

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :  
 Regulation of the :  
 Purchased Gas Adjustment :  
 Clauses Contained Within :  
 the Rate Schedules of : Case No. 10-221-GA-GCR  
 Columbia Gas of Ohio, :  
 Inc., and Related :  
 Matters. :

In the Matter of the :  
 Audit of the :  
 Uncollectible Expense : Case No. 10-421-GA-UEX  
 Rider of Columbia Gas of :  
 Ohio, Inc., and Related :  
 Matters. :

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PROCEEDINGS

before Ms. Sarah Parrot and Mr. Henry Phillips-Gary,  
 Hearing Examiners, at the Public Utilities Commission  
 of Ohio, 180 East Broad Street, Room 11-D, Columbus,  
 Ohio, called at 2:00 p.m. on Monday, March 14, 2011.

- - -

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On behalf of the Residential Customers  
of Columbia Gas of Ohio, Inc.

Mike DeWine, Ohio Attorney General  
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On behalf of the staff of the Public  
Utilities Commission of Ohio.

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Monday Afternoon Session,  
March 14, 2011.

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EXAMINER PARROT: Let's go on the record.  
The Public Utilities Commission of Ohio has called  
for hearing at this time and place case number  
10-221-GA-GCR, being In the Matter of the Regulation  
of the Purchased Gas Adjustment Clause Contained  
Within the Rate Schedules of Columbia Gas of Ohio,  
Inc. and Related Matters, and case number  
10-421-GA-UEX, being In the Matter of the Audit of  
the Uncollectible Expense Rider of Columbia Gas of  
Ohio, Inc. and Related Matters.

Good afternoon, everyone. My name is  
Sarah Parrot, with me today is Henry Phillips-Gary,  
and we are the attorney examiners assigned by the  
Commission to hear these cases.

At this time I'd like to begin with the  
appearances of the parties and we'll begin with  
Mr. Seiple.

MR. SEIPLE: On behalf of Columbia Gas of  
Ohio, Inc. I'd like to enter the appearance of  
Stephen B. Seiple and Brooke E. Leslie, 200 Civic  
Center Drive, Columbus, Ohio, 43215.

EXAMINER PARROT: And on behalf of the

1 Ohio Consumers' Counsel.

2 MR. SERIO: Thank you, your Honor. On  
3 behalf of the residential utility customers of  
4 Columbia Gas of Ohio, Inc., Janine L.  
5 Migden-Ostrander, Consumers' Counsel, by Joseph P.  
6 Serio and Larry S. Sauer.

7 EXAMINER PARROT: And on behalf of the  
8 Public Utilities Commission of Ohio staff.

9 MR. JONES: Thank you, your Honor. On  
10 behalf of the staff of the Public Utilities  
11 Commission of Ohio, Ohio Attorney General Michael  
12 DeWine, Assistant Attorneys General Steve Reilly,  
13 John Jones, 180 East Broad Street, Columbus, Ohio.

14 EXAMINER PARROT: Are there any members  
15 of the public present for the hearing today?

16 (No response.)

17 EXAMINER PARROT: Let the record reflect  
18 that there are no members of the general public  
19 present.

20 It's my understanding that the parties in  
21 this case, in these cases, have filed a stipulation  
22 and recommendation for the Commission's  
23 consideration. Is that correct?

24 MR. SEIPLE: That is correct.

25 EXAMINER PARROT: And would you please

1 proceed, Mr. Seiple.

2 MR. SEIPLE: Yes. We do have a  
3 stipulation that resolves all the issues in the case.  
4 I would note that that stipulation provides that the  
5 parties have agreed that Mr. Mierzwa, on behalf of  
6 Exeter Associates, the management performance auditor  
7 in this case, is available for questioning today.

8 The stipulation does provide for the  
9 admission of a number of exhibits which we'll want to  
10 identify here, and I also want to take this  
11 opportunity to note and to apologize for the fact  
12 that there are several errors in the stipulation  
13 which we intend to correct right now.

14 On page 6 of the stipulation, paragraph  
15 10 is a paragraph that lists all of the exhibits that  
16 we had agreed upon to be admitted today. The  
17 introductory sentence is incorrect. The existing  
18 sentence that leads off that paragraph should be  
19 stricken and the sentence should read: "Subject to  
20 the provisions of Paragraph numbers 13 and 4 the  
21 parties agree that the following exhibits should be  
22 admitted into the record."

23 The rest of that paragraph is still  
24 correct. And I will provide corrected pages with  
25 everything I'm describing here to the court reporter

1 momentarily.

2           On page 10 of the stipulation there are  
3 three places where the date of March 14th  
4 appears -- I mean, March 18th appears. That should  
5 be March 14th. So it says "Agreed this 18th day  
6 of March" at the very top, should be the 14th. And  
7 then in the signature lines where there's a date of  
8 3/18/11, those should all be "3/14/11."

9           And, finally, on page 11, which is the  
10 certificate of service, it indicates that service was  
11 made on the 18th of March. It was made on the  
12 14th of March.

13           Would the Bench like copies of that as  
14 well?

15           EXAMINER PHILLIPS-GARY: We're good.

16           MR. SEIPLE: Okay. At this juncture I'm  
17 prepared to call Mr. Brown to the stand who is our  
18 witness in support of the stipulation.

19           EXAMINER PARROT: You may take the stand,  
20 Mr. Brown. Could you please raise your right hand.

21           (Witness sworn.)

22           EXAMINER PARROT: Please be seated.

23           - - -

24           THOMAS J. BROWN, JR.

25 being first duly sworn, as prescribed by law, was



1 examined and testified as follows:

2 DIRECT EXAMINATION

3 By Mr. Seiple:

4 Q. Would you please state your full name and  
5 spell it for the record.

6 A. My name is Thomas J. Brown, Jr.  
7 T-h-o-m-a-s J. B-r-o-w-n, Jr.

8 Q. Mr. Brown, by whom are you employed?

9 A. Columbia Gas of Ohio.

10 Q. What is your position with Columbia Gas  
11 of Ohio?

12 A. I'm Director of Regulatory Policy.

13 Q. And did you cause to have filed in this  
14 docket a copy of supplemental testimony?

15 A. Yes, I did.

16 Q. Do you have a copy of that testimony with  
17 you?

18 A. Yes, sir.

19 MR. SEIPLE: I'd like to have that  
20 testimony marked as Columbia Exhibit No. 6.

21 EXAMINER PARROT: So marked.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 Q. Mr. Brown, what is the purpose of that  
24 testimony?

25 A. The purpose of my testimony is to support

1 the stipulation that was filed today by the parties  
2 to this proceeding.

3 Q. Do you have any additions or corrections  
4 to that testimony?

5 A. I have three corrections. On page 1 at  
6 the bottom it has a date of March 18th, and that  
7 should be changed to "March 14." On page 2 in line  
8 11, again the date of March 18th appears and that  
9 should be changed to "March 14." And on the last  
10 page in the certificate of service, again, March 18  
11 should be changed to indicate "March 14." The  
12 14th day of March.

13 Q. Thank you, Mr. Brown.

14 If I were to ask you the same questions  
15 today that are contained in your prefiled testimony,  
16 would your answers remain the same?

17 A. Yes.

18 MR. SEIPLE: Thank you. I would like to  
19 move the admission of Columbia Exhibit 6 subject to  
20 the cross-examination of the parties.

21 EXAMINER PARROT: Any questions from OCC?

22 MR. SERIO: No questions, your Honor.

23 MR. JONES: No questions, your Honor.

24 EXAMINER PARROT: Thank you. Columbia  
25 Exhibit No. 6 will be admitted into the record.

1 (EXHIBIT ADMITTED INTO EVIDENCE.)

2 EXAMINER PARROT: You're excused,

3 Mr. Brown. Thank you.

4 (Witness excused.)

5 MR. SEIPLE: At this point let me  
6 identify the rest of the Columbia exhibits, they're  
7 all listed in the stipulation, but just to make sure  
8 the record's clear let me go over them quickly now.  
9 Columbia Exhibit No. 1 is the proof of legal notice  
10 that was docketed on March 8th, 2011.

11 Columbia Exhibit No. 2 is the application  
12 and uncollectible expense rider report of Columbia  
13 Gas of Ohio, Inc., filed on April 30th, 2009 in  
14 case number 09-372-GA-UEx.

15 Columbia Exhibit 3 is the application and  
16 uncollectible expense rider report of Columbia Gas of  
17 Ohio, Inc. filed on April 27th, 2010, in case  
18 number 10-578-GA-UEx.

19 Columbia Exhibit No. 4 is the prepared  
20 direct testimony of Michael D. Anderson filed  
21 December 30th, 2010.

22 And Columbia Exhibit No. 5 is the  
23 prepared direct testimony of Larry W. Martin filed  
24 December 30th, 2010.

25 And the stipulation does provide for the

1 admission of all the Columbia exhibits as well as all  
2 of the Commission-ordered exhibits.

3 EXAMINER PARROT: Are there any  
4 objections to the admission of Columbia Exhibits 1,  
5 2, 3, 4, or 5?

6 MR. SERIO: No, your Honor.

7 MR. JONES: No, your Honor.

8 EXAMINER PARROT: Those exhibits,  
9 Columbia Exhibits 1 through 5, shall be admitted into  
10 the record.

11 (EXHIBITS ADMITTED INTO EVIDENCE.)

12 MR. SEIPLE: And at this juncture, your  
13 Honor, I would suggest it might be appropriate to  
14 mark the Commission-ordered exhibits.

15 EXAMINER PARROT: I agree.

16 MR. JONES: Yes, your Honor, at this time  
17 I would ask to have identified for the record  
18 Commission-ordered Exhibit No. 1, the financial  
19 procedural audit of the uniform purchased gas  
20 adjustment in this case done by Deloitte on November  
21 18, 2010; and

22 Have identified as Commission-ordered  
23 Exhibit No. 2 the reports on applying the agreed-upon  
24 procedures for the uncollectible expense rider for  
25 calendar year 2008 done by Deloitte on November

18th, 2010;

Have identified for the record  
Commission-ordered Exhibit No. 3, report on applying  
agreed-upon procedures for the uncollectible expense  
rider for calendar year 2009 filed by Deloitte on  
November 18th, 2010;

Identify Commission-ordered Exhibit No. 4  
as the report on applying the agreed-upon procedures  
for the sharing of -- Columbia's sharing of  
off-system sales and capacity release revenues for  
the audit period filed by Deloitte on November  
18th, 2010; and

Have identified as Commission-ordered  
Exhibit No. 5 the report done by Exeter Associates  
for the management and performance audit of Columbia  
that was filed on November 18, 2010.

EXAMINER PARROT: Those exhibits shall be  
so marked.

(EXHIBITS MARKED FOR IDENTIFICATION.)

MR. JONES: At this time, your Honor, I  
also move for the admission of those exhibits,  
Commission-ordered Exhibits 1 through 5.

EXAMINER PARROT: Are there any  
objections to the Commission-ordered Exhibits 1  
through 5?

1 MR. SEIPLE: No.

2 MR. SERIO: No objection, your Honor.

3 EXAMINER PARROT: Those exhibits shall be  
4 admitted into the record.

5 (EXHIBITS ADMITTED INTO EVIDENCE.)

6 EXAMINER PARROT: And in terms of our  
7 exhibits, I believe that leaves only the stipulation  
8 to be marked.

9 MR. SEIPLE: Yes, and I would move the  
10 admission of the stipulation which is Joint Exhibit  
11 No. 1.

12 EXAMINER PARROT: Any objections?

13 MR. JONES: No objection, your Honor.

14 MR. SERIO: No objection, your Honor.

15 EXAMINER PARROT: Joint Exhibit No. 1  
16 shall be admitted into the record.

17 (EXHIBIT ADMITTED INTO EVIDENCE.)

18 EXAMINER PARROT: Mr. Jones, I believe  
19 you have a witness to call?

20 MR. JONES: Yes, your Honor. At this  
21 time staff would like to call Jerry Mierzwa to the  
22 stand, please.

23 EXAMINER PARROT: Please raise your right  
24 hand.

25 (Witness sworn.)

1 EXAMINER PARROT: Please be seated.

2 - - -

3 JEROME D. MIERZWA

4 being first duly sworn, as prescribed by law, was  
5 examined and testified as follows:

6 DIRECT EXAMINATION

7 By Mr. Jones:

8 Q. Could you please state your name for the  
9 record, please?

10 A. My name is Jerome D. Mierzwa.

11 Q. And where are you employed?

12 A. I'm employed by Exeter Associates.

13 MR. JONES: Your Honor, can I approach  
14 the witness, please?

15 EXAMINER PARROT: You may.

16 MR. JONES: Thank you.

17 Q. Mr. Mierzwa, was your firm selected by  
18 the Public Utilities Commission in this case to  
19 conduct a performance management audit on Columbia  
20 Gas of Ohio in this case?

21 A. Yes, we were.

22 Q. And as a result, then, did you then  
23 prepare an audit report for the Commission?

24 A. Yes, we did.

25 Q. And would you please at this time

1 identify the document I put before you, please?

2 A. The document which is marked  
3 Commission-Ordered Exhibit No. 5 is the audit report  
4 prepared by Exeter.

5 Q. And the conclusions and findings that are  
6 contained within that report, are you asking the  
7 Commission to adopt those conclusions and  
8 recommendations in this case?

9 A. Yes, I am.

10 Q. I'm sorry. I forgot to ask you  
11 something. Do you have any changes to make to the  
12 report you've submitted to the Commission that was  
13 filed in this case?

14 A. Not that I am aware of.

15 MR. JONES: Okay. Your Honor, at this  
16 time I would offer Mr. Mierzwa for cross-examination.

17 EXAMINER PARROT: Thank you, Mr. Jones.

18 Mr. Sauer. Or Mr. Serio. I'm sorry.

19 MR. SERIO: Thank you, your Honor.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. Serio:

23 Q. Good afternoon, Mr. Mierzwa. How are  
24 you?

25 A. Good. Good afternoon.



1           Q.    I have a bunch of questions I want to ask  
2   you to get some clarification on the audit report and  
3   just get some background on it.  You're familiar with  
4   the 2007 stipulation from case number 05-221-GA-GCR,  
5   correct?

6           A.    Yes, I am.

7           Q.    And you referred to that throughout the  
8   audit report as "the 2007 stipulation"?

9           A.    I do.

10          Q.    So if I use that term, you'll understand  
11   that's the stipulation I'm referring to.

12          A.    Yes.

13          Q.    Okay.  And it's your understanding that  
14   the 2007 stipulation established a level of  
15   interstate pipeline capacity entitlements that would  
16   be in place during the audit period, correct?

17          A.    That's correct.

18          Q.    Now, is it your understanding also that  
19   as a result of the 2007 stipulation that the auditor  
20   in this case, Exeter, would not make any  
21   recommendations regarding whether Columbia Gas had  
22   any excess capacity during the period, the audit  
23   period?

24          A.    Yes.  That's in the stipulation.

25          Q.    Now, is it your understanding that

1 Columbia operates a highly complex distribution  
2 system that's comprised of hundreds of independent  
3 systems?

4 A. Yes.

5 Q. And is it your understanding that  
6 Columbia's system is spread from northern Ohio to  
7 southern Ohio?

8 A. Yes.

9 Q. Is it your understanding that the  
10 individual distribution systems that are operated by  
11 Columbia are served by over 840 separate pipeline  
12 points of delivery?

13 A. My recollection is the approximate  
14 number.

15 Q. And it's your understanding that the  
16 individual distribution systems operated by Columbia  
17 have a significant number, 13,000, main line tap  
18 customers?

19 A. Yes.

20 Q. And you also understand that Columbia  
21 serves over 20,000 farm tap customers who are  
22 directly connected to Columbia Transmission Company,  
23 correct?

24 A. Yes.

25 Q. And when I refer to Columbia Transmission

1 Company, you understand that to be an interstate  
2 pipeline that's also an affiliate to Columbia Gas of  
3 Ohio, Inc., correct?

4 A. That's correct.

5 Q. And you've often heard Columbia Gas  
6 Transmission referred to as "TCO"?

7 A. That's right.

8 Q. T-C-O. All right.

9 Is it your understanding that Columbia  
10 has a number of long-term capacity contracts with  
11 pipelines and various gas supply contracts with  
12 producers or marketers?

13 A. Columbia has long-term contracts with  
14 pipelines. How we're using the word "long-term" for  
15 gas supply contracts --

16 Q. Let me break it into two parts. You  
17 understand that Columbia has a number of long-term  
18 capacity contracts with interstate pipelines,  
19 correct?

20 A. That's correct.

21 Q. And then you're also aware that Columbia  
22 has various gas supply contracts with producers or  
23 marketers.

24 A. That's correct.

25 Q. And as part of your audit did you review

1 the various long-term capacity contracts that  
2 Columbia has with interstate pipelines?

3 A. Yes, I did.

4 Q. And did you also review the gas supply  
5 contracts that Columbia has with producers or  
6 marketers?

7 A. I believe we reviewed a sample of them,  
8 yes.

9 Q. And when you mean a sample, you mean a  
10 representative sample.

11 A. Yes.

12 Q. Is it your understanding that Columbia  
13 had contracts for two storage services during the  
14 audit period?

15 A. Yes. That's correct.

16 Q. And did you review those storage service  
17 contracts as part of your audit?

18 A. Yes.

19 Q. And is it your understanding that for  
20 Columbia when they refer to it as "market area  
21 storage," then the company's referring to storage  
22 that's located in the Appalachian region and is  
23 geographically close to Columbia's Ohio markets?

24 A. That's correct.

25 Q. And then is it your understanding that

1 supply area storage for Columbia is storage that's  
2 generally located in areas that are further away from  
3 Columbia's Ohio service territory, for example, in  
4 the gulf -- in the Louisiana gulf territory area?

5 A. Storage in that location would be fair to  
6 consider supply area storage, yes.

7 Q. Are you familiar with services that are  
8 provided to distribution companies by interstate  
9 pipelines under no-notice contracts?

10 A. Yes, I am.

11 Q. And is it your understanding that the  
12 contract that Columbia has with Columbia Transmission  
13 provides no-notice service?

14 A. They have contracts for no-notice service  
15 with TCO, yes.

16 Q. And did you review the Columbia  
17 Transmission contracts that provide no-notice service  
18 to Columbia as part of your audit?

19 A. Yes.

20 Q. And is it your understanding that the  
21 contract that Columbia has with Panhandle, another  
22 interstate pipeline, does not provide no-notice  
23 service?

24 A. That's correct.

25 Q. And did you review the Panhandle contract

1 as part of your audit?

2 A. Yes, I did.

3 Q. Are you familiar with the term "firm  
4 storage transportation service," FTS?

5 A. Yes, I am.

6 Q. And are you familiar with the FTS service  
7 that Columbia receives from Columbia Transmission?

8 A. I'm sorry. The previous question was  
9 what?

10 Q. Sure. Are you familiar with the FTS  
11 service that Columbia receives from Columbia  
12 Transmission?

13 A. Yes, I am.

14 Q. And you reviewed that contract as part of  
15 your audit, correct?

16 A. Yes.

17 Q. Now, is it your understanding that the  
18 delivery of supplies from no-notice service is  
19 different than from firm transportation service  
20 delivered supplies?

21 A. They are different in that the no-notice  
22 or the FTS supplies have been nominated and no notice  
23 requires no nomination.

24 Q. That makes the no-notice service a more  
25 valuable service because it has more discretion on

1 the part of the distribution company, correct?

2 A. Yes.

3 Q. Now, is it your understanding that  
4 Columbia's FTS service contracts provide for up to  
5 151 dekatherms of seasonal supply for each dekatherm  
6 of contracted daily capacity?

7 A. I'm sorry. Can you repeat that?

8 Q. Sure. Is it your understanding that  
9 Columbia's FTS service contract with Columbia  
10 Transmission provides for 151 dekatherms of seasonal  
11 supply for each dekatherm of contracted daily  
12 capacity?

13 A. I don't understand the question.

14 Q. The ratio between -- let me ask it this  
15 way: You understand that there's 151 days in the  
16 winter heating season?

17 A. Yes.

18 Q. And to the extent that you have a  
19 dekatherm of capacity in an FTS contract, it provides  
20 you the opportunity to transport gas for each day of  
21 the 151 days --

22 A. Yes.

23 Q. -- of the winter heating season?

24 A. Yes.

25 Q. So the ratio is 151 to 1 under an FTS

1 contract.

2 A. Yes.

3 Q. And is it your understanding that under  
4 Columbia's FTS contract storage supplies would be  
5 saved for later use if the storage capacity is not  
6 utilized on a given day?

7 A. Yes.

8 Q. And is it your understanding that storage  
9 supplies can be saved for later use because there's  
10 151 days during the winter heating season as opposed  
11 to 56 days of full withdraw capacity from storage?

12 A. Yes.

13 Q. And, in turn, because the storage service  
14 has the ability to carry storage volumes from one  
15 winter to the next, correct?

16 A. Gas in storage can be carried over to the  
17 next season, yes.

18 Q. Within the --

19 A. Within certain --

20 Q. -- the minimum and maximum limits that  
21 the pipeline operator of the storage field  
22 establishes, correct?

23 A. That's correct.

24 Q. Is it your understanding that Columbia  
25 relies on storage for approximately 72 percent of its



1 designed peak-day capacity?

2 A. That's my recollection.

3 Q. Is it your understanding that during the  
4 audit period Columbia managed its firm pipeline  
5 capacity and supplier contracts to assure reliability  
6 by utilizing market area storage in conjunction with  
7 firm storage transportation?

8 A. Yes.

9 Q. And that Columbia also managed its  
10 contracts and reliability by utilizing FTS capacity  
11 coupled with firm gas supplies acquired from proven  
12 reliable suppliers?

13 A. Yes.

14 Q. Is it your understanding that during the  
15 audit period supply reliability was provided in two  
16 ways: One, by utilizing market area storage with  
17 firm storage transportation capacity and, second, by  
18 utilizing FTS capacity coupled with firm gas supplies  
19 acquired from proven reliable suppliers?

20 A. Yes.

21 Q. That's to both parts of that, right?

22 A. Yes. Yes, it is.

23 Q. Is it your understanding that during the  
24 course of a winter heating season as storage supplies  
25 are drawn down, the resulting reduction in pressure

1 reduces the availability of a storage field to  
2 deliver gas for the remainder of that winter heating  
3 season?

4 A. Yes, it does.

5 Q. And a pipeline operator of a storage  
6 field establishes ratcheting provisions to account  
7 for the reduction in remaining deliverability out of  
8 that storage field, correct?

9 A. That's correct.

10 Q. Now, you're familiar with the term or the  
11 concept of excess capacity, correct?

12 A. Correct.

13 Q. And just so we're clear, when you refer  
14 to excess capacity in the context of a local  
15 distribution company, what do you mean?

16 A. It refers to capacity which is in excess  
17 of the design-day demands of the LDC's customers and  
18 design-day demand would be the, about the coldest --  
19 close to the coldest day ever expected to be  
20 experienced in the LDC's service territory.

21 Q. Now, on page ix of the audit report,  
22 Commission-ordered Exhibit No. 5, and also on page  
23 4-28 of the same document the audit report states "We  
24 conclude that Columbia's strategy of contracting for  
25 capacity entitlements during the audit period has not

1 minimized unutilized capacity and costs." Do you see  
2 that reference?

3 A. Yes.

4 Q. Now, if the 2007 stipulation did not  
5 preclude a recommendation on your part regarding  
6 excess capacity, based on your review of Columbia's  
7 capacity entitlements would you have concluded that  
8 Columbia had excess capacity during the audit period?

9 A. Yes, I would have. But they had this  
10 stipulation in place.

11 Q. Right. Yes.

12 And in that instance the amount that we  
13 would -- that you would have considered excess  
14 capacity would be the difference between the  
15 2.134 million dekatherms and the 1.886 million  
16 dekatherms, correct?

17 A. Correct.

18 Q. And those were the figures that you've  
19 identified on page 4-28 of the audit report, correct?

20 A. Correct.

21 Q. Now, did you do any analysis into why the  
22 firm designed peak-day demand had declined for  
23 Columbia by approximately 250,000 dekatherms as you  
24 indicated on page 4-28?

25 A. Yes, we did, and we talked about it

1 during the audit. I believe it's subject to a  
2 discovery request, but I don't remember what the  
3 reason was.

4 MR. SERIO: Could I approach, your Honor?

5 EXAMINER PARROT: You may.

6 Q. I'm handing you a two-page document that  
7 I'd like to have marked for purposes of  
8 identification as OCC Exhibit No. 1. It's identified  
9 in the upper right-hand corner as "PUCO Case No.  
10 10-221-GA-GCR, OCC Interrogatory No. 3-093,  
11 Respondent: J.M. Ripley."

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 Q. Do you see that?

14 A. Yes.

15 Q. And during the course of the audit did  
16 you review this particular interrogatory?

17 A. It's been a while. Can I read it?

18 Q. Sure. Sure.

19 A. I don't recall if I read this, but the  
20 same subject was brought up and discussed in audits  
21 and we had issued an informal request addressing the  
22 same issues.

23 MR. SERIO: Your Honor, OCC planned to  
24 have a total of three different interrogatories  
25 marked for exhibits and we've spoken with the company

1 previously and the company indicated that they would  
2 waive authentication of the documents. This is the  
3 first of the three.

4 MR. SEIPLE: Just a second. I wanted to  
5 indicate that I did speak to Mr. Sauer and Mr. Serio  
6 about that, and he is correct, we did waive  
7 authentication.

8 MR. SERIO: Thank you.

9 EXAMINER PARROT: Thank you.

10 Q. Mr. Mierzwa, when we talk about the  
11 250,000 dekatherm decline, you're familiar with the  
12 second page and the breakdown of the volumes in  
13 question?

14 A. No, I'm not.

15 Q. So as far as the breakdown of the  
16 250,000, you weren't aware that Columbia had broken  
17 it down between the capacity that could be associated  
18 with, for example, with the small commercial  
19 customers that take less than 6,000 dekatherms a  
20 year?

21 A. No.

22 Q. Okay. On page ix of the audit report,  
23 Commission-ordered Exhibit No. 5, the second full  
24 paragraph on that page where it says "We note that  
25 effective for the 2012-2013 winter heating season."

1 Do you see that reference?

2 A. Yes.

3 Q. Now, that reference there is with regard  
4 to small commercial customers that take less than  
5 6,000 Mcf a year, correct?

6 A. Correct.

7 Q. And those are customers that for the 2012  
8 and '13 winter heating season have to make an  
9 election to become either a CHOICE customer or to  
10 take full backup from Columbia Gas, correct?

11 A. Correct.

12 Q. And you indicated that that would cause  
13 the requirements to increase from the 1.886 million  
14 dekatherms up to 1.993 million dekatherms, correct?

15 A. That's part of the reason there would be  
16 the increase.

17 Q. Okay. I'm trying to identify which part  
18 of the increase you identified just for the  
19 under-6,000 customers. Perhaps I could call your  
20 attention to OCC Exhibit 1, going down the fourth  
21 line, the sentence that begins "Specifically."

22 A. Yes, it's either 74 or 76. It's 76 now.  
23 It's 76,000.

24 Q. So it's approximately 76,000. So of the  
25 250,000 decline you've identified approximately

1 76,000 that's associated with the customers that take  
2 under 6,000 Mcf a year that would be taking either  
3 service under the CHOICE program or full backup from  
4 Columbia, correct?

5 A. Correct.

6 Q. So but not for the 2007 stipulation that  
7 established the entitlements, the pipeline  
8 entitlements that Columbia's allowed to have, would  
9 any additional capacity beyond this 76,000 of the  
10 250,000, in your opinion, be excess capacity from --  
11 in the 2012 and '13 winter heating season?

12 A. I'm sorry. Could you --

13 Q. Yes. I'll try to do that again.

14 A. Excuse me. I'd like to grab my  
15 calculator.

16 Q. Sure. Sure.

17 Maybe if we get some numbers straight, it  
18 will be easier to use those numbers. If you subtract  
19 1,886,400 dekatherms from 2 million 134 --

20 A. Hold on. I'm sorry.

21 Q. Sure. 1,886,400 subtracted from  
22 2,134,500, the difference is approximately 248,100,  
23 correct?

24 A. Yes.

25 Q. Then if you take 1,993,300 and subtract

1 1,886,400, the difference is 106,900, correct?

2 A. You said "106,900"?

3 Q. Yes.

4 A. Yes.

5 Q. Now, the 1,993,300 number is the number  
6 that you project to be peak day firm demand for the  
7 2012-'13 winter heating season if you include the  
8 under-6,000 commercial customers, correct?

9 A. That's Columbia's projection which we did  
10 not take an issue with.

11 Q. Okay. And the 1,886,400 number is the  
12 number that you identified as Columbia's capacity as  
13 a result of the loss of the 250,000 dekatherms during  
14 the audit period, correct?

15 A. Correct.

16 Q. So that difference of 106,900 is one  
17 approximation of the capacity that's associated with  
18 those under-6,000 commercial customers, correct?

19 A. 76,000 of that is.

20 Q. Columbia identifies it as 76,000 on OCC  
21 Exhibit No. 1, correct?

22 A. Right.

23 Q. But if you subtracted the 1.886 from the  
24 1.993, it's 106,000. So it's in the ballpark of  
25 those two numbers, correct? Your understanding of



1 the --

2 A. Well, I think what happened in here is  
3 Columbia reduced some capacity, if I recall, on April  
4 1st, and I don't remember if the number was 30,000  
5 or 40,000, but that's the remaining difference  
6 between the two numbers.

7 Q. So that means that you agree with the  
8 76,000 as the capacity associated with the  
9 under-6,000 commercial customers.

10 A. Correct.

11 Q. Now, if we take that 250,000 dekatherm  
12 decline and we subtract the 76,000 that are  
13 associated with the small commercial customers that  
14 are going to be part of the planning for the  
15 2012-2013 winter heating season, that leaves us  
16 approximately a 174,000 dekatherm difference,  
17 correct?

18 A. Correct.

19 Q. Now, looking at the winter heating season  
20 of 2012-'13 and beyond, if the 2007 stipulation did  
21 not preclude you from making any recommendation on  
22 excess capacity, would you agree that the 174,000  
23 would be excess capacity for the 2012 and 2013 winter  
24 heating season?

25 MR. SEIPLE: Objection. He's asking the

1 witness to speculate about something in a vacuum.  
2 The stipulation does preclude it, so this line of  
3 inquiry is irrelevant.

4 EXAMINER PARROT: Mr. Seiple, your  
5 objection is overruled. We'll give the testimony its  
6 due weight.

7 You may answer.

8 THE WITNESS: I'm sorry. I need the  
9 question again.

10 (Record read.)

11 A. What was the number for the excess?

12 Q. Approximately 174,100 dekatherms.

13 A. Not entirely. I said Columbia did reduce  
14 their capacity, I forgot the number, 30- or 40,000,  
15 effective April 1st of 2010, so that would have to  
16 be deducted. I believe it was around 30,000.

17 No. I'm sorry. It looks like -- I'm  
18 trying to recall. It's two contracts around 40,000.

19 Q. If you'd turn to page 4-34 of the M/P  
20 audit report.

21 A. I have it.

22 Q. Do you see the figure at the top of the  
23 page, 39,199 dekatherms?

24 A. Yes, I do.

25 Q. So you're saying that you would take the

1 248,000, subtract 76,000 associated with small  
2 commercial customers, and then subtract 39,199, and  
3 that the resulting number would be then what you  
4 would consider excess capacity for the 2012-2013  
5 winter heating season if the 2007 stipulation did not  
6 establish the level of capacity for Columbia.

7 A. No, because, I mean the audit report says  
8 that with the increase in projected firm demand and  
9 Columbia's capacity entitlements they're going to be  
10 in relative balance at that point.

11 Q. Maybe you can explain it -- if we take it  
12 a different way, maybe you can explain it if I start  
13 with the 2,134,500. Your testimony was that Columbia  
14 saw a decline in peak-day demand of 250,000, correct?

15 A. Correct.

16 Q. So that gives us the figure of 1,886,400,  
17 correct?

18 A. Correct.

19 Q. Then if we add back 76,000 dekatherms to  
20 represent the capacity for the small commercial  
21 under-6,000 customers, so we're adding 1,886,400 plus  
22 76,000, we get a net 1,962,400 which is approximately  
23 the 1,993,300 dekatherms that's in your audit report  
24 on page ix and on page 4-28, correct?

25 A. Correct.

1           Q.    So to the extent that Columbia had under  
2 contract anything in excess of the 1.993,300  
3 dekatherms for the 2012-'13 winter heating season,  
4 but not for the 2007 stipulation you would consider  
5 that to be excess capacity, correct?

6           A.    That would also assume they don't change  
7 their capacity entitlements before 2012.

8           Q.    Yes. I'm sorry. I should have indicated  
9 that. If they do not change their capacity anymore  
10 from now till 2012-'13 winter heating season.

11          A.    Let me check some numbers in here.

12          Q.    Yes.

13          A.    Can I try to explain to you differently?

14          Q.    Sure.

15          A.    If you go to page 4-6 of the audit  
16 report, you'll see that the citygate winter capacity  
17 entitlements for Columbia at the end of the audit  
18 period are 2,036,000.

19          Q.    Yes.

20          A.    After that period they reduce their  
21 capacity entitlements by about 40,000 which gets you  
22 to about 1,996,000.

23          Q.    Okay. So if I compare that 1.996 million  
24 dekatherms to the 1.886 million dekatherms, do you  
25 recall what that number represents?

1           A.     Yeah, but I would compare that to the  
2     1.993 number which is what their projected demand  
3     would be for the 2012-2013 season, then it's very  
4     close to the 1.996 number we just developed. And I  
5     think I could explain it a little further.

6                     On page 4-33 it says that the projected  
7     demand, design-day demand of Columbia's system was  
8     2,134,500, but if you look at the paragraph above  
9     that on page 4-33, it shows you only had 2,039,100  
10    dekatherms of capacity.

11           Q.     Okay. Thank you.

12                     Now, your conclusion on page 4-33 of the  
13    M/P audit report, you indicate, "Therefore, we  
14    conclude that Columbia's strategy of contracting for  
15    capacity entitlements during the audit period did not  
16    minimize unutilized capacity and costs." Did you  
17    base that conclusion on the singular comparison of  
18    the design actual peak-day demand for the winter of  
19    2008-2009 compared to a projected designed peak-day  
20    demand incorporating the 2007 stipulation?

21           A.     I'm sorry. Are you looking at a specific  
22    page?

23           Q.     No.

24           A.     Let me find the page that will help me  
25    answer this question.

1 Q. Okay.

2 A. That statement in the audit report is  
3 largely based on the table presented on page 4-23  
4 which shows that they had excess capacity for both  
5 winter seasons, that is 2008-2009 and 2009-2010.

6 Q. Okay. Thank you.

7 Now, in reaching the conclusion that you  
8 made on page 4-33 of the M/P audit report did you  
9 factor in Columbia's policy of contracting for  
10 capacity within a plus or minus 3 percent of the  
11 forecast peak-day design running four years out?

12 A. No, because we didn't think it should be.

13 Q. Now, when you reached your conclusion on  
14 page 4-33, you factored into your analysis the  
15 complexity of Columbia's distribution system,  
16 correct?

17 A. Yes.

18 Q. And did you also factor into your  
19 analysis the value of the grandfathered maximum  
20 designed day -- I'm sorry, the MDDO provisions in the  
21 TCO contract, the maximum daily demand obligation I  
22 believe it is?

23 A. Yes.

24 Q. Now, is it your understanding that if  
25 Columbia were to decontract some of its capacity

1 contracts with Columbia Transmission, that the  
2 grandfathered provisions regarding their MDDOs would  
3 become null and void?

4 A. We did not factor that in.

5 Q. Now, to the extent that you identified  
6 that but for the 2007 stipulation there would have  
7 been excess capacity during the audit period, is it  
8 your understanding that some of that excess capacity  
9 could have been used by Columbia to engage in  
10 off-system sales or capacity release transactions?

11 A. Yes.

12 Q. And, in fact, did you find as part of  
13 your review that some of that capacity was used for  
14 off-system sales and capacity release transactions?

15 A. Yes, we did.

16 Q. Now, you identified sales rights  
17 transactions in the M/P audit. Do you consider those  
18 to be a type of off-system sales transaction?

19 A. Yes.

20 MR. SERIO: Could I approach, your Honor?  
21 I have a two-page document that I'd like to mark for  
22 purposes of identification as OCC Exhibit No. 2.

23 (EXHIBIT MARKED FOR IDENTIFICATION.)

24 Q. In and in the upper right-hand corner it  
25 indicates "PUCO Case No. 10-221-GA-GCC, OCC

1 Interrogatory No. 3-083, Respondent: Scott D.

2 Phelps." Do you see that?

3 A. Yes.

4 Q. And the second page has a similar heading  
5 except it's OCC interrogatory No. 3-085. Do you see  
6 that?

7 A. Yes.

8 Q. Would you take a moment to look at those  
9 two questions.

10 A. I've read it.

11 Q. Okay. Now, on page xi and page 5-27 of  
12 the M/P audit report, Commission-ordered Exhibit  
13 No. 5, you indicated that you found that the sales  
14 rights transactions had an adverse impact on the  
15 audit period gas costs. Do you see that?

16 A. Yes.

17 Q. And you identify two separate amounts  
18 there, there's 4.31 million, and you identified that  
19 as sales rights revenues, correct?

20 A. Correct.

21 Q. And then 5.98 million would be sales  
22 rights transaction costs; is that correct?

23 A. Adverse, yes.

24 Q. Adverse costs. Now, of the 4.31 million  
25 in sales rights transaction revenues, is it your



1 understanding that as a result of the 2007  
2 stipulation Columbia was entitled to retain some of  
3 those revenues?

4 A. Yes.

5 Q. And is it your understanding that during  
6 the audit period the entire 5.98 million in adverse  
7 sales rights transaction costs were borne by GCR  
8 customers? Correct?

9 A. Correct.

10 Q. So when you identify -- scratch that.

11 If I were to take the 5.98 million and  
12 subtract 4.31 million, is the resulting 1.67 million  
13 the net adverse impact on the GCR?

14 A. I'm sorry. I don't recall the sharing  
15 percentage that was in effect during the audit  
16 period. Fifty percent? That's your --

17 Q. Okay. I believe if you look at page  
18 2.11 of the audit report, it has a table there.

19 A. I'm sorry. 2.11?

20 Q. 2-11. Excuse me.

21 A. Okay. I have it.

22 Q. And I believe you indicated you thought  
23 it was the middle category, the 35 to 50 percent  
24 where sharing would be 50/50?

25 A. Yes. I just simply don't recall. I

1 believe that's correct.

2 Q. Let's assume that that's the sharing  
3 percentage for illustrative purposes. So that means  
4 approximately 2.16 million would have gone to  
5 Columbia and 2.16 million to customers, correct?

6 A. Correct.

7 Q. But the entire 5.98 million in adverse  
8 impact would have gone to customers?

9 A. Correct.

10 Q. So customers would have seen the net  
11 effect of 5.98 million minus 2.16 million, correct?

12 A. Correct.

13 Q. Now, you also indicated that future sales  
14 rights transactions will also have an impact on  
15 Columbia's gas costs. Do you see that reference?

16 A. Yes.

17 Q. And you're familiar with the fact that  
18 Columbia post audit period is acquiring gas for its  
19 customers not through an auction process?

20 A. Yes.

21 Q. Does your recommendation, I'm sorry, does  
22 your observation and conclusion still hold to the  
23 extent that Columbia's providing gas for its  
24 customers under the sales auction instead of under a  
25 GCR mechanism?

1           A.    Yes.  That was discussed, and Columbia  
2           indicated they would still need to purchase some gas  
3           and that was a potential, they still potentially  
4           would engage in those types of sales rights  
5           transactions.

6           Q.    And when you indicate that Columbia still  
7           needs to purchase some gas, that would be for  
8           purposes of system operation, system balancing,  
9           correct?

10          A.    Correct.

11          Q.    Now, if you look at OCC Exhibit No. 2 and  
12          you see the company's response, is there anything in  
13          the company's response on OCC interrogatory No. 3-083  
14          that changes your conclusion or recommendation  
15          regarding sales rights contracts?

16          A.    No.

17          Q.    And is there anything in the company's  
18          response to OCC interrogatory No. 3-085 that would  
19          change your conclusion regarding the sales rights  
20          transactions?

21          A.    No.

22          Q.    Could you turn to page 5-19 in the audit  
23          report, Commission-ordered Exhibit No. 5.

24          A.    I have it.

25          Q.    Just below the table you have a

1 discussion regarding Columbia's affiliate Northern  
2 Indiana Public Service Company.

3 A. Yes.

4 Q. Northern Indiana Public Service Company  
5 is a gas distribution company, correct?

6 A. Correct.

7 Q. And it operates in the state of Indiana?

8 A. Yes.

9 Q. And you've indicated there that Northern  
10 Indiana Public Service Company engages in similar  
11 transactions to Columbia's sales rights transactions,  
12 correct?

13 A. Correct.

14 MR. SEIPLE: Objection. Relevance.

15 EXAMINER PHILLIPS-GARY: We're going to  
16 take a short recess and we'll be back.

17 (Recess taken.)

18 EXAMINER PARROT: Let's go back on the  
19 record.

20 Mr. Seiple, we are going to overrule your  
21 objection and allow the Commission to determine the  
22 relevance of the testimony.

23 MR. SERIO: Can you repeat the question,  
24 please?

25 EXAMINER PARROT: Please reread the

1 question.

2 (Record read.)

3 Q. (By Mr. Serio) Absent the 2007  
4 stipulations your recommendation to the PUCO is that  
5 the Commission require Columbia to net the revenues  
6 from sales rights transactions against any adverse  
7 impact on gas costs prior to sharing any of those  
8 revenues, correct?

9 A. Correct.

10 MR. SERIO: That's all I have, your  
11 Honor. Thank you.

12 EXAMINER PARROT: Mr. Seiple.

13 MR. SEIPLE: No questions. Thank you.

14 EXAMINER PARROT: Any redirect,  
15 Mr. Jones?

16 MR. JONES: No, your Honor.

17 EXAMINER PARROT: You're excused. Thank  
18 you very much.

19 (Witness excused.)

20 MR. SERIO: Your Honor, I would move  
21 admission into the record of OCC Exhibit No. 1 and  
22 OCC Exhibit No. 2.

23 EXAMINER PARROT: Are there any  
24 objections to the admission of these two exhibits?

25 MR. SEIPLE: No objections.

1 MR. JONES: No objections, your Honor.

2 EXAMINER PARROT: In that case, OCC  
3 Exhibits 1 and 2 will be admitted into the record.

4 (EXHIBITS ADMITTED INTO EVIDENCE.)

5 EXAMINER PARROT: Are there any other  
6 matters to become before us this afternoon?

7 MR. SEIPLE: No.

8 MR. SERIO: No, your Honor.

9 MR. JONES: No your Honor.

10 EXAMINER PARROT: In that case these  
11 cases are submitted on the record and we are  
12 adjourned. Thank you.

13 (The hearing concluded at 3:20 p.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 Monday, March 14, 2011, and carefully compared with my original stenographic notes.

Maria DiPaolo Jones, Registered  
Diplomate Reporter and CRR and  
Notary Public in and for the  
State of Ohio.

My commission expires June 19, 2011.  
(MDJ-3808)

- - -

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Summary: Transcript Transcript of Rate Schedules of Columbia Gas of Ohio Inc. hearing held on 03/14/11. electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Jones, Maria DiPaolo Mrs.