a similar manner from an operational standpoint as described in the testimony of Columbia Witness Anderson.

**Q. Please summarize the various components of the proposed CSRR billing adjustment.**

**A.** Columbia's proposed CSRR will include (1) Over/Unrecovered Gas Balance; (2) Refunds; (3) Reconciliation Adjustments; and (4) Shared Off-System Sales/Capacity Release Revenue. Attachment LWM-1 hereto sets forth a definition of each of aforementioned CSRR components.

1  
2 **Q. Does the proposed method for computation of the CSRR provide for the calculation**  
3 **of this rate in a manner similar to that used for determination of various GCR ad-**  
4 **justments made to ensure dollar per dollar recovery of gas costs?**

5 A. Yes. However, as noted above, the CSRR will include one additional component to pro-  
6 vide for the flow through to Customers of Shared Off-System Sales/Capacity Release  
7 Revenue.

8  
9 **Q. Will the CSRR be computed and updated quarterly to reflect therein the most re-**  
10 **cent four quarters of activity?**

11 A. Yes. The CSRR will be computed based on quarters ending March 31, June 30, Septem-  
12 ber 30 and December 31 of each year. This Rider will be filed 30 days prior to the effec-  
13 tive date.

14  
15 **Q. What will be the schedule for recognition of all activity that occurs within a specific**  
16 **quarter?**

17 A. Recognition of activity for a specific quarter will occur in a manner similar to that used  
18 for calculation of the impact of these adjustments on the GCR mechanism. Recognition  
19 of activity within a quarter will be made as follows:

20

Month Quarter Ended	Billing Month Effective
December 31	April
March 31	July

June 30	October
September 30	January

**Q. During the first year will the CSRR be comprised of four quarters of activity?**

A. No. The inclusion of four quarters of activity will not occur until commencement of the billing of the CSRR adjustment to be effective April 2011. The initial CSRR rate will be based on actual balances as December 31, 2009 to be effective with commencement of the billing of the April 2010 billing month.

**Q. Have you prepared a hypothetical example that sets forth the computation of the CSRR rate during the first five quarters?**

A. Yes. Please refer to Attachment LWM-2 which shows for illustrative purposes only the development of CSRR.

#### **V. DESCRIPTION OF AUDIT PROCESS**

**Q. Does the Company's proposal filed in Case No. 08-1344-GA-EXM provide for the continued performance and filing of a financial audit by its external auditor?**

A. Yes. Financial audits will be performed annually based on twelve month period ending December 31 of the prior year. For example, the first audit will be performed based on the twelve month period ending December 31, 2010.



1 **Q. Will this financial audit be similar to that currently performed by Columbia's ex-**  
2 **ternal auditor as part of the GCR process?**

3 A. Yes. Columbia recommends the auditor continue to perform a financial audit similar to  
4 that required under Rule No. 4901:1-14-07 of the Uniform Purchase Gas Adjustment but  
5 the audit will be expanded to include the review of Columbia's Off-System Sales and  
6 Capacity Release program. This process would include the review of pass-through of all  
7 shared Off-System Sales and Capacity Release revenue. Columbia further recommends  
8 that its external financial auditor continue to perform an audit of its Uncollectible Ex-  
9 pense Rider on the same schedule as the new annual financial audit.

10  
11 **Q. When will these financial audits be conducted?**

12 A. These audits will be conducted during the quarter subsequent to completion of the audit  
13 period with the audit report(s) to be filed no later than 90 days subsequent to completion  
14 of audit period (March 30).

15  
16 **Q. Does the proposed financial audit process include a provision for the conducting of**  
17 **an evidentiary hearing?**

18 A. Yes. The process does provide for the conducting of discovery and holding of an eviden-  
19 tiary hearing at the pleasure of the Commission.

20  
21 **Q. Will the audit process provide for continuation of the periodic manage-**  
22 **ment/performance audits provided for in 4901:1-14-07 of Uniform Gas Adjustment?**

1 A. No. These audits will be eliminated due to fact gas will be purchased through an auction  
2 process rather than by Columbia through traditional methods. The new financial audit  
3 will replace current financial and management/performance audit process.  
4

5 **VI. DEVELOPMENT OF BANKING AND BALANCING SERVICE RATES**

6 **Q. Please describe the basis for establishment of Columbia's proposed rates for Bank-**  
7 **ing and Balancing Service.**

8 A. Columbia's proposed rates for Banking and Balancing Service are based on the follow-  
9 ing:

- 10 (1) This service is available to extent capacity is not required to serve customers  
11 served under Columbia's SSO and CHOICE programs.
- 12 (2) There is no incremental capacity being retained to provide the service.
- 13 (3) TS customers may elect a bank tolerance level of 0%, 1%, 2%, 3% or 4% of their  
14 Annual Transportation Volume.
- 15 (4) This service is being provided through the use of available seasonal storage ca-  
16 pacity purchased from Columbia Gas Transmission LLC.
- 17 (5) Approximately 5% of TS gas flows through storage.
- 18 (6) Columbia's posted Weighted Average Btu value is the correct value for conver-  
19 sion of a rate per Dth to a rate per Mcf.

20  
21 **Q. Do you consider Columbia's proposed Banking and Balancing Service for TS cus-**  
22 **tomers an interruptible service?**

23 A. Yes.

1  
2 **Q. Why do consider this Banking and Balancing Service to be an interruptible service?**

3 A. Columbia Witness Anderson has testified that it purchases no incremental capacity to  
4 provide this service. Thus it can be interrupted anytime the capacity is required to serve  
5 customers served under Columbia's SSO and CHOICE programs.  
6

7 **Q. When should Columbia's Banking and Balancing Service rates be revised?**

8 A. These rates will be revised anytime Columbia Gas Transmission LLC receives approval  
9 for change in its FSS Reservation Charge, FSS Injection Charge, FSS Withdrawal Charge  
10 and SST Commodity Charge.  
11

12 **Q. Have you prepared an attachment that shows the development of proposed Banking  
13 and Balancing Service rates based on current Columbia Gas Transmission LLC  
14 rates?**

15 A. Yes. Attachment LWM-3 sets forth the development of the proposed Banking and Bal-  
16 ancing Service rates shown in Section VI, Page 67 of Columbia's proposed tariff.  
17

18 **VII. AGGREGATION FEE**

19 **Q. Why has Columbia included in its Application a request for establishment of Ag-  
20 gregation Fee to be charged all CHOICE/SSO suppliers?**

21 A. This fee was included in recognition of additional expenses which Columbia may incur  
22 as a result of its proposal to provide service to its sales customers through an auction

1 process and loss in non-traditional revenue resulting from increased assignment of capac-  
2 ity to suppliers and the reduction in the sharing percentage.

3  
4 **Q. What types of additional expenses does Columbia expect to incur that will result**  
5 **from the changes proposed in this case?**

6 A. These include, but are not limited to, incremental expenses resulting from the following:

7 (1) Development and execution of customer education programs;

8 (2) Increased Call Center activity;

9 (3) Development of new/revised reports; and

10 (4) Information Technology enhancements.

11  
12 **Q. Do you have an estimate of Columbia's projected Off-System Sales and Capacity**  
13 **Release revenue ("non-traditional revenue") subject to sharing during the Calendar**  
14 **Year 2009.**

15 A. Yes. Columbia's current financial plan includes an estimate of \$40.0 million to be gener-  
16 ated from these transactions before sharing. Columbia will retain \$20.0 million in accor-  
17 dance with terms of Joint Stipulation and Recommendation approved by the Commission  
18 in Case No. 05-221-GA-GCR et al.

19  
20 **Q. Has Columbia prepared an estimate of its projected non-traditional revenue for the**  
21 **Calendar Year 2011 based on sharing mechanism proposed in this case?**

1 A. Yes. Columbia's current financial plan includes an estimate of \$15.9 million to be gener-  
2 ated from these transactions before sharing. Columbia will retain approximately \$7.9 mil-  
3 lion based on the proposed sharing mechanism contained in this filing.

4  
5 **Q. What are the major reasons for reduction in the non-traditional revenue to be re-**  
6 **tained by Columbia?**

7 A. This reduction in non-traditional revenue primarily results from (1) the reduction in ca-  
8 pacity retained by Columbia resulting from proposal to purchase gas through the auction  
9 process; (2) increase in capacity assigned Retail Natural Gas Suppliers participating in  
10 the CHOICE program; and (3) the proposed reduction in percentage of non-traditional  
11 revenue to be retained by Columbia.

12  
13 **Q. Does this assignment of capacity to Suppliers participating in the CHOICE program**  
14 **and SSO auction process produce similar opportunities for production of revenue**  
15 **through capacity release and off-system sales?**

16 A. Yes.

17  
18 **Q. What would be the projected increase in revenue to cover these above-described ad-**  
19 **ditional expenses and lost opportunity revenue?**

20 A. This fee will generate an increase in revenue of approximately \$8.4 million dollars to be  
21 used to offset any increase in expense resulting from the program and lost revenue oppor-  
22 tunities.

1     **VIII. REPORTS**

2     **Q.     Will Columbia provide the Commission with periodic reports on the status of its**  
3         **CHOICE and SSO programs?**

4     A.     Yes.

5

6     **Q.     What information will be reported to the Commission on a monthly basis?**

7     A.     Columbia will provide the Commission with the following CHOICE and SSO program  
8         statistics:

9             (1) SSO Rider;

10            (2) Number of SSO customers;

11            (3) Number of customers participating in the CHOICE program;

12            (4) SSO volumes by rate schedule;

13            (5) CHOICE volumes by rate schedule;

14            (6) Number of SSO suppliers;

15            (7) Number of suppliers participating in the CHOICE program;

16            (8) Market share of supplier participating in the CHOICE program; and

17            (9) Other available information desired by the Commission.

18

19     **Q.     What information will be reported to the Commission on annual basis?**

20     A.     Columbia will file annual report that provides for an assessment of SSO supplier per-  
21         formance based on the following criteria:

22             (1) Compliance with Demand Curve requirements; and

23             (2) Supplier defaults.

1

2   **Q:    Does this complete your Prepared Direct testimony?**

A:    Yes.

## Attachment LWM-1

**UNRECOVERED GAS COST BALANCE** means the balance of Deferred Gas Purchase costs reflected on Columbia's books at December 31, 2009, and change each quarter thereafter, to be recovered or passed back to customers through the CHOICE/SSO Reconciliation Rider. This account shall provide for recognition of the following:

Capacity Costs	Reconciliation Adjustment
Commodity Costs	Refunds
Miscellaneous Costs	Regulatory Assessment Costs
Operational Sale or Purchase	Revenue
Penalty Charge	Storage Carrying Costs
Deferred Gas Costs – GCR Transitional Adjustment – Account 165	

1. **CAPACITY COSTS** means the cost of that capacity which is not assigned to SSO or Choice suppliers held by Columbia to meet the operational, balancing and peaking requirements of customers served through Columbia's SSO, CHOICE and TS programs. These costs include reservation charges for upstream pipeline capacity retained by Columbia; peaking contract reservation charges and leased pipeline costs. These costs may further include any reservation charges for interstate pipeline capacity recalled by Columbia where an SSO or CHOICE supplier defaults. These costs will be offset by that portion of the revenue received by Columbia in providing balancing and peaking services and any demand related costs recovered by Columbia in the pass-through of local gas costs.
2. **COMMODITY COSTS** means cost of gas purchased to meet the daily; seasonal and short-term delivery requirements of customers served through Columbia's SSO, CHOICE and TS programs. These costs include the cost of gas; transportation commodity costs; injection and withdrawal costs and shrinkage costs. These costs will be offset by any portion of the revenue received by Columbia related to the pass-through of local gas and retained capacity commodity purchase costs; Supplier cash-outs; etc.
3. **MISCELLANEOUS COSTS** means any prudent and necessary costs incurred by Columbia in the provision of CHOICE/SSO service approved by the Commission.
4. **OPERATIONAL SALE OR PURCHASE** means a sale or purchase of gas by Columbia to a third party necessary for the effective management of Columbia's system. These include, but are not limited to, transactions as sales or purchases to avoid penalties from a transmission provider; purchases of gas commodity to provide peaking services; purchases of gas commodity utilizing operationally retained capacity; purchases under retained peaking services; etc.
6. **PENALTY CHARGE** means a charge billed by an interstate pipeline supplier resulting from the violation of a tariff provision that may be flowed through to any customer that violated Columbia's tariff.



7. **QUARTER** means the three month period used to calculate the current CSSR quarterly rate. Columbia's CSRR will ultimately be comprised of four quarters of activity with Columbia's initial filing to be based on balances on its books at December 31, 2009. This filing will provide for recovery of pass back of unrecovered gas costs; recovery of base chip gas costs less all refunds reflected on the company's books at that date with the filing to be made no later than February 15, 2010. An adjustment to CSRR will be made in June 2010 for the quarter ending March 31, 2010 and continue to be made each quarter thereafter. Upon progression of program into the fifth quarter the process will provide for replacement of the oldest outstanding quarter with the new quarter.
8. **RECONCILIATION ADJUSTMENT** means a positive or negative adjustment to a future CSSR to reconcile variance between actual and projected CSRR Rider revenue to be received or passed back.
9. **REFUNDS** means the balance of refunds at December 31, 2009, and refunds received from an interstate supplier or other supplier or service provider each quarter thereafter, to be passed back where such refund is received as a lump sum or credit.
10. **REGULATORY ASSESSMENT COSTS** means that portion of regulatory assessment paid by Columbia on SSO revenue.
11. **REVENUE** means all revenue received from sale of gas; provision of a balancing service(s); billing of a penalty charge(s); BSR charge(s); Reconciliation Adjustment; Choice Program and TS Program Cash-Out(s) or Off-System Sales and Capacity Release Sharing Mechanism.
12. **STORAGE CARRYING COSTS** means carrying costs incurred by Columbia on gas stored underground for daily and seasonal balancing purposes.
13. **THROUGHPUT** means all historic deliveries to customers participating in the CHOICE and SSO programs for the twelve month period ending with the last month of current quarter.
14. **UPSTREAM PIPELINE** means those delivering pipeline companies delivering supply to Columbia; these can be interstate pipelines; intrastate pipelines; gathering companies, LDCs; etc. but for the most part interstate pipeline companies.
15. **GCR TRANSITIONAL ADJUSTMENT (BASE CHIP)** means under-collection of gas costs experienced by Columbia at the time of transition from the previous PGA recovery mechanism to the GCR mechanism in December 1979. The recovery of the actual value of this gas was deferred for recovery by the Commission in its Order dated April 21, 1981 in Case No. 80-212-GA-GCR.

**Columbia Gas of Ohio, Inc.  
Computation of CSRR Rider**

**EXAMPLE – FIRST QUARTER (FOR ILLUSTRATIVE PURPOSES ONLY)**

<b>REVENUE</b>	
SSO Revenue	\$
Non-Temperature Balancing Service Revenue	
TS Balancing Service Revenue	
BSR Revenue	
Share of Operational Sales Revenue	
TS Cash-out Revenue	
CHOICE Program Cash-out Revenue	
Penalty Charge Revenue	
Off-System Sales & Capacity Release Revenue	
<b>CAPACITY COSTS</b>	
Interstate Pipeline Capacity	
Peaking Reservation Charge	
Leased Supply Pipeline Charges	
<b>COMMODITY COSTS</b>	
SSO Purchases	
Gas Withdrawn From Storage	
Gas Injected Into Storage	
Delivery Charges	
<b>OPERATIONAL SALE OR PURCHASE</b>	
Cost of Gas	
Revenue	
<b>PENALTY CHARGES</b>	
<b>REGULATORY ASSESSMENTS</b>	
<b>STORAGE CARRYING COSTS</b>	
<b>RECONCILIATION ADJUSTMENT</b>	
<b>REFUNDS</b>	( 2,750,000)
<b>BASE CHIP GAS COST BALANCE</b>	8,199,000
<b>DEFERRED GAS PURCHASE BALANCE – 12/31/09</b>	50,000,000
<b>NET CHANGE FOR QUARTER</b>	\$ 55,449,476

SSO/CHOICE DELIVERIES - MCF	170,000,000
CSRR	\$ 0.3262

CSSR RIDER - FIRST QUARTER	\$ 0.3262
CSSR RIDER - SECOND QUARTER	
CSSR RIDER - THIRD QUARTER	
CSSR RIDER - FOURTH QUARTER	
TOTAL CSSR RIDER EFFECTIVE APRIL 2010	\$ 0.3262

**EXAMPLE - SECOND QUARTER (FOR ILLUSTRATIVE PURPOSES ONLY)**

<b>REVENUE</b>	
SSO Revenue	\$
Non-Temperature Balancing Service Revenue	
TS Balancing Service Revenue	
BSR Revenue	
Share of Operational Sales Revenue	
TS Cash-out Revenue	
CHOICE Program Cash-out Revenue	
Penalty Charge Revenue	
Off-System Sales & Capacity Release Revenue	
<b>CAPACITY COSTS</b>	
Interstate Pipeline Capacity	
Peaking Reservation Charge	
Leased Supply Pipeline Charges	
<b>COMMODITY COSTS</b>	
SSO Purchases	
Gas Withdrawn From Storage	
Gas Injected Into Storage	
Delivery Charges	
<b>OPERATIONAL SALE OR PURCHASE</b>	
Cost of Gas	
Revenue	
<b>PENALTY CHARGES</b>	
<b>REGULATORY ASSESSMENTS</b>	
<b>STORAGE CARRYING COSTS</b>	
<b>RECONCILIATION ADJUSTMENT</b>	

<b>REFUNDS</b>	
<b>DEFERRED GAS PURCHASE BALANCE – 12/31/09</b>	( 10,000,000)
<b>NET CHANGE FOR QUARTER</b>	\$ ( 10,000,000)
<b>SSO/CHOICE DELIVERIES - MCF</b>	168,000,000
<b>CSRR</b>	\$ ( 0.0595)

CSSR RIDER – FIRST QUARTER	\$ 0.3262
CSSR RIDER – SECOND QUARTER	( 0.0595)
CSSR RIDER – THIRD QUARTER	
CSSR RIDER – FOURTH QUARTER	
<b>TOTAL CSSR RIDER EFFECTIVE JULY 2010</b>	<b>\$ 0.2667</b>

**EXAMPLE – THIRD QUARTER (FOR ILLUSTRATIVE PURPOSES ONLY)**

<b>REVENUE</b>	
SSO Revenue	\$ ( 250,000,000)
Non-Temperature Balancing Service Revenue	( 3,050,000)
TS Balancing Service Revenue	( 250,000)
BSR Revenue	
Share of Operational Sales Revenue	( 100,000)
TS Cash-out Revenue	
CHOICE Program Cash-out Revenue	
Penalty Charge Revenue	( 10,000)
Off-System Sales & Capacity Release Revenue	( 500,000)
<b>CAPACITY COSTS</b>	
Interstate Pipeline Capacity	5,460,000
Peaking Reservation Charge	156,000
Leased Supply Pipeline Charges	50,000
<b>COMMODITY COSTS</b>	
SSO/ Purchases	245,000,000
Gas Withdrawn From Storage	2,000,000
Gas Injected Into Storage	( 1,000,000)
Delivery Charges	30,000
<b>OPERATIONAL SALE OR PURCHASE</b>	
Cost of Gas	
Revenue	
	10,000
<b>PENALTY CHARGES</b>	
<b>REGULATORY ASSESSMENTS</b>	<b>300,000</b>

<b>STORAGE CARRYING COSTS</b>	<b>2,000,000</b>
<b>RECONCILIATION ADJUSTMENT</b>	
<b>REFUNDS</b>	
<b>NET CHANGE FOR QUARTER</b>	<b>\$ 96,000</b>
<b>SSO/CHOICE DELIVERIES – MCF</b>	<b>171,000,000</b>
<b>CSRR</b>	<b>\$ ( 0.0006)</b>
<b>CSSR RIDER – FIRST QUARTER</b>	<b>\$ 0.3262</b>
<b>CSSR RIDER – SECOND QUARTER</b>	<b>( 0.0595)</b>
<b>CSSR RIDER – THIRD QUARTER</b>	<b>0.0006</b>
<b>CSSR RIDER – FOURTH QUARTER</b>	
<b>TOTAL CSSR RIDER EFFECTIVE OCTOBER 2010</b>	<b>\$ 0.2673</b>

**Columbia Gas of Ohio, Inc.**  
**Computation of Balancing Service Rates**

Line No.	Description	Bank Tolerance					
1	Monthly Bank Tolerance		4%	3%	2%	1%	0%
2	TCO Firm Storage Service Seasonal Capacity Charge (FSS)	(a)	\$ 0.0139	\$ 0.0104	\$ 0.0069	\$ 0.0035	\$ 0.0000
3	TCO FSS Injection & Withdrawal Charges	(b)	0.0016	0.0016	0.0016	0.0016	0.0000
4	TCO Storage Service Transportation Commodity Charge (SST)	(c)	0.0010	0.0010	0.0010	0.0010	0.0000
5	Total Rate Per/Dth	(d)	\$ 0.0165	\$ 0.0130	\$ 0.0095	\$ 0.0061	\$ 0.0000
6	BTU Conversion Factor		1.037	1.037	1.037	1.037	1.037
7	Total Rate Per Mcf	(e)	\$ 0.0171	\$ 0.0135	\$ 0.0098	\$ 0.0063	\$ 0.0000
SCQ Rate	\$ 0.0289	(a)	(SCQ X 12) X Monthly Bank Tolerance				
FSS Inj. & Withdrawal	\$ 0.0153	(b)	(FSS Injection Rate + FSS Withdrawal Rate) X Bank Volume Percent				
SST Commodity Rate	\$ 0.0191	(c)	SST Rate X Bank Volume Percent				
Bank Volume Percent	5.1%	(d)	Line 2+ Line 3 + Line 4				
		(e)	Line 5 X Line 6				

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Direct Testimony of Larry W. Martin of Columbia Gas of Ohio, Inc. was served upon all interested persons and parties of record by regular U. S. mail this 26<sup>th</sup> day of March, 2009.



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