

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :
Application to Modify, In :
Accordance with Section :
4929.08, Revised Code, The :
Exemption Granted to the : Case No. 12-1842-GA-EXM
East Ohio Gas Company :
d/b/a Dominion East Ohio :
in Case No. 07-1224-GA-EXM. :

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PROCEEDINGS

before Ms. Katie Stenman, Hearing Examiner, at the
Public Utilities Commission of Ohio, 180 East Broad
Street, Room 11-C, Columbus, Ohio, called at 10:00
a.m. on Tuesday, October 16, 2012.

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VOLUME I

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 Utilities Commission of Ohio.

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Tuesday Morning Session,
October 16, 2012.

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EXAMINER STENMAN: The Public Utilities
Commission of Ohio has called for hearing at this
time and place case No. 12-1842-GA-EXM being In the
Matter of the Application of Dominion East Ohio for
an Exemption in Accordance with Section 4929.08
Modifying Case No. 07-1224-GA-EXM.

My name is Katie Stenman, and I'm the
attorney examiner who's been assigned by the
Commission to hear this case.

Before we get started let's start with
some appearances starting with Dominion.

MR. WHITT: Good morning, your Honor, on
behalf of Dominion East Ohio, Mark Whitt, Andrew
Campbell, and Gregory Williams from the firm of Whitt
Sturtevant, 155 East Broad Street, Suite 2020,
Columbus, Ohio, 43215.

MR. PETRICOFF: Thank you, your Honor.
On behalf of the Ohio Gas Marketers Group and the
Retail Energy Supply Association, M. Howard Petricoff
and Stephen M. Howard from the law firm of Vorys,
Sater, Seymour & Pease, 52 East Gay Street, Columbus,
Ohio.

1 EXAMINER STENMAN: Thank you.

2 MR. SAUER: Thank you, your Honor. On
3 behalf of the residential customers of the Dominion
4 East Ohio company, the office of the Ohio Consumers'
5 Counsel, Bruce J. Weston, Consumers' Counsel, Joseph
6 P. Serio and Larry S. Sauer, Assistant Consumers'
7 Counsel, 10 West Broad Street, Columbus, Ohio, 43215.

8 EXAMINER STENMAN: Thank you.

9 MR. RINEBOLT: On behalf of Ohio Partners
10 for Affordable Energy, David C. Rinebolt, lead
11 counsel, and Colleen L. Mooney, 231 West Lima Street,
12 Findlay, Ohio.

13 EXAMINER STENMAN: Thank you.

14 MR. PARRAM: Good morning, your Honor.
15 On behalf of the staff of the Public Utilities
16 Commission of Ohio, Ohio Attorney General Mike
17 DeWine, by Assistant Attorneys General Stephen A.
18 Reilly and Devin D. Parram, 180 East Broad Street,
19 6th floor, Columbus, Ohio.

20 EXAMINER STENMAN: Thank you.

21 At this time I do believe we have a few
22 pending motions, the first of those deal with the pro
23 hac vice that was filed on October 2nd, 2012, by
24 David Rinebolt. Are there any objections to that
25 motion?

1 (No response.)

2 EXAMINER STENMAN: That will be granted.

3 We also have a pending motion to dismiss
4 which, as is usually the practice of the Commission,
5 that will be dealt with as part of the final opinion
6 and order that is issued by the Commission.

7 And I believe before we went on the
8 record we talked about the pending motion to strike
9 some of the testimony that's been filed, and we'll
10 take any motions to strike as we go through the
11 witnesses.

12 We do have a prefilled witness order so at
13 this time I will turn it over to Mr. Whitt.

14 MR. WHITT: Thank you, your Honor. At
15 this time Dominion East Ohio would call Mr. Jeffrey
16 Murphy to the stand. And may I approach?

17 EXAMINER STENMAN: You may.

18 Please raise your right hand.

19 (Witness sworn.)

20 EXAMINER STENMAN: Thank you.

21 (EXHIBIT MARKED FOR IDENTIFICATION.)

22 - - -

23 JEFFREY A. MURPHY

24 being first duly sworn, as prescribed by law, was
25 examined and testified as follows:

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DIRECT EXAMINATION

By Mr. Whitt:

Q. Good morning, Mr. Murphy. Could you introduce yourself, please, by stating your full name, title, and business address.

A. My name is Jeffrey A. Murphy. I am the managing director of Commercial Operations for Dominion East Ohio. My business address is 1201 East 55th Street, Cleveland, Ohio.

Q. Mr. Murphy, do you have in front of you a document that has been premarked as DEO Exhibit 1.0?

A. Yes, I do.

Q. And does this document represent direct testimony that you have prepared for this proceeding?

A. Yes, it does.

Q. Do you have any additions or corrections to your testimony?

A. No, I do not.

Q. If I were to ask you the same questions that appear in DEO Exhibit 1.0 today, would your answers be the same?

A. Yes, they would.

MR. WHITT: At this time, your Honor, the company would move for the admission of DEO Exhibit 1.0 subject to cross-examination.

1 EXAMINER STENMAN: Thank you.

2 MS. MOONEY: Your Honor, I might have
3 needed to bring this up before, but we want to make
4 certain that the record in 07-1224, that whole case
5 record is in the record in this case because this is
6 a joint motion to modify the opinion and order in
7 07-1224.

8 And we have a few things specifically
9 that we want to make sure that will involve, the
10 cross of Mr. Murphy, his testimony for example, in
11 07-1224, the application that Dominion made in
12 07-1224, and we just want to make certain that those
13 references -- that that whole record from 07-1224 is
14 in the record in this case.

15 EXAMINER STENMAN: So are you requesting
16 administrative notice of --

17 MS. MOONEY: I don't know if
18 administrative notice is exactly what is involved in
19 this. I think the record in the 07-1224 should be in
20 this case, but if administrative notice is basically
21 the same thing, gets me the same thing, then that
22 would be fine too.

23 MR. PETRICOFF: Your Honor, we would
24 object to just a blanket admission of the entire
25 record in the 1224 case in here. Certainly for

1 purposes of cross-examination anything that the
2 company has filed with the Commission or Mr. Murphy
3 has said would be acceptable probably for
4 cross-examination purposes, but since that is a
5 voluminous file and we don't know what it is, we
6 would object to a blanket.

7 MS. MOONEY: May I respond to that?

8 EXAMINER STENMAN: You may.

9 MS. MOONEY: While this is an odd case,
10 this is a joint motion to modify the opinion and
11 order in 07-1224, I would ask for administrative
12 notice except that I don't really think it's
13 necessary. I think the whole record of 07-1224
14 basically is already in this case because you're
15 modifying the opinion and order that came out of that
16 case.

17 It's an odd case, I agree with that, but
18 I just want to confirm -- otherwise we'll take
19 administrative notice, but I think the whole
20 record -- I'm not necessarily going to use the whole
21 record. If I use any specific parts of it, I'll
22 definitely refer to that, but I think that the whole
23 record should be in this case.

24 EXAMINER STENMAN: Well, at this point we
25 haven't even gotten into any questions for the

1 witness so let's hold off on the administrative
2 notice.

3 It is typically the Commission's practice
4 to take administrative notice of anything that's
5 docketed here, and any documents that you need to use
6 in cross-examining Mr. Murphy you're free to request
7 administrative notice and most likely, as is the
8 Commission's typical practice, that will be granted,
9 but I don't think at this time there's any reason to
10 try to put the entire record in this case. It's
11 obviously docketed and publically available here at
12 the Commission, so you can reference that in any way
13 you need to.

14 MS. MOONEY: Okay. And then I want to
15 add that we also will want to take administrative
16 notice of the Phase 1, which was the 05-474-GA-ATA,
17 and that record too.

18 EXAMINER STENMAN: Okay. Again, let's
19 get through the questioning and then we'll go from
20 there.

21 MS. MOONEY: Thank you.

22 EXAMINER STENMAN: Mr. Petricoff, any
23 questions for Mr. Murphy?

24 MR. PETRICOFF: No, your Honor.

25 EXAMINER STENMAN: Mr. Serio?

1 MR. SERIO: Thank you, your Honor.

2 - - -

3 CROSS-EXAMINATION

4 By Mr. Serio:

5 Q. Good morning, Mr. Murphy.

6 A. Good morning.

7 Q. I just have a few questions for you. Am
8 I correct that it was the company's intent when you
9 signed the stipulation and then filed the application
10 in this proceeding that the marketers would carry the
11 burden of proving the reasonableness of an exit from
12 the merchant function for nonresidential customers?

13 A. The motion that we filed was a joint
14 motion and, therefore, the company obviously supports
15 the Commission moving in the direction requested in
16 the joint motion as well as the accompanying
17 stipulation.

18 In discussions with the marketers we did
19 indicate that our expectation was, with regard to any
20 commodity service issues, that they would be best
21 positioned to address some of those issues because
22 they are in the commodity service end of the business
23 as it were.

24 Q. Okay. The company's had a number of
25 auctions to date, correct?

1 A. Yes, that is correct.

2 Q. And I believe as part of the discovery
3 that the Ohio Partners for Affordable Energy, OPAE,
4 served on the company one of the discovery questions
5 asked what the cost of conducting all the past SCO
6 auctions was. Do you recall that?

7 A. I do recall the discovery question.

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

9 EXAMINER STENMAN: You may.

10 MR. SERIO: I'd like to mark for purposes
11 of identification OCC Exhibit No. 1. It's, I
12 believe, a three-page document, and on the first page
13 it says "Interrogatory No. 13" with a response, and
14 then it lists 14, 15, 16, and 17.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 Q. And I specifically would like to point
17 your attention to the third page, or page 8, and it
18 indicates there that the company has spent a total of
19 \$577,172.55 for the auctions to date, correct?

20 A. Yes.

21 Q. And that is for, I believe the company's
22 had six auctions to date?

23 A. Subject to check, it's in that range,
24 yes.

25 Q. Okay. So this cost is for all six of

1 them and it wasn't that it cost \$577,000 for any one
2 auction, correct?

3 A. That is correct. That is a cumulative
4 figure.

5 Q. And would it be -- I'm sorry.

6 A. Pardon me. The number is a cumulative
7 figure.

8 Q. Would it be safe to say that that cost
9 would be roughly divided by the number of auctions to
10 get a magnitude per auction?

11 A. No, it would not, because the initial
12 auctions involved the creation of the platform to
13 conduct the auction and, hence, the initial auctions
14 were more expensive. The latter auctions have
15 decreased in price.

16 Q. Do you have a ballpark range of what the
17 later auctions have been?

18 A. I believe they've been less than \$50,000,
19 but, again, I would need to check the actual data
20 request response to verify the exact figure.

21 Q. And OCC Exhibit No. 1, that is the
22 company responses to the OPAE discovery request,
23 correct, regarding the cost of the auctions?

24 A. Yes, sir.

25 MR. SERIO: That's all I have, your

Honor.

Thank you, Mr. Murphy.

EXAMINER STENMAN: Thank you.

Ms. Mooney.

MS. MOONEY: Thank you, your Honor.

- - -

CROSS-EXAMINATION

By Ms. Mooney:

Q. Mr. Murphy, let's start at page 1 of your testimony, lines 19 through 23. And in these lines you say that if the requested modification to the existing exemption order, the 07-1224 order, is granted, Choice-eligible nonresidential customers no longer will have access to the SCO commodity service and that nonresidential customers who have not selected a competitive retail natural gas supplier will be assigned to one at the supplier's monthly variable rate, the MVR.

My first question is, can you tell me how the suppliers' monthly variable rate, the MVR, is determined?

A. No, I cannot, because I'm not a supplier.

Q. So who sets the suppliers' monthly MVR rate?

A. The individual suppliers set that rate.

1 Q. And who controls the suppliers' monthly
2 MVR rate?

3 A. Suppliers are the ones who determine that
4 rate. Having said that, it's important to note that
5 in the MVR portion of our tariff that rate is capped
6 by the lowest competitive monthly variable rate offer
7 that the supplier has posted on the Apples to Apples
8 comparison.

9 Q. And how is that monthly competitive rate
10 determined?

11 A. I don't know because I'm not a supplier
12 who participates in the process of determining that
13 rate.

14 Q. It's the supplier that determines that.

15 A. Yes, that is correct.

16 Q. Okay. On page 1, again, going through to
17 lines 19 and 23 again, you also say that one of the
18 choices available to customers who lose the SCO
19 option, if the modification is granted, is that they
20 can join an opt-out government aggregation. Why is
21 there no reference to any opt-in government
22 aggregation?

23 A. Opt-in governmental aggregation is
24 operated through the standard Energy Choice pooling
25 program. In other words, if a customer wants to sign

1 up with an individual supplier through an opt-in
2 program, that operates under the provisions for a
3 regular bilateral agreement, and so opt-in
4 aggregation is really a subset of the bilateral
5 contracts under the Energy Choice program.

6 Opt-out aggregation is different because
7 it goes through the opt-out process whereby initial
8 mailings are made and if the customer does not
9 respond, then they are automatically included into
10 the opt-out aggregation program.

11 Q. So are you saying that opt-in government
12 aggregation would still be available to the SCO
13 customers who lose the SCO service?

14 A. Yes, it would.

15 Q. Okay. On page 2 of your testimony at
16 lines 1 through 6 the reference is to "SSO bill." Is
17 that a typo or did you mean to refer to "SSO" there?

18 A. I did mean to refer to "SSO" at that
19 location.

20 Q. You did? Okay.

21 I don't understand, in what situation
22 would the customer get at least one SSO bill?

23 A. That is identified in lines 1 and 2 of
24 that testimony. Those situations would involve new
25 customers, new customers moving into our service

territory, certain relocating customers, and by that I specifically mean that most of the marketers' pools on our system have what they call portability provisions whereby if a customer moves from one address in our service territory to another, the contract moves with the customer as well. That is not necessarily the case, however, in all circumstances; therefore, certain relocating customers whose contracts are not portable would fall under this provision.

And then the last portion identified in line 12 references customers who have been disconnected for nonpayment for more than ten days, come on with a new account number and would be treated in this group.

The provision specifically states, then, that in this particular situation involving the customers I just mentioned, they would receive at least one SSO bill. After the second SSO bill, if they haven't chosen, they would be moved into a standard choice offer type of service.

Q. So there is still an SSO service available from Dominion?

A. Yes, there is, and it's provided to over 100,000 customers, most of which are PIPP-eligible

1 customers.

2 Q. I am going to ask you more about that but
3 I'll do that later.

4 Going to page 2 again, lines 7 through
5 10, we're talking about the assignment of customers
6 to a competitive retail natural gas supplier. What
7 are the criteria that Dominion uses to select the
8 suppliers for this MVR service? How do you select
9 the suppliers? How do you get the list of suppliers?

10 A. Dominion East Ohio does not select the
11 suppliers. After each auction the company
12 distributes information to all of its Energy Choice
13 suppliers asking whether they would like to be
14 included in the rotating assignment to standard
15 choice offer customers as well as MVR customers.

16 So the suppliers must be an existing
17 Energy Choice marketer certified by the Commission,
18 having executed an agreement with the company to
19 provide Energy Choice pooling service, and then, in
20 effect, they self-select. They let us know whether
21 or not they want to participate either in the MVR or
22 the SCO rotating assignment, or potentially both.

23 Q. But you have a list of these suppliers,
24 that's what the testimony -- we will maintain a list
25 of those registered to provide. I guess my question

1 is how do you -- is this list, how is it made up? Is
2 there a ranking of it? How do I get to be number 1
3 or 2 or 3 if I'm a supplier?

4 A. There is no ranking per se. Suppliers
5 simply indicate whether or not they want to provide
6 MVR or SCO service, and when I refer to maintaining a
7 list, all I simply mean there is that as the
8 suppliers select to participate in that, we maintain
9 that, and then as either SCO or MVR customers are to
10 be assigned out, they simply go to the next marketer
11 in line. So it goes from one marketer to the next
12 and then to the next.

13 Q. And how often is this, I'll say "list"
14 but I understand it's not a hierarchy list of
15 suppliers, but how often does this get changed or
16 updated?

17 A. The primary list is updated after each
18 auction is conducted. However, if a new supplier
19 enters the marketplace, they are given the
20 opportunity to participate as well.

21 Q. Are they on the list?

22 A. If they choose to be and have been
23 certified by the Commission and have executed the
24 appropriate agreements with us, yes, they can.

25 Q. And as far as the rotating basis,

1 customers will be assigned to suppliers on this list
2 on a rotating basis, how does that work? The
3 rotating basis, that you would assign customers to
4 the list on a rotating basis, how would that work?

5 A. It's very straightforward. It simply
6 goes from marketer A, customer 1, customer 2 is then
7 coming in to get MVR or SCO service, customer 2 then
8 is assigned to the next marketer, customer 3, the
9 next marketer.

10 So it is literally a rotating assignment
11 in that each marketer gets a turn to pick up that
12 next customer that would come into, again, either SCO
13 service today or MVR service today. So it is just
14 nothing more than one marketer picking up one
15 customer and then moving on to the next customer.

16 Q. But as far as the existing SCO service
17 that exists right now, wouldn't a supplier who's a
18 tranche winner in the auction get that customer?

19 A. They are automatically included in the
20 list, but, again, after each auction when the auction
21 results are known, the company sends information to
22 all Energy Choice suppliers asking whether or not
23 they would like to be included in that SCO assignment
24 regime.

25 Q. And on the same page, page 2, on 12

1 you're referring to the stipulation that you filed
2 that's the Joint Exhibit 1 to the joint motion in
3 this case, that stipulation, and your negotiations
4 with the Ohio Consumers' Counsel.

5 Can you tell me how long residential
6 customers will, I want to say be protected from the
7 loss of SCO service, but how long of a stay-out is
8 there for residential customers in that stipulation?

9 A. The stipulation provides that none of the
10 parties may request an effective date for a
11 residential customer exit prior to April of 2015.
12 The stipulation also provides that Dominion East Ohio
13 will not request a residential merchant function
14 until that time, thus, the earliest that a
15 residential merchant function exit could occur under
16 the terms of the stipulation is April of 2015.

17 EXAMINER STENMAN: Let me just stop you
18 for a second here.

19 Mr. Whitt, this might be a good time to
20 mark the stipulation.

21 MR. WHITT: I believe we had agreed to
22 mark it as Joint Exhibit 1.

23 EXAMINER STENMAN: Okay. It will be so
24 marked.

25 (EXHIBIT MARKED FOR IDENTIFICATION.)

1 EXAMINER STENMAN: Ms. Mooney, you can go
2 ahead.

3 MS. MOONEY: Okay.

4 Q. (By Ms. Mooney) Moving on to page 3,
5 then, specifically line 12, and this is referenced as
6 Phase 1, case No. 05-474-GA-ATA, basically we've
7 asked that administrative notice be taken of that at
8 this time.

9 And also down on line 14 you're referring
10 to the NYMEX and, basically, the Phase 1 replaced the
11 GCR, the gas cost recovery, mechanism with the SSO,
12 the standard service offer rate, based on the
13 month-end settlement prices for natural gas futures
14 contracts traded on the NYMEX; is that correct?

15 A. Yes.

16 Q. In your opinion, is the NYMEX a
17 competitive market?

18 A. The New York Mercantile Exchange, or
19 NYMEX, is an exchange. However, the contracts traded
20 on that exchange are subject to market forces of
21 demand and supply, so in that sense of contracts
22 being traded on that exchange in a competitive
23 manner, it does constitute a market for those
24 contracts.

25 Q. Does a competitive retail natural gas

1 supplier purchase commodity from the NYMEX?

2 A. No, commodity is not purchased directly
3 on the NYMEX. Contracts for the option to purchase
4 commodity at a future date at a known price, however,
5 are traded and so suppliers could conceivably
6 procure, effectively, their -- or I should say lock
7 in, effectively, their cost of gas through the NYMEX
8 if they chose.

9 Q. Would you have any idea how many buyers
10 and sellers participate in the NYMEX natural gas --
11 the Henry Hub trading market?

12 A. No, I do not. However, as you look at
13 the NYMEX website, one of the points that is made
14 there is that it is the third largest physical market
15 for an energy commodity in the world, suggesting that
16 it's a highly competitive market and the prices set
17 are the subject of competitive market forces.

18 Q. So would you say that the NYMEX
19 end-of-month settlement price for natural gas enables
20 the SCO price to reflect the current market price?

21 A. Only in part. The underlying commodity
22 portion, that is the NYMEX price itself, is
23 reflective of current market conditions, however, the
24 retail price adjustment that is added to that is set
25 at a specific point in time through the auction

1 process. As a result, that retail price adjustment
2 may or may not reflect the market conditions at that
3 particular point in time.

4 Q. I'm looking for one last exhibit. Do you
5 have your testimony in 05-474 with you today?

6 A. I don't believe I do.

7 Q. Well, I do.

8 MS. MOONEY: Your Honor, do you want me
9 to mark this as an exhibit? It's Mr. Murphy's
10 testimony, direct testimony, in 05-474, and it was
11 docketed on September 19, 2005.

12 EXAMINER STENMAN: Let's mark it just so
13 that we're all referring to the same thing.

14 MS. MOONEY: We'll mark this as -- we
15 intend to mark Stacia Harper's testimony as OPAE
16 Exhibit 1 and then she has a revision, a correction,
17 which will be A-1, so can I mark this as OPAE Exhibit
18 2?

19 EXAMINER STENMAN: It will be so marked.

20 MS. MOONEY: Thank you.

21 (EXHIBIT MARKED FOR IDENTIFICATION.)

22 Q. (By Ms. Mooney) I think it's page 7 we're
23 going to mention here. Referring to page 7, I guess
24 it's lines 2 through 6, it says -- well, it would
25 start on 4, "Using a NYMEX-based price will provide

1 continuity in the overall pricing approach and enable
2 the SSO price to reflect current market pricing." Do
3 you see that?

4 A. Yes, I do.

5 Q. Okay.

6 A. I should point out that the primary
7 change in Phase 1 was to go from the GCR to the SSO.
8 The major component of the GCR that caused market
9 prices to be different than the price charged to
10 customers was unrecovered gas cost. So one of the
11 major features of SSO is to eliminate that
12 unrecovered gas cost component.

13 The NYMEX component certainly is the
14 primary portion of the SSO since its inception and
15 remains so today. The element that I specifically
16 referred to as the retail price adjustment is that
17 item that's set in the market.

18 The underlying commodity price of the
19 NYMEX does, in fact, reflect current market
20 conditions for that particular upcoming month. So
21 there's a distinction there worth making.

22 Q. Okay. Well, let's continue on with the
23 discussion of what happened in Phase 1, the
24 replacement of the GCR. I think in -- let's put it
25 this way, when you replaced the GCR, Dominion secured

1 the natural gas supply using an auction in which
2 suppliers bid for the right to provide tranches of
3 Dominion's load; is that correct?

4 A. Yes, they bid for the right to supply
5 tranches for Dominion's sales load. It wasn't
6 necessarily the load to all customer classes.

7 Q. What exactly did the bidders in the
8 auction bid for?

9 A. Bidders in the auction bid for the right
10 to supply a specific portion or percentage of
11 Dominion's sales requirements. So those sales
12 requirements volumes were divided up into a certain
13 number of tranches, a supplier could bid on so many
14 of the tranches up to one-third of the total, and
15 once that auction was complete, we executed purchase
16 and sale arrangements with the marketers. That meant
17 that the auction itself was a wholesale auction, not
18 a retail auction.

19 Q. Would you say that the SSO auction was
20 competitive?

21 A. Yes, it was.

22 Q. And that market forces were used to
23 establish the price from the SSO auction?

24 A. I would certainly agree that market
25 forces were one of the major factors arriving at that

1 outcome. I would also point out that the marketers
2 that supplied those SSO tranches, as well as the
3 subsequent SCO tranches, were, in the main, the same
4 suppliers participating in the Energy Choice program
5 itself.

6 So one can talk about the market forces,
7 but at the end of the day it was the suppliers
8 themselves who were bringing to bear the bids and the
9 participation in the auction and, thus, ultimately
10 the suppliers themselves drove the outcome through
11 that competitive auction process.

12 Q. But it was a competitive process.

13 A. Yes, it was.

14 Q. And just going to page 8 in that same
15 testimony you filed in the 05-474 case that's been
16 marked as OPAE Exhibit 2, you referred to other
17 advantages such as local production that enabled
18 suppliers to provide a commodity price -- at a price
19 less than the GCR's expected gas cost, the EGC, while
20 still accommodating a profit margin. That's on page
21 8. Do you see that?

22 A. Yes, I do.

23 Q. Okay. Would you say that a competitive
24 auction that sets a price either in the SSO or the
25 SCO and the adder that goes into that, the retail

1 adder, is less of a competitive market or basically
2 the same competitive market as a bilateral contract
3 between a supplier and a customer?

4 A. Certainly both the bilateral market as
5 well as the SCO and SSO markets are competitive.
6 Many of the same forces, be it the cost of
7 production, the cost of moving the gas from
8 production areas up to our city gate, our service
9 territory come into play.

10 I think it's important to recognize,
11 however, that the auction process occurs on a morning
12 or an afternoon on a day in February or March, so in
13 that sense there are market forces brought to bear at
14 that particular time that may be different than the
15 market forces for the other 364 days in the ensuing
16 year, if you will.

17 Those market forces as they change will
18 affect the ability of suppliers to offer certain
19 types of terms and prices into the marketplace and,
20 therefore, I wouldn't say one market is more or less
21 competitive than another, but that the underlying
22 cost and the manner in which the supplies are
23 procured and utilized will be different from one type
24 to the other.

25 Q. Well, aren't bilateral contracts

1 between customers and individual retail suppliers,
2 aren't they also subject to a day or whatever the
3 market forces are at that time that the contract is
4 entered into?

5 A. Not necessarily because as you look at,
6 for example, the Apples to Apples comparison, those
7 prices are on that comparison chart, those prices are
8 made available by marketers for more than a single
9 day or more than an afternoon on a single day.

10 Q. How -- go ahead. I'm sorry.

11 A. Therefore, to the degree that you have
12 offers out there that span a greater length of time,
13 that supplier engaging in that particular market is
14 subject to offering risk. That is that the market
15 will change after they've developed that initial
16 price and the time at which the customer accepts that
17 price. That is different than the SCO because
18 historically the Commission has approved an entry
19 authorizing that price to be charged the very next
20 day.

21 So there are different elements of risk,
22 the cost will change somewhat differently and, again,
23 same underlying market fundamentals perhaps may be at
24 work but given the different timing they will be
25 different as well.

1 Q. Well, how often can a retail supplier
2 change the price that he's offering, say, on the
3 Apples to Apples chart, something like that? Do you
4 know how often he can change that; a marketer?

5 A. I believe the Apples to Apples comparison
6 chart is updated throughout the month but,
7 conceivably, a marketer could change their price even
8 more frequently than that and simply not have that
9 price at that particular point in the Apples to
10 Apples comparison.

11 Q. But a supplier that's bidding into the
12 auction, either SSO or SCO, is going to acquire
13 customers without directly marketing to customers; is
14 that correct?

15 A. Yes, that is correct. There's no
16 customer acquisition cost per se in that process.

17 Q. Would you consider customer acquisition
18 cost to be a barrier to other suppliers who are not
19 going to acquire customers through the auctions, the
20 SSO or SCO auction?

21 A. I don't believe customer acquisition cost
22 is a major barrier to entry into our market. For
23 example, if you look at the period before the SSO
24 went into effect, there were 16 suppliers. Today
25 there are over 30 suppliers. All of those suppliers

1 potentially bear some customer acquisition cost as
2 they go to market.

3 Thirty suppliers is a very large number
4 to market gas in northeast Ohio. I would tend to
5 think that if customer acquisition costs were a
6 significant barrier to entry, that we would not have
7 that large a number of suppliers competing in the
8 market.

9 Q. Does that whole number of suppliers, the
10 30 -- I think you said "32," do they all bid in the
11 auction?

12 A. No, they do not.

13 Q. About how many suppliers bid in the
14 auction?

15 A. It varies from auction to auction, but
16 typically there are several times the number of
17 marketers participating than would conceivably be
18 assigned in the auction process. So a number much
19 greater than the number of suppliers actually awarded
20 bids in the auction typically do participate.

21 Q. Okay. Mr. Serio has already asked you
22 about the number of auctions you've had and I think
23 you said that SCO and SSO you've had about six or --
24 that many?

25 A. Yes, I believe I referred to six subject

1 to check.

2 Q. And he also showed you the response to
3 the OP&E interrogatory in which you said that the
4 577,000, roughly, had been spent by Dominion to date
5 for all those auctions. That's a cumulative total,
6 that's what you told Mr. Serio, correct?

7 A. That is correct.

8 Q. And that the last -- the later auctions
9 probably cost Dominion less than 50,000 to conduct.

10 A. To the best of my recollection, yes. I
11 believe that information may have been provided to
12 OP&E in discovery responses so you may well have the
13 exact dollar figure in your responses.

14 Q. Do you know the number of customers in
15 the SCO pool for each of the auctions?

16 A. I do not have that information in front
17 of me.

18 Q. Okay.

19 A. But, again, I believe that was provided
20 to you in data requests.

21 Q. Yes, and I want to mark that as OP&E
22 Exhibit, I think it will be 3.

23 EXAMINER STENMAN: It will be so marked.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 MS. MOONEY: And it's Dominion's response

1 to OPAE interrogatory No. 12.

2 Q. And that is OPAE's question which was our
3 interrogatory No. 12, the number of customers in the
4 SCO pool by auction. Is that correct?

5 A. Yes, it is.

6 Q. Would you agree that if you added up the
7 total for those four auctions, it would be about
8 800,000, the total for the four?

9 A. If you want to give me a calculator, I'd
10 be happy to add them up.

11 Q. I have that, I'll just give it to you,
12 but we did calculate it.

13 MS. MOONEY: I'm not going to mark it as
14 an exhibit, but this is the addition from a
15 calculator.

16 A. It looks mighty official to me.

17 Q. Yeah, I thought you'd like that.

18 A. I will agree with the math here assuming
19 your calculator works properly, but I'd also point
20 out that, frankly, I don't think that number has any
21 particular meaning.

22 Q. Okay. Well, we'll leave it at that.

23 The number, though, is, you might not
24 think it has any meaning, but it's 795,475; is that
25 correct?

1 A. No, it is not. The number you gave me
2 was 759,475.

3 Q. Okay. Well, we're dyslexic. It is what
4 it is. It would add up --

5 MR. WHITT: Well, if we can just have
6 clarity in the record for what the number is.

7 MS. MOONEY: All right.

8 A. Again, on the piece of paper you've given
9 me it says "759,475."

10 Q. Which just involves adding up the four
11 numbers that are on OPAC Exhibit No. 3. It may or it
12 may not but -- okay.

13 And there's another OPAC interrogatory
14 I'll just get into at this point. Do you know how
15 many competitive retail natural gas supplier
16 customers moved from the SCO within two bills after
17 being dropped -- moved to the SCO within two bills
18 after being dropped by a competitive retail natural
19 gas supplier, and that would be Dominion's response
20 to OPAC's interrogatory No. 9?

21 A. That number changes each and every month,
22 so I have not committed them to memory.

23 Q. Okay.

24 MS. MOONEY: Your Honor, I'd like to mark
25 as OPAC Exhibit, I think at this point we're at 4 --

1 EXAMINER STENMAN: Yes.

2 MS. MOONEY: -- Dominion's response to
3 OP&E's interrogatory No. 9.

4 EXAMINER STENMAN: It will be so marked.
5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 Q. Do you know how -- first off, as sort of
7 background on this, how would a customer who is on a
8 contract with the supplier, a customer who's leaving
9 a competitive retail natural gas supplier and is
10 calling to get on Dominion's SCO offer, what does
11 that customer -- that customer right now is able to
12 get on the SCO service; is that correct?

13 A. Yes, it is, if that customer is a
14 Choice-eligible customer.

15 Q. Yes, a Choice-eligible customer is able
16 to get onto SCO service from a retail natural gas
17 supplier. Do you know what the customer has -- the
18 process the customer would have to do in order to get
19 on the SCO service?

20 A. Yes. They merely have to call in to our
21 call center number and can arrange for that movement
22 to take place at the next appropriate billing cycle.

23 Q. So the number of customers that are on
24 OP&E Exhibit 4, they basically had to call Dominion
25 to get on the SCO service.

1 A. Yes, that is correct.

2 Q. So we --

3 A. I will also point out that if you are an
4 aggregation customer, specifically an opt-out
5 aggregation customer, the SCO service is your default
6 service at that point as well. So if an aggregation
7 program ends, the default for those particular
8 customers is SCO service. If it's the subject of a
9 bilateral contract, that default service, if they
10 have not moved within two months after exiting, they
11 will go to the MVR rate.

12 Q. But customers right at this point are
13 able to shop to get -- are able to choose or shop, if
14 you want to use that -- whichever verb, to get onto
15 the SCO service; is that correct?

16 A. Yes, that is correct. And many of the
17 customers may have been there from the outset. In
18 the response to interrogatory No. 12, for example, as
19 you look at the 2009 to 2010 period, 241,000,
20 approximately, SCO customers were included in that
21 auction; that number has since declined to 170,000.
22 It is certainly possible, if not highly likely, that
23 many of those customers that were SCO customers at
24 the outset have simply remained SCO customers through
25 that entire time.

1 Q. And there are other customers that have
2 been, I hate to say "CRNGS," I don't want to say
3 "CRNGS," that have been in contracts, bilateral or
4 government aggregation, with a supplier who have been
5 able -- who have gone back or gone to the SCO.

6 A. That's correct. And I should point out,
7 in the data request that you provided in response to
8 interrogatory 9, that these may not all be different
9 customers. A customer, for example, could come to
10 SCO service in June of 2009, have moved back out into
11 Energy Choice with a supplier or with an aggregator,
12 and then at some point later on again come back to
13 SCO. So I just want to point out that these may not
14 be all unique customers but, in fact, could be repeat
15 customers showing up throughout this particular data
16 request.

17 Q. But these are choices that the customers
18 have.

19 A. That is correct. And as you look at each
20 individual month, what you'll find is that if we were
21 looking at a base of approximately 14,000
22 nonresidential SCO customers, many months the number
23 of SCO customers that are making that election are
24 under 1 percent. So, again, it's just helpful to
25 keep in mind what the total customer base is against

1 which these numbers can be compared.

2 Q. Okay. Well, let's go to page 4 of your
3 testimony.

4 A. I'm sorry. In which proceeding the
5 testimony?

6 Q. I'm sorry. Let's go back to this
7 proceeding.

8 A. Thank you.

9 Q. On line 1 you're referring to SCO
10 customers' bills began informing them which supplier
11 provided their commodity. Can you tell me, under the
12 current process that's in effect right now, does
13 Dominion take title to the commodity being supplied
14 by the suppliers?

15 A. No, we do not for the SCO for the other
16 types of Energy Choice offers. We do take title to
17 the gas supply to the SSO marketplace.

18 Q. Why does Dominion take title to the
19 commodity being supplied for the SSO?

20 A. Because that is part of our wholesale
21 supply provided to Choice-ineligible customers. So
22 we purchase the gas directly from the suppliers,
23 literally sell it to our customer under our SSO
24 tariff which is attached to our sales rate schedules.
25 So there's a difference in the type of commodity

1 service being provided. The SSO service is
2 wholesale. SCO service is retail.

3 Q. So there's still, well, an SSO auction?

4 A. Yes. Up until the last auction the SSO
5 and SCO auctions were conducted separately. In the
6 most recent auction, however, those auctions were
7 combined. So the auction results are the same for
8 both, but, again, the manner which we supply gas to
9 the customers differs whether you're looking at SSO
10 service or SCO service.

11 Q. So it's the same auction that creates the
12 SSO and the SCO commodity price for those two, it's
13 the same auction, and the results are the same,
14 obviously the same auction, but you're referring to
15 the SSO as a wholesale, eventually being a wholesale
16 offer and the SCO being a retail offer; is that
17 correct?

18 A. Yes.

19 Q. And could you go -- could you do an SSO
20 auction without Dominion taking title to the
21 commodity?

22 A. I suppose you could, but then at that
23 point I'm not sure it would be an SSO auction any
24 longer because the SSO auction specifically involves
25 Dominion taking title to the gas and providing it on

1 a wholesale basis to customers. So an auction can be
2 conducted for many different products and services,
3 I'm just not sure if you conducted an auction for SSO
4 where we didn't take title, that it wouldn't be an
5 SSO service any longer. It would be something else.

6 Q. Is there any difference in the commodity,
7 the thing supplied, in the SSO auction versus the SCO
8 auction?

9 A. No, there's no difference in the
10 commodity being supplied. There is a difference in
11 the markets being supplied with that commodity,
12 however.

13 Q. But there's no difference in the
14 commodity; that was my question.

15 A. That's correct.

16 Q. Okay. And both the SSO and the SCO
17 auction, or even combined, they are producing prices
18 that are determined by the market?

19 A. Is that a question?

20 Q. Yes, that was a -- I thought I got
21 that -- yes, that's a question.

22 A. Okay.

23 Q. It's a market price.

24 A. Yes. We've discussed the manner in which
25 that price is set previously.

1 Q. From Dominion's perspective is a direct
2 retail relationship between a supplier and a customer
3 preferable to the SCO or SSO auction, from Dominion's
4 perspective?

5 A. Dominion's perspective is largely driven
6 by the state energy policy. The state energy policy
7 speaks to the notion of more fully competitive
8 markets. So to the extent that our perspective is
9 influenced and in large part dictated by that state
10 energy policy, we would view a bilateral agreement as
11 being more reflective of a fully competitive market
12 than an SCO type product.

13 Q. Does Dominion have a financial reason,
14 Dominion itself have a financial reason, to seek
15 direct retail relationships between suppliers and
16 customers instead of the SCO service?

17 A. No, we do not. The pooling fees that are
18 attached to both the SSO and SCO are the same as the
19 pooling fees attached to the bilateral contracts.
20 There is a customer charge associated with a switch
21 from one supplier to the next, but that customer
22 charge does not apply when a customer moves from SCO
23 or MVR or, for that matter, SSO service to a
24 bilateral agreement. So the underlying fees are
25 identical in terms of the pooling fees between the

1 two types of services provided.

2 Q. Does the difference between a direct
3 retail relationship between suppliers and customers
4 versus the SCO service, does it have any effect or
5 implications for Dominion's working capital?

6 A. No, it does not. The payments we remit
7 to the suppliers in both cases are conducted in the
8 same process, in the same manner, and in the same
9 timeframe.

10 Q. Now, you know what the phrase "exiting
11 the merchant function" is, don't you?

12 A. Yes, I do.

13 Q. Would you say that under the SCO, which
14 is Phase 2 of the process here, that Dominion has
15 already exited the merchant function?

16 A. No, I would not say that. The analogy I
17 would use is that the SSO, when it was introduced,
18 and it got us across mid field in a football game,
19 and the SCO got us a little closer to the goal line,
20 they call it the red zone, perhaps.

21 Q. It gets tougher in the red zone, all the
22 defense is there. I'm sorry. Go ahead.

23 A. Now, if we were a Cleveland Browns fan,
24 we would recognize that's a rare occurrence.

25 Having said that, however, we don't get

1 over the goal line until the SCO goes away. So it's
2 been an incremental process. While we are no longer
3 operating under certain provisions of the Ohio
4 Revised Code, having gone through the SSO and SCO
5 process, if you're looking at the evolution of a
6 market structure, what we've really done here is take
7 incremental steps.

8 Again, SSO got us over the mid field
9 line, SCO got us down a little closer to the goal
10 line, but we don't get over the goal line and truly
11 exit the merchant function until that last vestige of
12 default service goes away for those Choice-ineligible
13 customers.

14 Q. But under the current, when you're on
15 the, whatever, the 20 or 30 yard line, is not all the
16 commodity service already provided by competitive
17 retail natural gas suppliers?

18 A. I apologize, could you just restate the
19 question, please?

20 Q. Well, yes. Right now under the current
21 arrangement is all of the commodity right now already
22 provided by competitive retail natural gas suppliers?

23 A. Yes, it is. Again, I would point out
24 that some of that is done under a wholesale basis
25 through the SSO, some of it is done under a retail

1 basis through the SCO. And so when I'm speaking of
2 commodity service, I'm speaking of all of the
3 commodity service, not necessarily one or the other.

4 Q. Would you agree that the only difference
5 between the SCO and the direct retail relationship
6 between the customer and the supplier is the price of
7 the service?

8 A. No, I would not agree with that
9 statement.

10 Q. Okay. Let's go to page 5 and line 1
11 there where you're talking about how many
12 Choice-eligible nonresidential customers remain on
13 the SCO service. Do you know if those customers that
14 remain on the SCO service are paying a lower price
15 for their -- for that service than the customers who
16 are served by direct bilateral contracts with the
17 natural gas suppliers?

18 A. I don't know the response to that. I
19 don't track all of the prices in each month among the
20 30 suppliers so I can't identify necessarily how that
21 comparison stacks up for each one of the hundreds of
22 thousands of contracts that customers have with
23 individual suppliers.

24 Q. Does Dominion care if the customers on
25 bilateral contracts are paying a higher price than

1 the customers taking the SCO service?

2 A. Dominion wants its customers to make
3 informed decisions and some of those customers may
4 make an informed decision that suggests that they
5 would pursue a fixed-price product, for example, to
6 get greater budget certainty. And so some of those
7 customers may well be on a fixed price that is above
8 the standard choice offer or MVR price for a period
9 of time, but that may be the type of product that
10 that individual customer has selected in the
11 marketplace having considered very many different
12 offers.

13 So it's difficult to say, just given a
14 straight comparison of price, whether a customer is
15 better or worse off because the customer may prefer
16 paying a somewhat higher price in order to get the
17 pricing certainty that they would seek perhaps
18 working into their risk orientation or their monthly
19 budget amount for that matter.

20 Q. But my question was does Dominion care if
21 the customer is paying a higher price?

22 MR. WHITT: I'll object, your Honor. He
23 just answered that very question.

24 MS. MOONEY: He really did not answer
25 does Dominion care. He explained that the customer

1 might be paying a higher price, but my question was
2 does Dominion care.

3 MR. WHITT: And that's what he answered.

4 EXAMINER STENMAN: I'm inclined to agree
5 with Mr. Whitt. The objection is sustained.

6 Q. Why are PIPP customers and
7 non-Choice-eligible customers now on the SSO?

8 A. Because under the definition of an
9 eligible customer, they do not meet the criteria.
10 They have not entered into a payment plan to
11 discharge all of their arrearages nor are they
12 current on their bill with respect to all of the
13 arrearages they may owe. So those customers,
14 specifically PIPP customers, are not eligible under
15 the definition of a Choice-eligible customer.

16 Q. Yes, that's true, but do you know why or
17 what the underlying reason for that is that they're
18 not eligible?

19 A. If I'm not mistaken, that definition was
20 developed as part of the House Bill 9 proceedings
21 quite some years back, but I do not recall the
22 underpinnings for that particular determination.

23 Q. Do you have your testimony in the
24 07-1224-GA-EXM case before you?

25 A. No, I do not.

1 MS. MOONEY: Your Honor, this is not one
2 that I -- because I'm assuming that the record in
3 07-1224-GA-EXM is in the record in this case so I
4 didn't make copies, but this is -- but I'm going to
5 ask him about his direct testimony that he filed in
6 07-1224.

7 EXAMINER STENMAN: You don't have copies
8 for everyone?

9 MS. MOONEY: No; just for me.

10 EXAMINER STENMAN: Does everyone have a
11 copy of this?

12 MR. PETRICOFF: No.

13 EXAMINER STENMAN: Ms. Mooney, that's
14 problematic.

15 MS. MOONEY: Well, it's going to be hard
16 not to take administrative notice of this testimony,
17 it's in 07-1224, this case is about modifying the
18 order in 07-1224.

19 EXAMINER STENMAN: Which I understand.
20 Let's take a five-minute recess, why don't you head
21 on over to Docketing and get copies for everyone.

22 MS. MOONEY: Well, could I -- I could
23 make it -- I could just, I mean, it's really a
24 question and answer from his testimony in that case.
25 It's on page 14.

1 EXAMINER STENMAN: Does anyone have any
2 objections to her going forward without copies?

3 MR. PETRICOFF: Your Honor, if she could
4 read the question, and this is just going to be one
5 question, I know we could listen to it and then
6 decide whether we needed to see it or not, but I'll
7 defer to counsel.

8 MR. WHITT: Well, if we can let the
9 witness see it, I think that's the most important
10 person that needs it. If I could stand by the
11 witness, I wouldn't have a problem with that.

12 MS. MOONEY: Yeah, we can -- it's really
13 only one question, it's on page 14, it's question 30.

14 EXAMINER STENMAN: All right.
15 Ms. Mooney, why don't you approach the witness --
16 Mr. Whitt, you as well -- let's read the question
17 into the record since you don't have copies for
18 everyone, make sure we all know what we're talking
19 about and move forward from there.

20 MS. MOONEY: Okay.

21 Q. (By Ms. Mooney) This is your testimony
22 that was -- the odd thing about this testimony also
23 is it was part of that, in the 07-1224, the
24 application was like 200 pages and this is your
25 testimony that was filed. You'll want to look at it.

1 MS. MOONEY: Could he just go ahead and
2 read it then, question 14?

3 EXAMINER STENMAN: Somebody needs to read
4 the question into the record.

5 MR. WHITT: Let me inspect this.

6 EXAMINER STENMAN: Sure.

7 MS. MOONEY: That is it, it's part of a
8 200-page document that's in 1224 and it was --

9 EXAMINER STENMAN: Can you give me the
10 date it was filed, Mr. Whitt? It's probably stamped.

11 MS. MOONEY: I think I know the date.

12 MR. WHITT: It actually isn't.

13 MR. CAMPBELL: It would have been the
14 same date as the application.

15 MS. MOONEY: Pardon?

16 MR. CAMPBELL: It would have been the
17 same date as the application.

18 MS. MOONEY: Yes, it was. Part 1 of 1 is
19 about 198 pages in the 07-1224.

20 MR. CAMPBELL: I discovered I do have an
21 electronic copy on my computer. It looks like
22 December 28th, 2007.

23 EXAMINER STENMAN: Thank you,
24 Mr. Campbell.

25 MR. RINEBOLT: Says the same thing on my

1 electronic copy.

2 MR. CAMPBELL: We can agree.

3 Q. (By Ms. Mooney) Could you read, and if
4 you could go -- unfortunately, this part of it is way
5 into that 200-page document. It's not easy to find.
6 But could you read the question there on page 14, I
7 think it's the only full question and answer on page
8 14. When you're talking about the PIPP commodity
9 rate remaining at or below the SCO, just read the
10 question and answer please. Thanks.

11 A. Sure. Question and answer No. 30 on page
12 14 of my direct testimony in the case you've
13 referenced, the question reads: "Will the proposed
14 auction process guarantee that the PIPP commodity
15 rate remains at or below the SCO rate?"

16 The answer is: "Yes. The stakeholder
17 group established to assess Phase 2 customer movement
18 options concluded that PIPP customers should pay no
19 more for commodity service than non-PIPP SSO
20 customers migrating to SCO service in Phase 2. While
21 DEO believes that appropriate commodity pricing can
22 be achieved without that limitation, it nonetheless
23 has incorporated such a provision into its Phase 2
24 auction design. The retail auction used to establish
25 the SCO rate will thus use the results of the

1 PIPP/Choice-ineligible wholesale supply auction as
 2 the floor price. If the retail auction concludes at
 3 a price above the wholesale auction result, it will
 4 terminate in accordance with the end-of-auction
 5 rules; if not, the retail auction proceeds to the
 6 ascending format described above in which suppliers
 7 compete for the opportunity to serve specific
 8 customers at the PIPP/Choice-ineligible wholesale
 9 supply auction price."

10 Q. Thank you.

11 And that's the system that's in place
 12 right now, correct? For the PIPP and the
 13 Choice-ineligible customers.

14 A. It effectively is because the auctions
 15 have now been combined. So whatever the price is
 16 that arises out of the SSO auction is, by default,
 17 the same price as that arising out of the SCO
 18 auctions since they're one and the same.

19 Q. The SCO and SSO are now one and the same.

20 A. Yes.

21 Q. And that sets a floor for the rate that
 22 the PIPP customers will have.

23 A. Effectively it sets the price that the
 24 customers will pay.

25 Q. And even -- could I take that back.

1 Thank you.

2 And if the modification is granted in
3 this case, Dominion will still conduct an auction for
4 the PIPP customers and the non-Choice-eligible
5 customers, correct?

6 A. Yes, that is correct.

7 Q. And is it still because the PIPP
8 customers and the non-Choice-eligible customers
9 should not have a price that is more than a
10 competitive auction produces?

11 A. No, it isn't, because, again, the
12 auctions have been combined, so the results are the
13 same. So there's no longer any need to compare SSO
14 to any other auction price since there is only one
15 auction price.

16 Q. But I'm comparing the auction price with
17 a direct retail contract.

18 A. I apologize. Could you restate the
19 initial question, then?

20 Q. Is the reason the PIPP customer and a
21 non-Choice-eligible customer is on a price, an SSO
22 price, determined by an auction because they should
23 pay the lowest price?

24 A. No. I should be more specific because
25 the provisions in the initial case did not

1 necessarily lead to that result. For example, while
 2 it was established in the auction as the lower of the
 3 two prices, that did not stop a potential outcome
 4 whereby a customer with a bilateral contract could
 5 pay less. There was no comparison between the price
 6 paid by PIPP customers and each of the hundreds of
 7 thousands of bilateral contracts; that comparison has
 8 never been made nor has it ever been used to set a
 9 PIPP customer price.

10 Q. Why did Dominion enter into a stipulation
 11 with the representative of the residential customers,
 12 OCC, to protect them from the elimination of the SCO
 13 option until 2015?

14 MR. PETRICOFF: Your Honor, as a member
 15 and a signatory party to the stipulation I would
 16 object to any question that goes into the motives
 17 that went into a stipulation.

18 MR. WHITT: The company would join the
 19 objection.

20 MR. SERIO: Your Honor, as a party who
 21 signed that stipulation the question asked, we
 22 explained that in the testimony of Mr. Hayes that we
 23 filed in this proceeding where he explains why OCC,
 24 the intent of OCC in filing or signing the
 25 stipulation.

1 EXAMINER STENMAN: The objection will
2 being sustained.

3 MS. MOONEY: Well, that's not part of
4 Mr. Hayes' testimony they're trying to strike.

5 Q. (By Ms. Mooney) So if you're a
6 Choice-ineligible nonresidential customer, you will
7 still get a SCO price based on the auction; is that
8 correct?

9 A. No, it is not. You will get an SSO --

10 Q. Oh, really?

11 A. -- offering. Once again, a
12 Choice-ineligible customer cannot receive SCO or MVR
13 or service under a bilateral agreement. All they can
14 receive, if they're going to receive commodity
15 service at all, is SSO service.

16 Q. All right. Why wouldn't a
17 Choice-ineligible nonresidential customer get the
18 MVR?

19 A. Because they are Choice ineligible. An
20 MVR is a product provided under the Choice program.

21 Q. Is the SSO a lower price than the MVR?

22 A. I haven't compared all of the various
23 prices. It can be.

24 Q. Does Dominion care if the MVR is higher
25 than the SSO?

1 MR. WHITT: I'll object as asked and
2 answered about 15 minutes ago.

3 MS. MOONEY: I don't agree with that.

4 EXAMINER STENMAN: Overruled.

5 A. Could you please restate the question?

6 Q. Does Dominion care if the MVR is higher
7 than the SSO price?

8 A. In my prior response I stated that what
9 Dominion cares about is its customers making informed
10 choices. Customers may make informed choices to be
11 in a bilateral agreement, government aggregation,
12 MVR, or SCO. We want customers to pay the price that
13 is based upon their informed review of the options
14 available. In some cases one price may be above or
15 below another price, but if the customer has made an
16 informed decision, that is when Dominion is satisfied
17 that the market is functioning properly.

18 We understand that not all customers
19 invest the same amount of energy in making those
20 comparisons, but our desired end state is a customer
21 base that is fully informed about the options
22 available to it and makes decisions accordingly.

23 Q. But if this modification is successful,
24 customers will no longer have the SCO option
25 available; is that correct? The nonresidential.

1 A. That's correct. They'll be able to
2 choose products offered by the over 30 suppliers that
3 are still in the marketplace. So the effect of
4 removing the SCO as an option is not unlike the
5 effect of a supplier exiting the market, and Dominion
6 has had multiple suppliers exit the market over the
7 years and yet the market remains competitive, not
8 fully competitive, but nonetheless remains
9 competitive.

10 Q. But the SCO is a price determined by a
11 competitive auction and that's what they're going to
12 lose; is that correct?

13 A. They will lose the opportunity to select
14 that particular product, that is correct, and retain
15 the opportunity to select from many other products or
16 participate on the MVR.

17 Q. Why would a new customer still be able to
18 get the SSO price?

19 A. The reason that a new customer can get
20 the SSO price for up to two months if they're Choice
21 eligible is because they haven't necessarily selected
22 a supplier at the outset. If a customer moves to our
23 service territory from Kansas where they have no
24 choice, it made sense to the parties to give that
25 customer a default service, specifically default

1 sales service, for a limited period of time where
2 they can learn about the program and assess the
3 offers that are available in the marketplace.

4 So the SSO being provided for two months
5 was really nothing more than an opportunity given the
6 customers to learn about the marketplace if they're
7 not already familiar with it and yet still receive
8 commodity service from the gas company.

9 Q. But was it also a factor that the SSO
10 would be a lower price?

11 A. No, that was not a factor in that
12 determination.

13 Q. Why didn't you just go ahead and put the
14 new customer on the MVR?

15 A. As I stated earlier, new customers may
16 not be familiar with the marketplace, so it made
17 sense to all of the parties to have that customer
18 housed under the SSO umbrella, if you will, for a
19 brief period of time, and a two-month period is what
20 the parties determined was reasonable, and it's in
21 that time, then, that a new customer could learn how
22 Choice works and then perhaps assess the options
23 available to it under that program.

24 Q. Well, when I hear the word "umbrella," I
25 think there's protection. Am I wrong about that?

1 A. Once again, the company wants customers
2 to make an informed decision. It's difficult for a
3 customer to make an informed decision in a program
4 that they're not familiar with. That two-month
5 window was that period given to customers to get up
6 that learning curve and begin to make those informed
7 judgments and assessments.

8 Q. Because during that time, that two-month
9 window, during that time the SSO provided them --
10 provided them a lower price that they might get if
11 they went on to the MVR?

12 A. We don't know that to be true in all
13 cases. It's a price set in an auction, but it may or
14 may not be below an MVR price or a price they might
15 be able to get in the marketplace.

16 Q. Okay then, again, on line -- on page 5,
17 lines 1 through 11 where you're talking about the
18 number of nonresidential customers who have remained
19 on the SCO, you're basically saying, well, it's just
20 a small bunch, a small subset or whatever. Do you
21 think that -- well, let me ask you this way again:
22 What do you think are the implications for customers
23 if they have to pay a higher price for natural gas
24 commodity? This is a general question.

25 MR. WHITT: I'll object in that it

1 assumes facts not in evidence.

2 MS. MOONEY: It really is -- there isn't
3 any fact in the question at all. I'm just asking him
4 in general if Dominion's customers are paying a high
5 price for their gas commodity service, what do you
6 think the implications of that are for the customers.

7 EXAMINER STENMAN: Objection's overruled.
8 You can answer.

9 A. Well, I stated previously that some
10 customers may select a fixed-price product and may
11 intentionally be willing to pay that high price to
12 address some of the risks that they may see in a
13 price that varies each and every month.

14 One of the other implications that you
15 have for customers maybe paying a higher price is the
16 fact that they would be more prone to shop than those
17 paying a low price. If I'm buying a particular
18 product from a particular supplier and I'm feeling
19 like I'm paying a high price, well, that may well
20 prompt me to investigate my options more fully in
21 search of a lower price.

22 Q. If nonresidential customers are paying a
23 higher price, or a high price for a natural gas
24 commodity, will that impact their ability to stay in
25 business?

1 A. Certainly it could, just as a restaurant
2 that's paying a high price for lettuce it buys may
3 affect its opportunity to stay in business.

4 Q. Could it affect the business's ability to
5 create jobs?

6 A. Taken to an extreme, certainly. But,
7 again, keep in mind that some of those various
8 businesses may be the ones that are most interested
9 in fixed-price contracts. We see many businesses
10 trying to lock in prices for many commodities and
11 that provides them with a greater degree of
12 stability, provides them with perhaps less risk of
13 operating and, therefore, that same business that may
14 be paying somewhat greater prices may be the same
15 business that wants to do that so as to provide
16 greater certainty for the prices it will be paying
17 over the term of the agreement.

18 So it may, in fact, be that a business
19 that has greater certainty and less risk may be one
20 that, frankly, thrives better than another business
21 that is operating with greater risks in terms of
22 monthly variable prices.

23 Q. Do you think that, this is just your
24 opinion, do you think that employment gains that
25 would result from allowing suppliers to directly

1 serve more customers through bilateral contracts,
2 whatever employment gain there would be and I don't
3 know, but outweigh the employment gains or losses
4 from forcing customers to pay more for natural gas?

5 MR. WHITT: I'll object, A, to the form
6 of the question, and, B, to the characterization of,
7 quote, forcing customers to pay more for gas.
8 There's no evidence to support any such assertion.

9 MS. MOONEY: I didn't say it was. I was
10 just asking him in general.

11 EXAMINER STENMAN: The objection will be
12 sustained. If you want to rephrase, go ahead.

13 Q. Do you have any opinion of the amount of
14 employment gains that would result from allowing
15 suppliers to directly serve more customers in
16 bilateral contracts?

17 A. No, I do not.

18 Q. Okay. Page 6, line 10 and 12, you say
19 that Phase 2 is no longer furthering the benefits of
20 market-based pricing and may be hindering the
21 development of the market. Can you tell me what are
22 the potential benefits of market-based pricing that
23 we don't already have with the SCO?

24 A. I believe one of the major benefits is
25 enhanced compliance with the state energy policy,

1 that energy policy expressly speaks to the notion of
2 developing competitive markets, speaks to the notion
3 of flexible regulatory treatment to eliminate the
4 need for regulation of prices, so a specific benefit
5 is enhanced compliance with the state energy policy
6 in terms of the creation and maintenance of
7 competitive markets. So removing the SCO removes a
8 default option that prevents us, as I said earlier,
9 from getting over the goal line of a fully
10 competitive market.

11 Q. Well, how is the elimination of the SCO
12 an example of flexible regulatory treatment?

13 A. To the degree that the Commission would
14 choose to modify the settlement under which the SCO
15 was created I would think would speak to the
16 flexibility that has been provided.

17 Q. And the SCO -- the SCO offer is derived
18 from a competitive auction with transparent pricing;
19 is that correct?

20 A. Yes, it is.

21 Q. And how has the elimination of the SCO
22 offer that's derived from a competitive auction with
23 transparent pricing helped to develop the market?

24 A. Again, as I've stated, anytime you have a
25 product that is, in effect, forced into a market, be

1 it a default product or something else, that market
2 is not a fully competitive market. A fully
3 competitive market is one in which there's an absence
4 of default services that may have a price that would
5 be different than that that would result from the
6 market forces created by the competing suppliers.

7 Q. Are competitive retail natural gas
8 suppliers forced to bid into the SCO auction?

9 A. No, they are not.

10 Q. Then you also I guess around line 23 and
11 in that range go through the state policy talk about
12 innovation. Is there anything innovative about
13 selling door to door?

14 A. I suppose some people would call that
15 innovative. I'm sure the Fuller Brush man was very
16 innovative in his day.

17 Q. In his day, which was about 50 years ago.
18 Is that correct?

19 A. I don't know.

20 Q. I remember as a child when the Fuller
21 Brush man used to come to the door.

22 So is that innovative?

23 A. It's a different form of marketing that
24 our suppliers, some, have used to approach customers.
25 I don't know if one would call it innovative, but I

1 think one of the elements of innovation here is the
 2 different types of pricing options that are available
 3 to customers. So it's not necessarily the channels
 4 through which items are being marketed, but the
 5 manner in which prices may be offered and the
 6 ancillary services that conceivably could be offered
 7 as well. So innovation --

8 Q. Well, what we're doing is taking away an
 9 auction price, that's what we're doing. That's what
 10 we're doing here, taking away the availability of an
 11 auction price to a subset of customers. Is that
 12 innovative?

13 A. To the degree that it incents suppliers
 14 to bring more innovative products to the marketplace,
 15 it may well be extremely innovative.

16 Q. What's stopping them right now? A
 17 customer can still enter into a bilateral contract
 18 with a supplier right now. What's stopping him right
 19 now from providing innovative terms for a contract?

20 A. One of the things that conceivably could
 21 be stopping a marketer or supplier is the structure
 22 of the marketplace itself. If I'm a marketer
 23 considering entering into a marketplace and find that
 24 there is a default product out there that I have to
 25 compete with, that may inhibit my participation in

1 the marketplace.

2 So one of the things we've seen as East
3 Ohio's made each incremental step, introducing the
4 SSO, introducing the SCO, is an increase in the
5 number of marketers participating. It may well be,
6 and only time will tell, that as we restructure the
7 market to make it more fully competitive, that we
8 draw yet more marketers into the northeast Ohio
9 market behind Dominion East Ohio, that may well
10 create more diverse options for customers to perhaps
11 choose among.

12 Q. But marketers right now can bid into the
13 SCO auction; is that correct?

14 A. That is correct.

15 Q. In fact, the SCO is in entirety supplied
16 by marketers at this point; is that correct?

17 A. Yes, it is. In order to participate in
18 the market, you have to be a certified retail natural
19 gas supplier.

20 Q. Is there anything innovative about
21 telemarketing?

22 MR. WHITT: I'll object as beyond the
23 scope.

24 EXAMINER STENMAN: Overruled.

25 A. Once again, innovation takes many forms,

1 it can be different channels, it could be different
2 prices, it can be different products. For some
3 people telemarketing may be very innovative, for many
4 others it may just be very irritating.

5 Q. And then on page 7, line 1, you're
6 talking about spurring the competitive market. Does
7 an auction process spur the competitive market?

8 A. The auction process at one point did spur
9 the competitive market, and I can see that in several
10 ways. I can see that in the number of suppliers
11 having grown significantly since we began that
12 process. And going back to the data request you
13 provided earlier, interrogatory No. 12, you can see
14 that the number of SCO customers declined initially.
15 One of the reasons, however, that we've come before
16 the Commission to propose this is, as you'll see
17 particularly in the nonresidential side, is that for
18 the last two years that participation has been
19 stable. It has leveled off. It has reached a
20 plateau.

21 So while at one point auctions certainly
22 helped move us down the field, as it were, that has
23 effectively stopped because of the leveling off that
24 we've seen in a number of SCO customers for the
25 nonresidential market.

1 Q. But those customers have a choice, don't
2 they? They have a choice to have the SCO or they
3 have a choice to have a bilateral contract with a
4 retail supplier right now. They have that choice; is
5 that correct?

6 A. Yes, that is correct.

7 Q. And so they have --

8 A. In the future --

9 Q. I'm sorry. Go ahead.

10 A. In the future they will have a choice as
11 well.

12 Q. They won't have a choice to have the
13 SCO --

14 A. That is correct.

15 Q. -- service. They won't have that choice
16 to have a price determined by an auction.

17 A. That is correct. They will have a choice
18 among the 30-plus suppliers that presently
19 participate in the market, and perhaps more if
20 additional entrants come into the market.

21 Q. And they have that choice right now, do
22 they not?

23 A. Yes, they do.

24 Q. So we're not giving them anything that
25 they don't already have now and we're taking away

1 from them the choice of an auction-determined price.
2 How is that spurring the market?

3 MR. WHITT: I'll object. It's
4 argumentative and asked and answered.

5 EXAMINER STENMAN: Sustained.

6 Q. Does Dominion oppose an auction process
7 for natural gas supply?

8 A. Obviously not.

9 Q. Because you're still going to have --
10 you're still going to have auctions for residential
11 customers at least through 2015, and I assume in
12 perpetuity there will be options for PIPP customers
13 and non-Choice-eligible customers; is that correct?

14 A. That's correct, auctions have been an
15 important part of the transformation that we've had
16 in the marketplace. There's a point at which,
17 however, and we believe that point is now, where the
18 auctions may be impeding the development of a fully
19 competitive marketplace.

20 Q. Do you know anything about Ohio
21 regulation for electric default service generation?

22 A. I don't know very much about it at all.

23 Q. Does Ohio have an electric standard
24 service offer that uses an auction process to
25 determine the price?

1 A. I don't know.

2 Q. Do you know if federal, state, and local
3 governments use an auction process to select
4 suppliers --

5 MR. WHITT: Objection.

6 Q. -- for services?

7 MR. WHITT: Objection. It's beyond the
8 scope of his direct or any issue in this case for
9 that matter.

10 MS. MOONEY: I'm just going to the point
11 of auctions being a favorable way to determine the
12 price.

13 EXAMINER STENMAN: Overruled. He can
14 answer if he knows.

15 A. I don't know.

16 Q. Does Dominion ever use an auction process
17 just to select suppliers for services to Dominion?

18 A. We've used an auction to procure natural
19 gas, but no auctions for the products that I'm
20 familiar that the company buys.

21 Q. Do you send out RFPs to get bids from
22 suppliers to provide services to Dominion? That's
23 "request for proposals."

24 A. Yes, we do frequently, and I would
25 differentiate that from an auction process.

1 Q. But the RFP is a process where you
2 wouldn't just take any supplier at any price, but
3 that you're trying to get a competitive process going
4 to select a supplier; is that correct?

5 A. That's correct. But it is different in
6 structure than the type of auction that we perform
7 here.

8 Q. And then on page 7, lines 9 and 10, where
9 you're talking about the effective competition,
10 aren't SCO customers already served by marketers?

11 A. Yes, they are.

12 Q. And don't they already, SCO customers,
13 already have marketers' names on their bills?

14 A. Yes, they do.

15 Q. How can current marketers enter the
16 market when they're already in the market?

17 A. Could you point to a portion of my
18 testimony where I make that type of statement?

19 Q. Yeah. "Discontinuing SCO service" --
20 this is 9 and 10 on page 7. "Discontinuing SCO
21 service will accordingly encourage customers and
22 suppliers to enter into direct retail relationships."
23 And I'm just trying to, well, I'm trying to ask why
24 getting rid of the SCO service is going to encourage
25 suppliers to enter into direct retail relationships

1 if they already have that option right now.

2 A. They do have that option right now.
 3 Under the discontinuation of the SCO our sense is
 4 that customers, again, will understand that they are
 5 subject to the process of being assigned to a
 6 supplier and that price will not be an auction price
 7 any longer. As a result, the customer should be
 8 incented to more carefully and thoroughly review the
 9 options available in the marketplace and come to
 10 their own determination of what type of bilateral
 11 agreement would suit them best.

12 Q. I think on -- what is it? At some point
 13 in your testimony you say that there are 14,000
 14 nonresidential customers and 55,000 residential
 15 customers currently on the SCO service; is that
 16 correct?

17 A. Yes. I believe it's at the top of page 5
 18 of my testimony.

19 Q. I'm sorry, I took that -- would you say
 20 that those 14,000 nonresidential customers or 55,000
 21 residential customers on the SCO are willing
 22 customers to be on the SCO service?

23 MR. SERIO: Your Honor, just so we don't
 24 get confusion in the record, she's referencing 55,000
 25 residential customers and that number doesn't appear.

1 There's a 55 percent. Maybe we could get
2 clarification on the number of residential customers
3 she's referring to.

4 EXAMINER STENMAN: Ms. Mooney, do you
5 want to restate your question.

6 Q. Okay, it should be 150,000 residentials.
7 Are those customers willing customers willing to be
8 on the SCO service?

9 A. In the main, yes. And the reason I say
10 "in the main" is simply because they have a choice.
11 They do not have to use natural gas, many of course
12 who heat their homes need that as a fuel source, but
13 they can select among other offerings as well. But
14 in the main they are willing customers just as
15 customers on the MVR service are willing customers as
16 well.

17 Q. And customers on the SCO service are
18 willing customers.

19 A. Yes.

20 Q. And if this joint motion prevails, those
21 customers will no longer have the SCO service that
22 they willingly have now.

23 MR. WHITT: Can we get clarification on
24 which customers we're talking about?

25 MS. MOONEY: We're talking about the

1 14,000 nonresidential and 150,000 residential
2 customers that are on SCO service right now.

3 MR. WHITT: Well, then I have an
4 additional -- well, can you reread the question,
5 please?

6 (Record read.)

7 MS. MOONEY: Let's take out the reference
8 to the residentials and just stick with the
9 nonresidentials.

10 A. Would you be so kind as to rephrase the
11 question, please?

12 Q. If you prevail, the 14,000 nonresidential
13 customers now on the SCO, were willing customers to
14 be on the SCO, will no longer have the SCO option; is
15 that correct?

16 A. That's correct. Comparing where they are
17 today where they have the opportunity to select SCO
18 if they do nothing, in the future those same
19 customers will be placed on MVR, so to the degree
20 that they're willing customers under SCO, they're
21 willing customers under MVR as well.

22 Q. What makes them willing?

23 A. The fact that they're participating in a
24 Choice program that gives them the opportunity to
25 select among all their alternatives.

1 Q. But right now they're on the SCO; is that
2 correct?

3 A. That's correct, and in the future they
4 will be on the MVR unless they choose another
5 supplier or to participate in a governmental
6 aggregation program.

7 Q. Have they chosen to be on the MVR?

8 A. Some may choose to be on the MVR, and I
9 think it's a mistake to assume that all of the SCO
10 customers have chosen to be on the SCO as well.
11 Again, if you look at the figures, what we may find
12 is that a significant portion of the SCO customers
13 may not have affirmatively selected the SCO product.
14 Many of them may have simply done nothing and by
15 virtue of doing nothing have remained on the SCO.

16 So the notion of customers having chosen
17 the SCO is something we haven't done market research
18 to assess and some of those customers may be
19 receiving SCO service just by virtue of their own
20 inaction.

21 Q. And if you prevail in the joint motion,
22 Dominion will assign these customers to a supplier;
23 is that correct?

24 A. That's correct, and that's what happens
25 today, we assign them to an SCO supplier if they do

1 nothing.

2 Q. But at an SCO rate that's determined by
3 an auction.

4 A. Yes.

5 Q. Okay. On line 15, I think this is page 7
6 again, you say "The number of suppliers competing for
7 market share ensures that offers must be made at
8 competitive prices, terms, and conditions." Do you
9 have any evidence to support that statement, or did
10 you just make that up?

11 A. The evidence is in the numbers itself.
12 As you look at the number of suppliers having
13 increased to over 30 at present, those suppliers must
14 compete for customers if they're going to attract
15 them into their pool. So as a result I think the
16 number of suppliers themselves is, or itself is an
17 indication of the degree of competition in the
18 marketplace.

19 Q. But you're talking about what we have
20 right now; is that correct?

21 A. That's correct. And the intent of this
22 move is to bring even greater competition to that
23 marketplace.

24 Q. So would you say that simply the number
25 of suppliers ensures that there would be offers made

1 at competitive prices, terms, and conditions, simply
2 the number of suppliers?

3 A. It's a major indicator. Also the number
4 of offers and the relatively low barriers to entry
5 that the marketplace has. So there's various
6 indicators we can look to to establish the existence
7 of a competitive market and were we to exit the SCO
8 the expectation would be, again, that that market
9 would be more fully competitive.

10 Q. But it's competitive right now, correct?

11 A. It's competitive but not fully
12 competitive.

13 Q. But a marketer right now can offer a
14 customer a bilateral contract right now.

15 A. Yes, and they do.

16 MR. WHITT: I don't mean to interrupt,
17 but if I could inquire about -- I won't necessarily
18 hold counsel to this -- how much longer you think you
19 have, if this would be an appropriate time to break
20 or stretch our legs or do something. The witness has
21 been on about two hours.

22 EXAMINER STENMAN: Let's go off the
23 record.

24 (Discussion off the record.)

25 EXAMINER STENMAN: Let's go back on the

1 record. Let's take a five or, approximately a
2 five-minute break and then we'll come back and we'll
3 continue on with this cross-examination.

4 (Recess taken.)

5 EXAMINER STENMAN: Let's go back on the
6 record. Ms. Mooney.

7 Q. (By Ms. Mooney) Okay. Let's start on
8 page 8, lines 4 and 5. And you said the elimination
9 of the SCO service will directly affect only a
10 relatively small subset of Dominion's customers,
11 namely, the nonshopping, nonresidential
12 Choice-eligible customers, which account for 1.2
13 percent of Dominion's total customer base.

14 Is it the fact that this is a small
15 subset of customers that you believe makes it
16 acceptable to take away the SCO choice from them?

17 A. No, it is not. Again, I would direct
18 your attention back to interrogatory No. 12 and the
19 stabilizing level of SCO participation by
20 nonresidentials that makes them most suitable for
21 this transition.

22 In the initial approval of the SCO offer
23 the Commission determined that that would further the
24 development of a competitive market. The fact that
25 enrollment in the SCO for nonresidential customers is

1 levelizing indicates it no longer is doing that and,
2 therefore, it becomes the market most suitable to
3 consider this transition for.

4 Q. Would the fact that the number has
5 leveled off mean that customers are preferring -- are
6 choosing to stay on the SCO?

7 A. We don't know that. We haven't performed
8 the market research. But what we can say is that
9 when the Commission found in the initial exemption
10 order that Phase 2 represents a reasonable structure
11 through which to further the potential benefits of
12 market-based pricing of the commodity sales is a
13 benefit that's no longer accruing because that
14 participation has levelized.

15 Q. Does it mean that Phase 2 did not further
16 the development of the market? Is Phase 2 -- Phase 2
17 is what we're in right now?

18 A. Yes, Phase 2 is what we're in right now.
19 And I would say it did initially. Again, drawing
20 your attention back to that interrogatory, we had
21 nearly 22,000 nonresidential SCO customers at the
22 start. That declined to a little under 17,000 in the
23 next auction, but as to the last two auctions and
24 today that number has hovered right around 14,000.

25 So the auction process initially, SSO and

1 SCO, certainly helped us transition to a more
2 competitive market, but we will not reach a fully
3 competitive market until we eliminate that default
4 offering.

5 Q. But right now would you say that
6 customers are choosing to stay with the default
7 service?

8 A. I would say that's a highly debatable
9 statement because we have, first of all, not done the
10 market research and, second of all, if you were to
11 look again at the other data request you provided,
12 looking at the number of nonresidential customers
13 that have moved to SCO service within two bills after
14 being dropped by their supplier, that number is a
15 very, very small subset of the total number of
16 customers, nonresidential customers, currently being
17 served through the SCO.

18 So numbers would indicate that, again,
19 it's a small subset and, therefore, a significant
20 portion may well be there by their own inaction
21 rather than making a specific choice, but, again, we
22 haven't done any market research to validate that one
23 way or the other.

24 Q. But that small subset has chosen the
25 SCO -- has actually shopped for the SCO service.

1 MR. WHITT: Objection. It assumes facts
2 not in evidence.

3 EXAMINER STENMAN: Sustained.

4 Q. Why didn't before proposing this, the
5 joint motion, why didn't Dominion do the analysis to
6 determine whether customers on the SCO had chosen to
7 stay on the SCO?

8 A. One of the major drivers, if not the
9 major driver, in this application was the compliance
10 with the state energy policy. That state energy
11 policy cites the importance of competitive markets,
12 it does not talk about customer attitude surveys and
13 the like.

14 In fact, if you were to go back to the
15 introduction of the SSO, we didn't find any customers
16 clamoring for anything other than the GCR at that
17 time, however, the decision was made at that point to
18 introduce a more competitive market into the mix.
19 And the results have been outstanding. And our
20 expectation, as we make that next incremental move,
21 that we have yet again more results that suggest and
22 provide benefits or I should say suggest that the
23 movement to a more fully competitive market is the
24 appropriate movement.

25 Having said all of that, again, going

1 back to the state energy policy, that is one of the
2 major drivers for us making this proposal to the
3 Commission.

4 Q. But to get to that touchdown or to get to
5 that fully competitive market as you described it you
6 have to get rid of the competitive option SCO offer,
7 correct?

8 A. That's correct, because it's a default
9 option to customers and any time you have a market
10 where there's a default option, regardless of how
11 attractive that option may or may not be, it's
12 introducing a potential distortion into the
13 competitive marketplace that will preclude its
14 development as a fully competitive marketplace.

15 Q. But the SCO is a competitive option.

16 A. It is an option. It may be a competitive
17 one in certain months and perhaps not in others.

18 Q. Are you saying "competitive" means a
19 lower price?

20 A. In that particular response I did, yes.

21 Q. Yes. Thank you.

22 Basically, if the joint motion prevails,
23 the Choice-eligible nonresidential customers will be
24 left with the choice to stay on the MVR of the
25 supplier that Dominion assigned to them or to enter

1 into a bilateral contract with the supplier; is that
2 correct?

3 A. That is correct, and they will also be
4 able to participate in an opt-out governmental
5 aggregation program.

6 Q. Okay. Would they -- they would only be
7 able to join or participate in an opt-out government
8 aggregation group if there was one in their location,
9 right?

10 A. Yes, that is correct.

11 Q. And on, there again on page 8 at the
12 bottom, well, it's on lines 14 and 19 [verbatim],
13 you're talking about Dominion has agreed to provide
14 OCC with information to enable it to study and
15 examine the effects of the proposed nonresidential
16 exit, and then you're quoting the stipulation at 4-5.

17 Has Dominion done any analysis itself on
18 the appropriateness of an exit for the nonresidential
19 customers who will leave -- who will lose the SCO
20 service in this case?

21 A. Could you describe what you mean by
22 "analysis"?

23 Q. I think I'm -- basically, I want to refer
24 to what OCC has achieved and what -- the analysis
25 that the stipulation that OCC achieved when they

1 analyzed the granting or the effects of this joint
2 motion on nonresidents, OCC will be able to make an
3 analysis of the effect of this joint motion on the
4 nonresidents, and I was asking if Dominion has done
5 any analysis of the effect of this joint motion on
6 nonresidential customers.

7 A. No, we haven't, because it hasn't taken
8 place yet. So we can't really determine the effect
9 of this next change until after the change has
10 occurred.

11 Q. Okay. But could you right now compare
12 the SCO price to the prices that marketers are
13 currently offering in their MVR or bilateral
14 contracts?

15 A. We can certainly take two numbers and
16 compare them to one another, however, I would suggest
17 that that's an apples-and-oranges comparison.

18 Q. Would Dominion care if nonresidential
19 customers ended up paying more without the SCO
20 service?

21 MR. WHITT: I'll object. That's the
22 third time it's been asked and answered.

23 MS. MOONEY: I'd love to get an answer.

24 MR. WHITT: Well, asked.

25 EXAMINER STENMAN: I do believe we keep

1 changing the comparison so it will be overruled.

2 THE WITNESS: May I have the question
3 reread, please.

4 (Record read.)

5 A. Nonresidential customers could end up
6 paying more for a variety of reasons, natural gas
7 prices may rise, customers may decide that they want
8 greater certainty as to their price so they may
9 engage in fixed-price agreements.

10 There can be any number of reasons and,
11 again, as I stated previously, our major concern is
12 doing what we can to promote informed decision-making
13 by customers. The specific results of a particular
14 decision are ones that we, frankly, can't apply
15 judgment to, but what we can do is work with the
16 collaborative group that we've established and
17 various members around the table are part of to make
18 sure that customers are as informed as possible about
19 the options that they do have.

20 Q. Well, that seeps into my next question.
21 On page 9, line 7, you talk about the challenges that
22 are proposed by the staff of the Commission's
23 testimony in this case about notification proposals
24 to customers. If informed decisions by customers are
25 so important to what Dominion cares about, why would

1 Dominion say that the staff's notification proposals
2 present challenges?

3 A. Could you refer to the specific portion
4 of my testimony that you're citing?

5 Q. Yeah, it's just on page 9, it's just the
6 top, line 1, the staff recommends that Dominion
7 provide two rounds of notices and educational
8 materials, with the last notice at least 60 days
9 before the April 1st, 2013. This suggests the
10 first notice will need to be sent as early as
11 December 31, 2012. The date is only about
12 two-and-a-half months from October 9th, the date of
13 the scheduled hearing. Given the time needed for
14 post-hearing briefs, the initial order, possible
15 rehearing, the staff's proposed notice poses
16 significant challenges. That's where I'm --

17 MR. WHITT: Well, omitting the word
18 "timing" significantly mischaracterizes the
19 testimony. That's the very point here is the timing
20 of the notices, not the notices themselves is what
21 presents a challenge. On that basis I object.

22 EXAMINER STENMAN: The objection will be
23 overruled. The testimony that's filed will speak for
24 itself, not Ms. Mooney's reading of it into the
25 record.

1 A. The challenges as stated in the testimony
2 is a challenge associated with timing. We're sitting
3 here and it's October 16th, we're looking now at
4 less than two-and-a-half months until what we believe
5 would be an appropriate first drop date for the
6 customer education being at the end of the year.
7 Staff Witness Bossart has suggested and we think it
8 would be helpful to have, after an opinion and order,
9 a very quick turnaround time in terms of the
10 notifications to be sent.

11 That all being said, after the hearing we
12 presume will come post-hearing briefs, time needed
13 obviously for the Commission to make its
14 deliberations, so we don't know how much time will be
15 available between resolution of this case and when
16 that initial customer communication piece would have
17 to be distributed.

18 So it is a challenge associated with
19 timing, not construct or content.

20 Q. Why is Dominion in such a hurry to
21 eliminate the SCO service for nonresidential
22 customers?

23 A. I think it's inappropriate to
24 characterize us as in a hurry, but the Choice market
25 was open systemwide in October of 2000, that is now

1 literally 12 years ago. We introduced the SSO
2 component in the 2007 timeframe. The SCO market has
3 been in place since April of 2009. We're now
4 approaching the four-year mark of the end of the term
5 for the current auction. I'd hardly describe that as
6 indicating that East Ohio is in a hurry.

7 I would also point out that initial
8 discussions with regard to a potential exit of the
9 nonresidential merchant function exit began well over
10 a year ago. So there's been a significant amount of
11 time in the program, we've seen the evidence that the
12 auction has not been continuing to produce the
13 benefits that we believe the Commission cited in its
14 initial exemption order, and we embarked on
15 discussions with stakeholders quite some time ago.
16 So I think it would be inappropriate to characterize
17 us as being in a hurry.

18 Q. Would there be any advantage to Dominion
19 or the marketers if customers were not informed about
20 their choices at the time they lose SCO service?

21 A. I believe I've stated it's just the
22 opposite. Our interest is having customers be
23 informed and, therefore, we would actually think it a
24 disadvantage if customers were not informed about
25 their choices.

1 Q. And at that point they'll have, aside
2 from the opt-out government aggregation, joining
3 that, they'll have two choices, a bilateral contract
4 or the MVR; is that correct?

5 A. I believe there's far more than that many
6 choices available as you look at the Apples to Apples
7 comparison.

8 Q. Those are bilateral --

9 A. The bilateral contract is a very broad
10 term that covers scores of offers that may be in the
11 marketplace at any one time.

12 Q. On page 10 you're talking about OPAE
13 having the opportunity to participate in settlement
14 negotiations that led to the, what ended up being the
15 Joint Exhibit 1. Did you negotiate anything with
16 OPAE as far as that stipulation is concerned?

17 A. As indicated in my testimony, in line 9
18 of page 10, I personally contacted Mr. Rinebolt to
19 follow up on a draft stipulation that had been
20 submitted. That contact was not just to say hello,
21 it was specifically to inquire about the interest of
22 OPAE in participating in discussions, and was
23 rebuffed in that attempt.

24 Q. So OPAE did not participate in any
25 discussions that led to that stipulation.

1 A. My understanding is that OP&E chose not
2 to participate.

3 Q. Did any party representing nonresidential
4 customers participate in the process that produced
5 the stipulation?

6 A. We had a large stakeholder group
7 convened, again, more than a year ago. All the
8 parties were invited to that process and, of course,
9 we, as we sent out the stipulation, sent it to prior
10 parties in the preceding cases.

11 As we look at the parties at the table,
12 certainly marketers have commercial customers,
13 Dominion East Ohio has commercial customers, staff
14 was involved in those collaborative discussions
15 though not part of the stipulation and, while they
16 don't represent commercial customers, it's our belief
17 that they nonetheless take those elements into
18 consideration as they assess whether or not it's
19 appropriate to support a particular initiative or
20 application.

21 So while there may not have been any
22 specific representatives of a particular group of
23 commercial customers, our sense was that those around
24 the table had a reasonable and adequate amount of
25 interest in the commercial market to suggest that we

1 were getting that sort of feedback provided in the
2 process.

3 Q. Did you have any actual commercial
4 customers involved in that process that produced that
5 stipulation?

6 A. No, and nor do I recall there being any
7 in the 05-474 case or the 07-1224 case and yet we've
8 made significant strides in creating a competitive
9 market, though not a fully competitive market.

10 Q. In your opinion, how does the agreement
11 with OCC benefit residential customers?

12 A. I think one of the major benefits that we
13 see is it's, again, just yet another incremental step
14 in the transition of our marketplace, and I described
15 it as a wait-and-see approach, but in describing it
16 as such I didn't intend to indicate that nothing
17 happens, but rather, and later on in that same
18 testimony, identify the opportunity that this
19 incremental step presents to gather information of
20 the effect of an exit for the nonresidential
21 customers and the potential implications for a
22 potential exit for residential customers.

23 So the major benefit that certainly I see
24 in that whole process is gathering additional
25 information and taking yet another incremental step

1 toward a more fully competitive marketplace.

2 Q. But the agreement essentially assures
3 that there will be no step taken to take the
4 residential customers off the SCO; is that correct?

5 A. Yes, it does. And I certainly can't
6 speak to OCC's intentions or motivations in doing
7 that, but what I can say is that I believe, and I
8 think that the stipulation speaks for itself and
9 OCC's desire to gather that information, and
10 Mr. Hayes' testimony also indicates that that
11 information provided will give them and potentially
12 other parties insights into what might lay ahead
13 should we proceed down the path for a residential
14 merchant function exit.

15 Q. And it assures there will be no steps
16 taken to eliminate the SCO service to residential
17 customers until at least 2015; is that correct?

18 A. It is correct for the signatory parties.
19 Other parties can certainly seek to initiate
20 something more quickly though the parties are bound
21 to supporting April 1, 2015, as the first appropriate
22 date.

23 MS. MOONEY: Okay. That's all I have.
24 Thank you.

25 EXAMINER STENMAN: Thank you.

1 Mr. Parram?

2 MR. PARRAM: No questions, your Honor.

3 EXAMINER STENMAN: Any redirect?

4 MR. WHITT: Yes, your Honor.

5 - - -

6 REDIRECT EXAMINATION

7 By Mr. Whitt:

8 Q. Mr. Murphy, if you would turn with me,
9 please, in your direct testimony to page 2, and at
10 line 9 do you recall being asked a series of
11 questions about this list of suppliers that Dominion
12 maintains?

13 A. Yes, I do.

14 Q. Just so we have clarity in the record,
15 what does a supplier have to do to get on the list
16 that's referenced in your testimony?

17 A. They have to be an Energy Choice supplier
18 which means two particular things, that is they are
19 certified by the Public Utility Commission as a
20 supplier and they've executed the appropriate
21 agreements to participate in our Energy Choice
22 program.

23 In addition to that they have to notify
24 us that they wish to participate in that rotating
25 assignment of MVR customers.

1 Q. Thank you.

2 And do you have in front of you OPAE
3 Exhibit No. 3?

4 A. Yes, I do.

5 Q. You were asked a question about the total
6 of the number of customers on this document and it
7 totaled approximately 759,000. You started to
8 explain why that number was meaningless; could you
9 enlighten us, please?

10 A. Sure. It's no more meaningful than
11 taking the customer count of Dominion East Ohio in
12 each of those four years of approximately 1.1 million
13 and ascribing some meaning to a total of 4.4 million.
14 There's no real meaning to that number. It's adding
15 up numbers that, frankly, should not be added. The
16 numbers are what they are at a point in time. Adding
17 them up from one year to the next, frankly, makes no
18 sense.

19 Q. Will any customer, residential,
20 nonresidential, regardless of class, will any
21 customer in any class lose gas service if Dominion or
22 the Commission authorizes Dominion to eliminate SCO
23 service for nonresidential customers?

24 A. No, they will not.

25 Q. You've been asked many questions this

1 morning about the effect of taking away SCO service.
 2 Is it the case that the GCR mechanism was taken away
 3 from customers?

4 A. Yes, it is.

5 Q. And what happened to the competitive
 6 market as a consequence?

7 A. We believe the competitive market thrived
 8 as it did again when we introduced the SCO.

9 Q. You were asked also about what might
 10 happen in the future with regard to auctions for PIPP
 11 customers, and I think somewhere the idea that an
 12 auction being offered in perpetuity was mentioned.
 13 Would you care to clarify that?

14 A. Sure. I believe Ms. Mooney used that
 15 term and I can't, of course, recall my exact
 16 response, but in no way, shape, or form did I suggest
 17 or mean to suggest that those auctions would take
 18 place forever. I've been around long enough to never
 19 say "never" in this regard.

20 MR. WHITT: Nothing further.

21 EXAMINER STENMAN: Thank you.

22 Any recross, Mr. Petricoff?

23 MR. PETRICOFF: No, your Honor.

24 EXAMINER STENMAN: Mr. Serio?

25 MR. SERIO: Yes, your Honor.

RECROSS-EXAMINATION

By Mr. Serio:

Q. Mr. Murphy, Mr. Whitt asked you if the SCO option was taken away, would you expect there to be more competition. You said you'd expect it to thrive even more. Now, today if you're a customer and you go to the Commission's website and you look at the Apples to Apples chart, you can look at all the variable offers that marketers choose to provide to the Commission, correct?

A. That's correct.

Q. And if you are a customer that wants a variable rate, you don't want a fixed rate, you want a variable rate, you can compare the SCO to those variable -- those various offers that marketers have chosen to provide the Commission to put on the Apples to Apples chart, correct?

A. Yes, it is.

Q. And you can compare, and if you as a customer have a preference to get the lowest monthly price on a consistent basis, you can look at the chart and make your decision today, correct?

A. That's correct.

Q. If the SCO option goes away, then those customers no longer have that benchmark to compare to

1 the various monthly offers that marketers put on the
2 Apples to Apples chart, correct?

3 A. That's correct, and in my mind it's much
4 like the fact that we've had several suppliers exit
5 the market. In one month their offer was there and
6 then the next month their offer was no longer there.

7 So in a sense it's removing one of the
8 offers, albeit one that's established in an auction
9 process, but nonetheless in effect what we're doing
10 is removing one of the offers, an offer that
11 potentially distorts the market by virtue of being a
12 default pricing mechanism.

13 Q. Right, but if I as a customer make the
14 educated and informed choice that the SCO was
15 consistently the lowest option and that's why I
16 choose to take the SCO, by eliminating that you're
17 effectively, then, putting that customer in a
18 position where they either have to pay a higher rate
19 than they would have or they have to find another
20 source of fuel, correct?

21 MR. PETRICOFF: I'm going to object. The
22 question assumes, the hypothetical assumes that, in
23 fact, the SCO price is lower than the other variable
24 prices that are out there and that's not a fact in
25 evidence.

1 EXAMINER STENMAN: The objection is
2 sustained. Do you want to rephrase?

3 Q. If I go to the Commission's website today
4 and on that website today there's 15 different
5 variable offers, and if 14 of those offers are a rate
6 higher than the current SCO, if I'm an informed
7 customer and I look at that, I could make the
8 decision that I either go with the marketer that's
9 below the SCO or I can take the SCO knowing that it's
10 lower than the majority of the other offers, correct?

11 A. That's correct, but I think it's
12 important to recognize too the time lag involved,
13 because when I see an offer out there today on the
14 Apples to Apples comparison chart, that may be a
15 price that I never have the opportunity to obtain
16 because of the one- to two-month lag.

17 So while I make a choice perhaps today,
18 if I were to just simply rank the prices lowest to
19 highest, it may not be that result one or two months
20 down the road when I actually get converted to this
21 new supplier or this new offer. So an offer showing
22 up today may not in rank order be in the same
23 position it is one or two or ten months from now.

24 Q. But as a customer that's the only
25 comparison I can make, correct, is what's out there

1 on the chart today, unless I want to take the time to
2 call every marketer every day and ask each marketer
3 what offers they have that might be applicable to me
4 as a customer, correct?

5 A. It is, but I think it's important to keep
6 in mind it's a very expensive set of offers that they
7 get to compare, and that's one of the elements of
8 this market that distinguishes it from shopping for
9 gasoline or other consumer products in that there is
10 a great degree of transparency, so one of the things
11 that makes it this particular market work is you have
12 a lot of that in front of you.

13 And some customers, frankly, will go back
14 to their supplier and potentially, as we've heard
15 anecdotally, get another price that, frankly, isn't
16 even on the Apples to Apples comparison.

17 Q. Right, but --

18 A. So I think that kind of evaluation is
19 something that a customer may do and make a choice
20 but, nonetheless, there's many other ways to not only
21 look at all the other offers but also call suppliers,
22 including your incumbent supplier, to see if there
23 may yet be another offer, because what -- again, even
24 press reports have identified there's win-back
25 offers. If my contract's about to expire, I may give

1 you something as a supplier that may be below what's
2 on the Apples to Apples chart.

3 So I think there are many opportunities
4 for customers to select among alternatives even if
5 the SCO is not among them.

6 Q. If a customer looks at the Apples to
7 Apples chart on an extended period of time, over that
8 period of time they could conclude how competitive
9 the SCO was against the other variable price offers,
10 correct?

11 A. That's true, but that's not a
12 hypothetical, frankly, that I've seen in terms of
13 many customer focus groups that I've participated in
14 as well as our market research. I've yet to see a
15 customer come to one of those groups and indicate
16 that they've made that kind of evaluation over a very
17 long period of time. It's certainly possible, but I
18 would suggest that it's a hypothetical that I haven't
19 seen in the period in which I've evaluated the
20 market.

21 Q. Okay.

22 MR. SERIO: Can we go off the record for
23 just a second?

24 EXAMINER STENMAN: We can.

25 (Discussion off the record.)

1 EXAMINER STENMAN: Let's take an hour
2 lunch break. Let's come back at 1:45 and then we'll
3 do what we need to do after the parties talk.

4 (At 12:41 p.m. a lunch recess was taken
5 until 1:45 p.m.)

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1 Tuesday Afternoon Session,
2 October 16, 2012.

3 - - -

4 EXAMINER STENMAN: Let's go back on the
5 record. Mr. Serio.

6 MR. SERIO: I have no more questions,
7 your Honor.

8 EXAMINER STENMAN: Okay. Ms. Mooney?

9 MS. MOONEY: I did have two follow-up
10 questions that would have made a lot of sense an hour
11 ago but I'll still ask them.

12 - - -

13 RECROSS-EXAMINATION

14 By Ms. Mooney:

15 Q. Is the GCR rate a competitive choice
16 option?

17 A. No, it was not.

18 Q. And when I said "in perpetuity," that was
19 a joke, but people didn't get it. So let me ask you
20 this, for the immediate future is there any plan to
21 eliminate the SSO option for PIPP customers?

22 A. If by the "immediate future" you refer to
23 the next several years, no, there are no plans to
24 cease the auctions for PIPP customers.

25 MS. MOONEY: That's all I have. Thank

1 you.

2 EXAMINER STENMAN: Thank you.

3 Mr. Parram.

4 MR. PARRAM: Nothing, your Honor.

5 EXAMINER STENMAN: Thank you, Mr. Murphy.

6 (Witness excused.)

7 EXAMINER STENMAN: I believe there is a
8 motion to admit DEO Exhibit 1. Any objections?

9 MR. SERIO: No objections.

10 MR. PARRAM: No, your Honor.

11 EXAMINER STENMAN: Dominion Exhibit 1
12 will be admitted.

13 (EXHIBIT ADMITTED INTO EVIDENCE.)

14 MR. SERIO: Your Honor, I'd move
15 admission of OCC Exhibit 1.

16 EXAMINER STENMAN: Any objections?

17 (No response.)

18 EXAMINER STENMAN: OCC Exhibit 1 will be
19 admitted.

20 (EXHIBIT ADMITTED INTO EVIDENCE.)

21 MS. MOONEY: Your Honor, I would move for
22 the admission of OPAC Exhibits 2, 3, and 4.

23 EXAMINER STENMAN: With respect to OPAC
24 Exhibit No. 2, that is testimony from a prior case,
25 the Bench will take administrative notice of OPAC

1 Exhibit 2. Any objections to the admission of OPAC 3
2 and 4?

3 (No response.)

4 EXAMINER STENMAN: Hearing none, OPAC 3
5 and 4 will be admitted.

6 (EXHIBITS ADMITTED INTO EVIDENCE.)

7 MR. SERIO: Your Honor, question.

8 EXAMINER STENMAN: Yes.

9 MR. SERIO: So if we refer to OPAC
10 Exhibit 2, how would we identify it?

11 EXAMINER STENMAN: Just as "OPAC Exhibit
12 2."

13 MR. SERIO: Okay.

14 Ms. Mooney or Mr. Rinebolt, I believe
15 you're up next.

16 MR. RINEBOLT: Yes.

17 EXAMINER STENMAN: Would you please raise
18 your right hand.

19 (Witness sworn.)

20 EXAMINER STENMAN: Thank you.

21 - - -

22 STACIA HARPER

23 being first duly sworn, as prescribed by law, was
24 examined and testified as follows:

25 DIRECT EXAMINATION

1 By Mr. Rinebolt:

2 Q. Ms. Harper, could you give your full name
3 and title and business address for the record,
4 please.

5 A. Stacia Harper, Director of Regulatory
6 Affairs for Ohio Partners for Affordable Energy, and
7 our business address is PO Box 1785, Findlay, Ohio,
8 43 -- I don't know our zip code.

9 Q. It's actually PO 1793 for the record. PO
10 Box 1793.

11 A. Zip code 45837.

12 Q. Three-nine.

13 A. Three-nine, okay. There we go. Awesome
14 start.

15 Q. Do you have in front of you OPAGE Exhibit
16 No. 1?

17 A. My exhibits are not labeled.

18 Q. Do you have your direct testimony?

19 A. Yes.

20 Q. All right. Do you have any additions or
21 corrections to that testimony?

22 A. Yes.

23 Q. Would you describe it, please.

24 A. This was Exhibit SH-4 and we've handed
25 out SH-4A. We had a correction because I had

1 incorrectly done a 13-month average and so the DEO
2 12-month average on this chart is \$5.16 and the
3 deltas have been updated to reflect that change.

4 Q. Very well.

5 MR. RINEBOLT: Your Honor, I'd request
6 that Ms. Harper's direct testimony be marked as OPAE
7 Exhibit 1 and that the correction piece for Exhibit
8 SH-4 be marked as OPAE Exhibit No. 1a.

9 EXAMINER STENMAN: They'll be so marked.

10 (EXHIBITS MARKED FOR IDENTIFICATION.)

11 Q. Ms. Harper, was this testimony prepared
12 by you or under your supervision?

13 A. Yes.

14 Q. If you were to answer these questions
15 that are in your testimony today, would your answers
16 be the same?

17 A. Yes.

18 MR. RINEBOLT: Your Honor, I'll move
19 admission of OPAE Exhibit 1 and 1a and she's
20 available for cross-examination.

21 EXAMINER STENMAN: Thank you.

22 Mr. Whitt?

23 MR. WHITT: Your Honor, I think
24 Mr. Petricoff is likely to have more questions. I'd
25 prefer to go last if that's okay.

1 EXAMINER STENMAN: Usually staff gets the
2 opportunity to go last, but you can go second to
3 last.

4 MR. WHITT: Next to last?

5 EXAMINER STENMAN: Yes.

6 MR. WHITT: I'll take it.

7 EXAMINER STENMAN: Mr. Petricoff.

8 MR. PETRICOFF: I'll be glad to proceed.

9 - - -

10 CROSS-EXAMINATION

11 By Mr. Petricoff:

12 Q. Good afternoon, Ms. Harper.

13 A. Good afternoon.

14 Q. Now that we've corrected your postal
15 address I have to ask the question, have you been
16 getting any mail lately? That was not a serious
17 question.

18 A. We actually work out of our houses so I
19 know my address. The main mail will go over to OPAE
20 and then it's forwarded to me.

21 Q. Okay. In preparation for your testimony
22 today did you go back to review the positions that
23 OPAE has taken in the past as to how default natural
24 gas would be supplied to customers in the East Ohio
25 Gas system?

1 A. I don't quite understand your question.
2 Did I go back and review past cases?

3 Q. Well, let me ask you this question: Do
4 you know what position OPAE took when the original
5 auction was presented in case 05-474?

6 A. No. That was prior to my employment.

7 Q. Would you be surprised to know that OPAE
8 opposed the introduction of an auction in place of
9 the gas cost recovery mechanism?

10 A. I wouldn't be surprised, no.

11 Q. Is OPAE's decision today that the auction
12 is a good procurement tool?

13 A. Yes.

14 Q. Do you know what position OPAE took in
15 terms of moving, in part, from the standard service
16 offer to the standard choice offer when that was
17 offered in the 07-1224 case?

18 A. No.

19 Q. To the best of your knowledge, does OPAE
20 support the use of the standard choice offer now?

21 A. Yes.

22 MR. RINEBOLT: Your Honor, I would object
23 to this line of questioning, however, particularly
24 07-1224, the positions of the parties have been made
25 part of the record. As Ms. Harper indicated, she was

1 not employed by us at that time, so she would not
2 have direct knowledge of our positions at that time.

3 MR. PETRICOFF: Well, your Honor, that's
4 why the first question was what preparation did you
5 make in terms of the history; that is what I was
6 soliciting.

7 EXAMINER STENMAN: Overruled.

8 Q. Okay. If you would, turn to page --

9 MR. PETRICOFF: Your Honor, I forgot, I
10 have some motions to strike.

11 EXAMINER STENMAN: Okay, let's work on
12 those.

13 MR. PETRICOFF: May I present them to the
14 Bench now?

15 EXAMINER STENMAN: Yes.

16 MR. PETRICOFF: The first motion to
17 strike, and actually there's two of them but I'll
18 give them to you in this order because if the first
19 one isn't successful, then there will be no need to
20 go on to the second one, but the first one is on page
21 17, lines 17 to 22, and I want to be specific that I
22 want to cut off -- the objection and the motion to
23 strike only extends from the word starting with
24 "Based" and ending with the quote mark.

25 And I move to strike this answer because

1 it is basically providing a legal interpretation for
2 which the witness is not qualified and because it
3 begins with the statement "Based on consultations
4 with counsel," I'm not sure this is even the
5 testimony of the witness.

6 We do not object or move to strike the
7 portion that follows which I think is the substantive
8 part of the question, this is really a, if you will,
9 a prologue to it, but I think it's an improper one
10 and we move to strike it.

11 And then the second motion to strike is
12 page 8, lines 1 through 4, where there's a question
13 as to the state energy policy and the witness says
14 "Based on my consultations with counsel, the answer
15 is yes." I think this, once again, calls for a legal
16 interpretation and it's not clear that this is her
17 testimony.

18 MR. RINEBOLT: Your Honor, if I may
19 respond. I would simply point out that in chapter
20 4929 Ohio law specifically authorizes government
21 aggregations and the quoted section, and I'm talking
22 about page 17 now, the quoted section of Ohio law
23 speaks to promoting diversity of natural gas supplies
24 and suppliers. I believe that particular phrase is
25 referenced in other testimony that's been submitted

1 in this case, but not submitted quite yet.

2 And in terms of the question on page 8,
3 the language again quoted in the question is taken
4 from the statute and is essentially designed to
5 provide the basis for a series of questions that
6 follow.

7 EXAMINER STENMAN: At this time I'm
8 inclined to agree with Mr. Petricoff, it doesn't seem
9 like these are her answers, and it does seem like
10 these are counsel's answers. As to the quoted
11 portion of the statute, obviously, that speaks for
12 itself. So the motion to strike will be granted.

13 MR. PETRICOFF: Thank you, your Honor.

14 Q. (By Mr. Petricoff) Ms. Harper, if you
15 would, turn to page 5 and I want to draw your
16 attention to lines 4 to 8.

17 A. Okay.

18 Q. This is where you give your five criteria
19 for perfect competition to exist. Can you tell me
20 where these five points came from? Are they from a
21 recognized economic text or is this your own summary?

22 A. Actually, these different criteria can be
23 found in almost any microeconomic textbook. There's
24 various theories about competition, monopolistic
25 competition, but these are pretty much -- you open up

1 econ. 101, perfect competition, and here are your
2 criteria.

3 Q. But this is your criteria. This is your
4 summary of the text that you have read and your
5 understanding. This is not quoting from Samuelson or
6 another text directly.

7 A. It is not quoting from a single
8 economist, it is literally coming out of textbooks
9 because I've actually taught economics before and in
10 the courses that I taught these were what we used as
11 our curriculum.

12 Q. And do you have any published peer-review
13 papers in which you have expressed this criteria and
14 gotten any professional criticism of that paper, of
15 such a paper?

16 A. No.

17 Q. Okay. Does perfect competition exist in
18 the real world or is that a theoretical concept?

19 A. Predominantly, it's theoretical, however,
20 it can exist in the real world. The wheat market is
21 a really great example. The gas market could
22 actually be fairly close depending on which segment
23 you want to look at.

24 Q. Besides wheat and natural -- actually,
25 let me stop with natural gas. Natural gas wholesale

1 or retail or both?

2 A. Would be wholesale. It would be the
3 commodity exchange on the NYMEX for the most part.

4 Q. Is there near-perfect competition in
5 retail gas?

6 A. It depends on the market structure.

7 Q. Okay. What about Ohio?

8 A. Ohio? I wouldn't say that -- again, it
9 depends on where the market structure is. With the
10 auction process that we currently have we have very
11 good competition.

12 Q. And since East Ohio is in Ohio, I assume
13 that would apply for the East Ohio service territory
14 as well?

15 A. Yes, because I'm specifically referring
16 to the auction process that's used to procure gas for
17 the SCO which is a retail product.

18 Q. So going back to you -- and besides
19 natural gas and wheat are there any other perfect or
20 near-perfect markets that you can think of?

21 A. There are some, but, again, you have to
22 have a homogenous product which is a product that is
23 the same. So electrons maybe could be water, and you
24 have to have very -- you need to have transparent
25 market prices. You also need to be able to ensure

1 that no one is actually able to influence the price.
 2 I mean, these are all aspects of defining to say that
 3 something is actually perfectly competitive. So
 4 there are some -- there are other examples, and I'm
 5 not quite sure what exactly those examples would be,
 6 but I do agree with you that there are few.

7 Q. Okay. Criteria 3 for your perfect, and I
 8 assume we can use that for near perfect as well,
 9 near-perfect markets involves knowing the price. In
 10 the wheat market how is that price made known?

11 A. It's in the Chicago exchange, I forget
 12 the name of it, the Forex or something, but I'm
 13 not -- I need to go double-check those because I'm
 14 not a wheat market specialist, it's just an example
 15 we used to use in econ.

16 Q. And for natural gas you had mentioned
 17 that the NYMEX, that would be your example --

18 A. Yes.

19 Q. -- of a price -- where price is
 20 exchanged. Okay, so I take it in order to get the
 21 kind of information on pricing out, you don't have to
 22 have a governmental price chart?

23 A. Correct.

24 Q. Okay. Do you have a definition, an
 25 economic definition, for "subsidy"?

1 A. A subsidy is a cost or it's, actually,
2 it's an amount that offsets the true cost.

3 Q. Okay. And do subsidies disrupt perfect
4 markets?

5 A. They can, yes.

6 Q. In fact, isn't it true that you couldn't
7 have perfect competition if you had subsidies going
8 on?

9 A. Yes.

10 Q. Let's talk a bit about the New York
11 Mercantile Exchange which I can call "NYMEX" with
12 you?

13 A. Yes.

14 Q. Is the NYMEX a financial market or a
15 physical market?

16 A. The NYMEX is an exchange and it offers --
17 it provides the exchange of both commodities,
18 physical and financial.

19 Q. If you know, what percentage of the NYMEX
20 transactions clear physically?

21 A. I don't know. I'm not sure about what
22 that exact percentage is.

23 Q. Order of magnitude. A small amount? A
24 large amount?

25 A. A large amount. I mean, I'm -- with

1 physical it's small.

2 Q. With physical.

3 A. A smaller amount than the financial.

4 Q. Right. The financial is the main means
5 of exchange.

6 A. It's a significant means of the exchange.

7 Q. Right. Actually, knowing that I'm
8 probably going to have to look at this transcript
9 again let me correct my question more than your
10 answer. Basically, transactions -- most transactions
11 on the NYMEX are completed financially as opposed to
12 physically.

13 A. The majority of transactions, yes.

14 Q. Okay. Thank you.

15 If you're a supplier, then, if you're a
16 competitive retail natural gas supplier, which I'll
17 use the acronym "CRNGS," if you're a CRNGS, then do
18 you have to participate in the physical market as
19 well?

20 A. No.

21 Q. Can you fulfill your obligations to
22 deliver gas to East Ohio by handing them a NYMEX
23 hedge --

24 A. No.

25 Q. -- document?

1 A. No.

2 Q. Okay. So CRNG suppliers have to have
3 actual gas.

4 A. Yes, and they can do that through a
5 variety of means and it does not have to be them
6 entering into a contract themselves. They could be
7 contracting with a third party that would arrange all
8 of the transactions.

9 Q. So the CRNGS either directly or
10 indirectly is going to have to work in the physical
11 market in order to get natural gas to East Ohio for
12 delivery.

13 A. They will have to have at least a
14 physical contractual obligation.

15 Q. And the same would be true for the
16 suppliers of the SCO?

17 A. Yes.

18 Q. Are the prices on the NYMEX volatile?

19 A. Yes.

20 Q. Okay. And would you agree with me that
21 between 2006 and today those prices have ranged
22 everywhere from \$2 a dekatherm to \$17?

23 A. I don't have the chart in front of me, if
24 the prices were up at 17 in 2008, but I will agree
25 that there's been significant changes in the price

1 from \$2 upwards.

2 Q. Okay. Right now, to the best of your
3 recollection, what would be the high end number if we
4 looked over the past five, six years?

5 A. Probably 16.

6 Q. I'm sorry?

7 A. Sixteen.

8 Q. Sixteen? Okay.

9 If you would, I want you to turn to page
10 7 of your testimony, I want to make sure that we're
11 all on the same page here, I guess literally as well
12 as figuratively. On page 7 in line 1 there's a
13 question "Is a wholesale auction" -- let me rephrase
14 the question.

15 To the best of your knowledge, would you
16 consider the SSO, the standard service offer, auction
17 to be a wholesale or retail auction?

18 A. It's a wholesale auction.

19 Q. And how about the standard choice offer
20 auction, is that a retail or a wholesale auction?

21 A. The assignment of the CRNG provider makes
22 it a retail auction.

23 Q. Okay.

24 A. And I would like to take note that we had
25 the case in 2011 that made the SSO auction and the

1 SCO auction the same auction.

2 Q. But would you agree that East Ohio treats
3 the gas it receives differently coming out of that
4 auction as to whether it's going to a Choice customer
5 or whether it's going to like a PIPP customer?

6 A. In the 2011 I'm not aware that there was
7 any difference in treatment. Dominion has title to
8 the SSO, and in the SCO the retail supplier has
9 title.

10 Q. Isn't that a difference?

11 A. Kind of, but I don't -- with the way that
12 the case came out in 2011 the motion was to replace
13 the results of the -- that the SCO and the SSO were
14 providing the exact same end result.

15 Q. Okay.

16 A. So the prices were coming out to be the
17 same.

18 Q. To your understanding, after the decision
19 in 2011 if I was a bid winner, I would turn --
20 wouldn't I turn a portion of the gas over for SSO
21 treatment and a portion of the gas that I'd requested
22 from East Ohio over for SCO treatment?

23 A. The SSO was designed to be the wholesale
24 auction so that people -- that there would simply be
25 tranches. Whereas with the SCO it was designed so

1 that you would know who you were actually bidding for
2 or what type of customer.

3 And I really don't quite understand all
4 of the 2011 other than the results of the SCO and the
5 SSO have been the same and, therefore, there's only
6 going to be one auction held.

7 Q. But the bid winners in the combined
8 auction, don't they get some SSO load that has to be
9 delivered as a physical means and some load that is
10 just select customers that are assigned to them?

11 A. I would say yes.

12 Q. Okay. That answers my question in this
13 area.

14 I'd like you to turn to page 9 and I want
15 to ask you some questions about the Apples to Apples
16 chart. First question is: In preparing your
17 testimony did you look at, other than the Apples to
18 Apples charts, did you do any other survey or look at
19 any other data as to what commercial offers were to
20 customers -- retail commercial customers from CRNGS
21 in the East Ohio service territory?

22 A. In terms of prices?

23 Q. Yes.

24 A. Just the Apples to Apples.

25 Q. Just the Apples to Apples chart, okay.

1 Are CRNG suppliers required by Commission
2 rule, if you know, to post their commercial price on
3 the Apples to Apples?

4 A. They're required to, if they're on the --
5 I'm sorry, can you please repeat the question?

6 MR. PETRICOFF: Could we have the
7 question read back.

8 (Record read.)

9 A. I don't understand what you mean by
10 "commercial prices."

11 Q. Okay. Let's start it this way, if I am
12 certified to make retail sales on the East Ohio
13 system and I am making sales only to commercial and
14 industrial customers, do I have to post a price on
15 the Apples to Apples chart?

16 A. If you're an SCO supplier, I understand
17 that you do.

18 Q. If I'm an SCO supplier?

19 A. Yes.

20 Q. Doesn't an SCO supplier just have to put
21 a bid into the auction?

22 A. The SCO suppliers bid in the auction so I
23 guess I'm wrong.

24 Q. It's a tough seat you're sitting in.

25 A. Yeah.

1 Q. Let me try it this way: If you're an MVR
2 supplier, do you have to post something on the Apples
3 to Apples chart?

4 A. If you're an MVR supplier, yes.

5 Q. All right. And if you're not an MVR
6 supplier, do you have any obligations to post on the
7 Apples to Apples chart?

8 A. I understand it's mostly voluntary.

9 Q. Okay. Now, you've had some experience, I
10 think, with a marketer. Didn't you work for Direct
11 Energy?

12 A. I did.

13 Q. Refresh my memory, were you working on a
14 team that worked on gas prices or electric prices?

15 A. I worked on the gas side.

16 Q. On the gas side, okay. And if you could,
17 tell us a bit about what you did do for Direct Energy
18 on the gas side.

19 A. We were responsible for putting together
20 the commercial and industrial contracts, and I was
21 also responsible for managing the gross margins, so
22 we worked on different types of pricing schemes and
23 worked directly with our trading group that would
24 actually purchase the gas on behalf of the customers.

25 Q. And what kind of information did you have

1 to gain and to use in order to price for commercial
2 customers?

3 A. I'm limited in what I can say from my
4 prior employment with --

5 Q. I don't want you --

6 A. -- Direct Energy, but to the best that I
7 can answer your question --

8 Q. Yes. Don't betray any confidences.

9 A. -- there was definitely monthly load
10 information that we would have to look at, we'd have
11 to look at peak load requirements and kind of the
12 various trends in the usage of their actual
13 operations.

14 Q. What's the term "load factor" mean?

15 A. The term "load factor" is a ratio of how
16 much you use based on what your peak is, so it's a
17 portion of the time that you're operating at peak.

18 Q. And the information that you've just
19 talked about that you would look at when you're
20 analyzing for a commercial customer, why is it
21 important to know from a pricing standpoint what the
22 load factor would be?

23 A. Because it has to do with what you're
24 able to predict what the usage is going to be so that
25 affects your hedging position.

1 Q. And does that affect price?

2 A. Yes.

3 Q. And on the Apples to Apples chart can
4 you -- do you just put a single price down?

5 A. On the Apples to Apples chart there is a
6 single price that is a monthly variable price that is
7 on the Apples to Apples.

8 Q. Right. And isn't it true that probably
9 no two commercial customers have exactly the same
10 load factor?

11 A. I'm sure they have the same load factor,
12 there are more than two that have the same load
13 factor, but there is variability of load factors
14 among commercial customers.

15 Q. So wouldn't it make it very hard to get
16 the most efficient price down if you only had to put
17 one price down if commercial customers had different
18 load factors?

19 A. Can you please rephrase the question?

20 MR. PETRICOFF: Could you repeat the
21 question.

22 (Record read.)

23 A. I'm really having a hard time answering
24 that question because I see the role of retail
25 suppliers as being there to offer the right product

1 for the customer, not that a commercial client's
2 going to go look at a monthly variable rate.

3 Q. Well, but certainly a monthly variable
4 product would be one that you would have to offer,
5 right?

6 A. (Witness nods.)

7 Q. And in the --

8 MR. PETRICOFF: Let the reporter note
9 that it was an affirmative shake of the head.

10 Q. And if we are trying to get the best
11 variable price, we'll just start with variable price,
12 we want to get the best variable price for the
13 customer, then you have to really know what their
14 load factor is, don't you?

15 A. It depends on the operation of the
16 business. The load factor might come into -- the
17 load factor isn't going to have any relevance on
18 small commercial where they don't -- they're not
19 sophisticated enough to really even understand what a
20 load factor is. The larger commercial and
21 industrials are going to have maybe even an office
22 dedicated to energy procurement where it does matter.

23 Q. Yeah, but if you're -- you're a supplier
24 and you're trying to meet that small commercial
25 customer and you want to offer them the lowest price

1 that you can, wouldn't it be helpful to know their
2 load factor and then how seasonal their use was?

3 A. Not if there's already a price posted on
4 the Apples to Apples for the lowest monthly variable
5 price.

6 Q. But let's say you want to win this
7 customer and you know that they can go to the Apples
8 to Apples chart and see this price, but you want to
9 give them a price that will be more attractive so you
10 can sign them up, wouldn't it be helpful to know what
11 their load factor is and how seasonal their use?

12 A. For the monthly variable price, no.

13 Q. How about for a fixed price?

14 A. Yes.

15 Q. And you looked at fixed prices as well.

16 A. Yes.

17 Q. And fixed prices are on the Apples to
18 Apples chart.

19 A. Yes.

20 Q. I want to go back to your question
21 because I was a bit surprised when you said no, that
22 even for a variable price you wouldn't need to know
23 the load factor. In a variable price you would have
24 to deliver all the days in the billing month, right?

25 A. Uh-huh.

1 Q. So would it make a difference if you knew
2 whether that customer was opened weekends or closed
3 weekends?

4 A. Again, it depends on the customer and if
5 the load factor really isn't one of those -- the
6 items that are being considered in the negotiation,
7 it's not relevant. I mean, if someone chooses to
8 have a monthly variable rate, that's what they're
9 taking, it doesn't matter what their load factor is.

10 Q. But if you are trying to -- if you're
11 trying to attract customers with a lower price, don't
12 you need to know what their usage pattern is so that
13 you can price it more efficiently?

14 A. You would assume so.

15 Q. Now let me ask this, then: Isn't it
16 really a hardship if you have to put out a single
17 price for commercial customers on the Apples to
18 Apples chart if you want that to be the lowest price?

19 A. I don't see it as being difficult to put
20 on the Apples to Apples chart because you're using a
21 price that is from the NYMEX and you're able to hedge
22 that position.

23 Q. And you're going to have to add your
24 basis.

25 A. Uh-huh, and you're going to add up

1 because you don't know, you just simply add up on the
2 hedge if you don't know the load factor.

3 Q. I'm sorry. You add up on the hedge.
4 Isn't that going to cost money?

5 A. Yes.

6 Q. Doesn't that have to be reflected in my
7 price to the customer?

8 A. No.

9 Q. If it's going to cost money and it's not
10 in my price to the customer, am I in danger of going
11 out of business when I can't cover my costs?

12 A. What I heard your question saying was
13 does that have to be made apparent to the customer.
14 The customer doesn't have to know what portion is
15 your hedge and what portion is the physical
16 commodity.

17 Q. Okay, now I understand your answer. I
18 was actually coming from the -- looking through the
19 other end of the telescope, if you will. I was
20 wondering in terms of posting a price. Actually, let
21 me try it this way: Once I post a price on the
22 Apples to Apples chart do I have to actually go
23 through and offer that to people if they call in and
24 say "I would like your Apples to Apples price"?

25 A. Yes.

1 Q. Okay. So I have to make sure that I've
2 covered all my costs if I'm going to post that price.

3 A. Yes.

4 Q. How often can I change that price?

5 A. Monthly.

6 Q. All right.

7 A. And it's possible you might be able to do
8 it more often, but I really don't know. I mean,
9 there is a requirement if you're posting with the
10 MVR, it does update monthly.

11 Q. So that being the case, if I was a
12 customer and I was looking for the lowest price,
13 wouldn't I want to go talk to a marketer directly,
14 give them my detailed usage figures, and see if they
15 could come up with a lower price because I can lower
16 their risk by telling them what my usage pattern is?

17 A. If they're interested in talking to a
18 marketer.

19 Q. Okay. And so, knowing what we know from
20 this discussion, would it be your expectation that
21 the prices that are posted on the commercial Apples
22 to Apples chart may be higher than what's available
23 in the market?

24 A. In terms of the different products that
25 can be offered, yes.

1 Q. Now I want to go back and talk a bit
2 about the variable prices. Now, if we're looking at
3 the SCO, okay, you'll agree with me that the SCO
4 price is made up by the bid price that was submitted
5 in the last DEO auction, SCO auction, and the closing
6 monthly NYMEX price.

7 A. Yes.

8 Q. Okay. And --

9 MR. PETRICOFF: Actually, your Honor, at
10 this time I'd like to have a document marked as
11 OGMG/RESA No. 1.

12 EXAMINER STENMAN: That will be so
13 marked.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 Q. Do you recognize what has been marked as
16 OGMG/RESA No. 1?

17 A. Yes.

18 Q. And this is the Dominion East Ohio Apples
19 to Apples chart?

20 A. Yes.

21 Q. And you'll agree that this was taken off
22 the chart this morning; you can look at the bottom
23 line that has the date.

24 A. It says "10/11."

25 Q. Okay. This was the one that was posted

1 as of 10/11.

2 A. Okay.

3 Q. And we'll see, if you turn to the second
4 page, it says DEO SCO Total Rate -- SCO per Mcf is
5 3.62 and then the total rate is 4.7791.

6 A. Uh-huh.

7 Q. Of the 4 dollars 77 cents and 91 mils how
8 much of that is set in the auction?

9 A. How much of the total rate is set in the
10 auction?

11 Q. Right, of the 4 dollars -- let me go back
12 a second. You'll agree with me if you're on the SCO
13 this month, you're going to pay \$4, we'll call it 78
14 cents, \$4.78 an Mcf.

15 A. Okay.

16 Q. And of that \$4.78 how much of this is
17 being set in the SCO auction?

18 A. Sixty cents.

19 Q. All right. So roughly 12 percent of the
20 price?

21 A. Okay.

22 Q. And so OP&E's concern is that that
23 12 percent of the price might be altered a bit if the
24 SCO was not available.

25 A. The SCO specifically says that the price

1 will be NYMEX plus 60 cents. The MVR does not say
2 anything that will be NYMEX plus anything. There's
3 no insight into what the MVR price is and how it is
4 set.

5 Q. To your knowledge, do you know how
6 suppliers set their MVR price?

7 A. No.

8 Q. Okay. Let's go down and look at the
9 bottom of that page where it says "Monthly Variable
10 Capped Rate," and I guess it rolls over to the --
11 actually, I take that back. It's on the third page
12 where it says "Variable Rate Plan." Do you see the
13 entries on the Variable Rate Plan?

14 A. Yes.

15 Q. And if we look at Supplier Total Rate,
16 okay, we see three of them that are being offered
17 here.

18 A. Uh-huh.

19 Q. And these offers are for residential
20 customers as well as commercial, right?

21 A. Yes.

22 Q. And, generally, are residential rates
23 higher than commercial?

24 A. Yes.

25 Q. Okay. And if we look at the first one,

1 it's Dominion Energy Solutions, that's \$5.97, is that
2 higher or lower than the current SCO? Is this offer
3 higher or lower than the SCO for this month?

4 A. Higher.

5 Q. Okay. And Energy Plus, are they higher
6 or lower?

7 A. They are lower.

8 Q. And Just Energy, are they higher or
9 lower?

10 A. They are lower.

11 Q. So for this month two out of the three of
12 the variable plans are lower than the SCO.

13 A. Yes.

14 Q. If you would, I'd like you to turn to
15 page 15 of your testimony. Well, actually this may
16 be easier to do -- if you would, let's go look at your
17 Exhibit No. 3. That might be the easier way to do
18 this.

19 So let me see if I can summarize for you
20 and we can agree on how Exhibit SH-3 was done. In
21 Exhibit SH-3 you looked at the posted MVR prices.

22 A. Yes.

23 Q. And you compared that to the SCO prices
24 for an historic period.

25 A. Yes.

1 Q. August '11 through July '11. And then
2 Exhibit 3 is just a plot of the differential.

3 A. Correct. And that's July, through July
4 2012.

5 Q. Right. Okay. And you don't have a
6 similar one with the variable prices versus the SCO.

7 A. In the event that, let's see, in the
8 event that there was nothing to report -- there were
9 two cases I think where I did use the variable price
10 that was reported because there was nothing for --
11 equivalent for the MVR price, those were the two
12 highlighted ones.

13 Q. But you didn't do a study of the variable
14 price. Your study here is strictly the posted MVR
15 price.

16 A. Correct, because that is what we thought
17 to be, or I really thought to be the Apples to Apples
18 comparison with the SCO.

19 Q. All right. Let's turn to Exhibit 4.
20 These are the, and I guess maybe we should be looking
21 at --

22 A. 4A.

23 Q. -- 4A, yeah.

24 A. It's just a little bit of difference, so
25 they say the same thing.

1 Q. I would have corrected the chart more
2 than once if I was doing it. That doesn't trouble me
3 at all.

4 Generally I think when we look at this is
5 it fair to summarize that if you wanted to fix the
6 price, basically you would -- and compare it to the
7 SCO, you would have to pay a premium of 2 to 3
8 dollars?

9 A. Yes.

10 Q. That's what it would cost to fix a price.

11 A. I wasn't looking at this under the
12 assumption that I was trying to fix a price. I was
13 just comparing this in terms of the performance of a
14 year of going on the SCO to accepting a year price, a
15 fixed price, for the equivalent time period.

16 Q. But that's what I want to explore with
17 you because the SCO is basically, it changes every
18 month.

19 A. Yes.

20 Q. Okay. And we have established that
21 roughly 80 percent of the, more than that, 88 percent
22 of the price is not covered by the auction so that's
23 all subject to change. Actually, let me strike that.
24 Let me go back. There's an easier way to do this.

25 In a fixed price the customer knows what

1 they're going to pay for a commodity for the whole
2 year.

3 A. Correct.

4 Q. Okay. And for that certainty they're
5 going to have to pay a premium.

6 A. Correct.

7 Q. And we can say that because we know that
8 the supplier is going to have to either hedge it or
9 buy it on a firm basis in order to assure that price.

10 A. (Witness nods.)

11 Q. Do most customers buy a fixed-priced
12 product?

13 A. I don't have any stats to look at. From
14 my experience in working with Direct Energy people do
15 prefer fixed-price contracts. But I don't have any
16 data for Dominion to see what portion is on a fixed
17 price or a variable price.

18 Q. Okay.

19 A. But people don't like change.

20 Q. Well, couldn't more than people don't
21 like change, if you're running a business and you
22 have a budget, maybe you're not equipped to take
23 changes in your product cost.

24 A. It could be that. There's a host of
25 factors: The size of the business, the expertise of

1 the staff, the knowledge of the energy industry, and
2 the bigger -- the bigger the operation, the more
3 knowledge you can typically correlate. The smaller
4 the operation, the less knowledge and the more apt
5 one is to go for a fixed price.

6 Q. Does it also matter what percentage of
7 your product happens to be affected by energy prices?

8 A. Yes.

9 Q. So if this was -- if your energy price
10 was 2, 3 percent of your product price and you wanted
11 to make sure that you could keep a level product
12 price, \$2 an Mcf may be a very good bargain to buy
13 that certainty.

14 A. It could be.

15 Q. Now I'm ready to go back to page 15 of
16 your testimony. On page 15 on line 17 you say the
17 SCO eliminates the CRNGS's customer acquisition
18 costs, a significant barrier to entry into the
19 competitive natural gas market of new CRNGS." How
20 does the SCO -- well, first of all, what are the
21 acquisition costs that the SCO is eliminating?

22 A. It's eliminating the direct marketing
23 efforts to get people to sign up with the CRNG
24 provider and those costs can be significant because
25 marketers are selling the same product; it's an MMBtu

1 or it's a dekatherm. So that marketing is a
2 significant cost. It could be door-to-door efforts,
3 mass marketing, we have materials, mailers, and those
4 costs really do add up.

5 Q. Okay. And do the acquisition -- well,
6 let me go back to that.

7 And the SCO eliminates this by having an
8 auction, correct?

9 A. Correct.

10 Q. Who pays for the auction?

11 A. It's -- everyone does.

12 Q. So the price of the auction is
13 socialized, then, and paid by both shopping and
14 nonshopping customers alike?

15 A. Yes.

16 MR. PETRICOFF: Ms. Harper, thank you
17 very much. I have no further questions.

18 THE WITNESS: Thank you.

19 EXAMINER STENMAN: Thank you.

20 Mr. Serio.

21 MR. SAUER: No questions.

22 EXAMINER STENMAN: Mr. Parram?

23 MR. PARRAM: No questions, your Honor.

24 EXAMINER STENMAN: Mr. Whitt?

25 MR. WHITT: Give me one moment.

1 EXAMINER STENMAN: Sure.

2 - - -

3 CROSS-EXAMINATION

4 By Mr. Whitt:

5 Q. Ms. Harper, on page 5 of your testimony,
6 I want to just double back very briefly on the five
7 criteria that you indicate must exist for perfect
8 competition to exist. Would you agree that pricing a
9 product through an auction is not a requirement for
10 perfect competition to exist?

11 A. I would agree it is not a requirement.
12 It's the only way that I know that it exists in
13 today's world.

14 Q. On page 10 of your testimony, line 17,
15 you indicate that roughly 20 percent choose to be
16 served through this SCO option, and by the 20 percent
17 you're referring, are you not, to the nonresidential
18 customers currently on SCO service?

19 A. Yes. And that number actually, I
20 actually was using Jeff Murphy's testimony.

21 Q. Okay.

22 A. And that's why I have "roughly."

23 Q. When you say that these customers choose
24 to be served through the SCO, how do you know that?

25 A. We can't assume that someone did not make

1 an affirmative choice to do something else. And the
 2 reason -- because this relates to stated preference
 3 models and it's how we have to assume how people act.
 4 It's one of those philosophy arguments almost that we
 5 can't simply say that someone -- because they didn't
 6 make an active choice, meaning a stated preference,
 7 so that they didn't actually switch something, that
 8 that's not necessarily indicative of that they're not
 9 making a stated choice because that's not what they
 10 want. They actually are making that choice by doing
 11 nothing.

12 Q. But that's an assumption that you made,
 13 am I correct? That your assumption is that those
 14 20 percent currently on SCO service are there because
 15 that's where they want to be.

16 A. Yes.

17 Q. Okay.

18 A. Because I have no other information that
 19 says otherwise.

20 Q. On page 9 at lines 14 through 17 you
 21 discuss what I'll characterize as unpublished pricing
 22 options. Can we agree on that terminology for
 23 products available by CRNG suppliers that aren't
 24 posted on the Apples to Apples website?

25 A. Yes.

1 Q. Okay. And you indicate that these
2 products are designed for the more sophisticated
3 purchaser, correct?

4 A. Yes.

5 Q. Do you know what percentage of the
6 20 percent of customers currently on SCO service
7 would fit your definition of a sophisticated
8 purchaser?

9 A. I have no idea. I'm -- obviously, we're
10 all residents when we go home and I don't live in
11 Dominion, but I do live in, you know, Ohio and I'm a
12 knowledgeable consumer and I have made sure that I
13 stay on my monthly variable that's offered through my
14 LDC. That also goes into my rationale of how I would
15 act, so I can't make an assumption that -- what
16 portion is a sophisticated user choosing caps,
17 collars, volumetric swings, or is choosing to stay on
18 the SCO.

19 Q. At page 14 of your testimony beginning at
20 line 9 you, well, the question asks "Will elimination
21 of the SCO option affect the price paid by commercial
22 customers?" Your answer is "Yes. Generally, the
23 roughly 20 percent of commercial customers on the SCO
24 will see price increases as a result of being forced
25 to service by a CRNGS through the MVR process."

1 And your testimony that these customers
2 would see a price increase is based on an assumption,
3 is it not, of the one-year period that you looked at
4 and Mr. Petricoff discussed with you in Exhibit
5 SH-4A?

6 A. It's not just an assumption. There's a
7 greater cost in moving to an MVR than there is an
8 SCO. The customer acquisition cost is a greater cost
9 than participating in the option for the SCO.

10 In addition, the SCO provides a
11 benchmark, a floor price for the most part, and there
12 is an incentive for suppliers to try to come close to
13 that price.

14 Q. Well, let's talk about that while we're
15 on page 14. At line 22 you say, "There is little
16 incentive for CRNGS providers to provide a price much
17 lower than this, as CRNGS are profit maximizers."
18 Isn't this another way of saying that the SCO price
19 provides a disincentive for CRNG suppliers to offer a
20 price below the SCO?

21 A. Oh, I totally disagree. The retail
22 suppliers have ample opportunity to create innovative
23 contracts and create other opportunities to save
24 money. I think that the SCO being there provides a
25 benchmark and keeps everyone honest, but it should be

1 on the shoulders of the retail suppliers to create
2 more innovative products and really create excitement
3 or interest in the industry.

4 Q. But you say in your testimony there's no
5 incentive for them to do that because the SCO price
6 is there.

7 A. I say that there's no incentive for them
8 to offer a lower published price, meaning what is
9 being posted on the Apples to Apples, because there's
10 actually no opportunity for them to.

11 Q. So in that respect the published SCO
12 price acts as a disincentive --

13 A. I don't --

14 Q. -- to publish -- to offer a price below
15 that, is that what you're saying?

16 A. No. Can we rephrase the question,
17 please, or try it again?

18 Q. Well, you say there is little incentive
19 for CRNG suppliers to provide a price below the SCO.

20 A. Uh-huh. In economic -- just in terms of
21 sheer economics, you have a published price, you
22 don't have much reason to offer a price below that
23 because we're all profit maximizers. You want to
24 make a profit, so you want to try to hit it or beat
25 it -- or be above it.

1 Q. If you took away an SCO price, there
2 would be no floor, if you will, that you say
3 currently provides a -- or for which there is no
4 incentive for CRNG providers to go below presently,
5 correct?

6 A. Uh-huh.

7 Q. Is what I said correct?

8 A. There is no incentive at this point for
9 CRNG providers to offer a lower price than the SCO
10 other than if they want to acquire more customers.

11 MR. WHITT: Thank you. That's all I
12 have.

13 EXAMINER STENMAN: Redirect?

14 MR. RINEBOLT: Yes. Could I consult with
15 my client?

16 EXAMINER STENMAN: Sure.

17 (Off the record.)

18 MR. RINEBOLT: Two questions, your Honor.

19 - - -

20 REDIRECT EXAMINATION

21 By Mr. Rinebolt:

22 Q. Ms. Harper, on the Apples to Apples
23 charts is there any distinction between commercial
24 rates and residential rates?

25 A. No.

1 Q. My second question: Does a fixed price
2 equal a fixed bill?

3 A. No.

4 MR. RINEBOLT: Thank you very much.

5 EXAMINER STENMAN: Any recross,
6 Mr. Petricoff?

7 MR. PETRICOFF: Just one.

8 - - -

9 RECROSS-EXAMINATION

10 By Mr. Petricoff:

11 Q. What are the components, if you have a
12 fixed price for gas, what are the remaining
13 components in the fixed bill that are omitted?

14 A. Transportation and distribution.

15 Q. And those are utility services?

16 A. Distribution is provided by the LDC, and
17 I'm really not sure if the transportation -- the
18 transportation somehow is priced and I don't know how
19 that's priced.

20 Q. Let's assume that it's priced at the city
21 gate where the gas is delivered. So the only
22 difference between the fixed price, then, would be
23 the distribution fee?

24 A. Yes.

25 Q. Okay. And the distribution fee is set by

1 the Public Utilities Commission of Ohio?

2 A. Through a rate case, yes.

3 MR. PETRICOFF: No further questions.

4 EXAMINER STENMAN: Thank you.

5 Mr. Serio?

6 MR. SAUER: No questions.

7 EXAMINER STENMAN: Mr. Parram?

8 MR. PARRAM: No.

9 EXAMINER STENMAN: Mr. Whitt?

10 MR. WHITT: No, your Honor.

11 EXAMINER STENMAN: Thank you.

12 THE WITNESS: Thank you.

13 (Witness excused.)

14 EXAMINER STENMAN: I believe we have a
15 pending motion for the admission of OP&E Exhibit 1.
16 Any objections?

17 MR. PETRICOFF: No objection.

18 MR. SAUER: No objection.

19 EXAMINER STENMAN: OP&E Exhibit 1 will be
20 admitted.

21 (EXHIBIT ADMITTED INTO EVIDENCE.)

22 MR. WHITT: Before I forget, your Honor,
23 would it be appropriate to move for admission of the
24 stipulation? It was identified earlier as Joint
25 Exhibit 1.

1 EXAMINER STENMAN: That would be
2 appropriate. Any objections?

3 MR. PETRICOFF: No, your Honor.

4 I was going to move for OGMG/RESA Exhibit
5 1.

6 EXAMINER STENMAN: Any objections?

7 (No response.)

8 EXAMINER STENMAN: Okay, hearing no
9 objections OPAE Exhibits 1 and 1a, Joint Exhibit 1,
10 and OGMG/RESA Exhibit 1 will be admitted.

11 (EXHIBITS ADMITTED INTO EVIDENCE.)

12 EXAMINER STENMAN: Mr. Petricoff, I think
13 you're up next.

14 MR. PETRICOFF: You know, actually the
15 staff has asked if we could have a switch.

16 MR. PARRAM: Yes, your Honor, we would
17 like to put Staff Witness Barbara Bossart on next if
18 that's okay.

19 EXAMINER STENMAN: That's fine with me.
20 Would you raise your right hand.

21 (Witness sworn.)

22 EXAMINER STENMAN: Thank you.

23 - - -

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BARBARA J. BOSSART

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

DIRECT EXAMINATION

By Mr. Parram:

Q. Please state your full name for the
record.

A. Barbara J. Bossart.

Q. And where are you currently employed?

A. Public Utilities Commission of Ohio.

Q. And what is your position there?

A. I'm a utilities specialist 2.

MR. PARRAM: Your Honor, I would like to
have marked for purposes of identification Staff
Exhibit 1, the prefiled testimony of Ms. Barbara
Bossart.

EXAMINER STENMAN: It will be so marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MR. PARRAM: May I approach the witness?

EXAMINER STENMAN: You may.

Q. Ms. Bossart, are you familiar with Staff
Exhibit 1?

A. Yes.

Q. What is this document?

A. This is my prefiled testimony.

1 Q. Was this document prepared by you?

2 A. Yes.

3 Q. And if I were to ask you the same
4 questions that are contained in this document, would
5 your answers be the same today?

6 A. Yes.

7 Q. Do you have any modifications to Staff
8 Exhibit 1?

9 A. No.

10 MR. PARRAM: Your Honor, I move for the
11 admission of Staff Exhibit 1 subject to
12 cross-examination and tender Ms. Bossart for cross.

13 EXAMINER STENMAN: Thank you.

14 Mr. Whitt, Mr. Petricoff, who wants to go
15 first?

16 MR. WHITT: I have no questions.

17 MR. PETRICOFF: I have no questions
18 either.

19 EXAMINER STENMAN: Mr. Serio or
20 Mr. Sauer, any questions?

21 MR. SAUER: Just a couple, your Honor.

22 - - -

23 CROSS-EXAMINATION

24 By Mr. Sauer:

25 Q. Ms. Bossart, if I look at your testimony

1 at page 6, you are recommending some things that the
2 Commission look at in the event there would be a
3 commercial exit in this case, correct?

4 A. Yes.

5 Q. And your testimony was filed the same day
6 as Mr. Hayes' testimony so you didn't have an
7 opportunity to see his.

8 A. Correct.

9 Q. Have you reviewed the recommendations
10 that Mr. Hayes is making in his testimony?

11 A. Yes.

12 Q. Do you have any objections to the things
13 that Mr. Hayes is recommending the Commission look at
14 in this case?

15 A. No, I do not.

16 MR. SAUER: Thank you, your Honor. No
17 questions.

18 EXAMINER STENMAN: Thank you.

19 Ms. Mooney?

20 MS. MOONEY: Yes, I only have one
21 question.

22 - - -

23 CROSS-EXAMINATION

24 By Ms. Mooney:

25 Q. As I understand it, your testimony

1 basically is recommending educational materials and
2 notices in the event that the joint motion prevails.
3 Has the staff given any thought or do you have an
4 opinion of who would pay for the educational program
5 there?

6 A. We would like the educational programs
7 through the approved educational funds in the '05
8 case for the -- the consumer educational funds that
9 Dominion receives that were approved in the '05 case
10 for educational customers for the exit of the
11 merchant function. We request that in our comments.

12 Q. And do you know if those are basically
13 ratepayer-supplied funds?

14 A. To my understanding, no, they are not.

15 Q. Who supplies the funds then?

16 A. The marketers. I believe the marketers
17 do. I have to go back and verify.

18 Q. Are you sure the marketers do?

19 A. Subject to check of the '05 case.

20 Q. But it's in the record of the '05 case
21 who pays for the educational --

22 A. Yes.

23 Q. -- materials, and you're recommending
24 that same treatment?

25 A. Yes.

1 Q. Okay. Whatever it is.

2 A. Uh-huh.

3 MS. MOONEY: That's all the questions I
4 have.

5 EXAMINER STENMAN: Any redirect?

6 MR. PARRAM: No, your Honor.

7 EXAMINER STENMAN: Thank you.

8 THE WITNESS: Thanks.

9 (Witness excused.)

10 EXAMINER STENMAN: I believe we have a
11 motion for the admission of Staff Exhibit 1. Any
12 objections?

13 (No response.)

14 EXAMINER STENMAN: Staff Exhibit 1 will
15 be admitted.

16 (EXHIBIT ADMITTED INTO EVIDENCE.)

17 EXAMINER STENMAN: Seems like now would
18 be a good time to take just about a five-minute
19 recess so everyone can have a break and then we'll
20 come back.

21 (Recess taken.)

22 EXAMINER STENMAN: Let's go back on the
23 record.

24 MR. PETRICOFF: Thank you, your Honor.
25 At this time the Ohio Gas Marketers Group and the

1 Retail Energy Supply Association would like to call
2 to the stand Teresa L. Ringenbach.

3 EXAMINER STENMAN: Please raise your
4 right hand.

5 (Witness sworn.)

6 EXAMINER STENMAN: Thank you.

7 MR. PETRICOFF: Your Honor, I'd like to
8 have marked as OGMG/RESA Exhibit No. 2 the direct
9 prepared testimony of Teresa L. Ringenbach.

10 EXAMINER STENMAN: It will be so marked.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 - - -

13 TERESA L. RINGENBACH

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

16 DIRECT EXAMINATION

17 By Mr. Petricoff:

18 Q. Good afternoon, Ms. Ringenbach.

19 A. Hello.

20 Q. Would you please state your name,
21 business address, and title for the record.

22 A. Teresa L. Ringenbach. I'm the senior
23 manager of Government and Regulatory Affairs for
24 Midwest for Direct Energy, and the address is 9605
25 El Camino Lane, Plain City, Ohio, 43064.

1 Q. And, Ms. Ringenbach, on whose behalf do
2 you appear today?

3 A. RESA and the Ohio Gas Marketers Group.

4 Q. And do you have before you what has been
5 marked as OGMG/RESA Exhibit 2?

6 A. I don't know which one that is.

7 Q. Your direct prepared testimony.

8 A. Yes, I do.

9 Q. Okay. And was this testimony prepared by
10 you or under your direction?

11 A. Yes.

12 Q. And if I were to ask you the same
13 questions today, would your answers be the same?

14 A. Yes.

15 Q. And are there any changes or amendments
16 you'd like to make to this testimony?

17 A. No.

18 MR. PETRICOFF: Your Honor, the witness
19 is available for cross-examination.

20 EXAMINER STENMAN: Thank you.

21 Mr. Serio or Mr. Sauer, anything?

22 MR. SAUER: No questions, your Honor.

23 EXAMINER STENMAN: Mr. Rinebolt?

24 MR. RINEBOLT: Yes, your Honor, I do have
25 a few questions.

CROSS-EXAMINATION

By Mr. Rinebolt:

Q. Good afternoon, Ms. Ringenbach. How are you?

A. I'm good. How are you?

Q. I'm good. If you have any problem hearing me, which is not normally a problem, please just ask me to repeat the question.

Given your experience in the natural gas industry, do you think that receiving the lowest price is important to customers?

A. I think price is a factor. I don't think it's always the lowest price. My experience has been that customers prefer a fixed price which is not necessarily always the lowest price.

Q. But a customer could focus on price as being the determining factor should they choose?

A. Yes, they could.

Q. Okay. Do you know if any members of the Ohio Gas Marketers Group or the Retail Energy Supply Association -- did I get that right? -- currently have any contract offers that are lower than the SCO price?

A. I believe that in the current Apples to Apples chart that was just -- the last witness? The

1 witness before the last witness, Stacia, Just Energy
2 is a member of RESA, they have a lower price; Energy
3 Plus is a member of RESA; I know that IGS, who is not
4 a member of RESA but a member of OGMG, does not have
5 an offer on the Apples chart, but they do have an
6 offer that is lower than the current SCO price.

7 Q. Would I know about that offer?

8 A. I think if you went onto their website
9 you would find it.

10 Q. Okay.

11 All right. Let's turn to your testimony
12 on page 4, line 1. I want to ask you a series of
13 questions about the MVR price. Now, we know that the
14 markup for the SCO is 60 cents and the entire price
15 is 60 cents plus the NYMEX close. Do we know what
16 the markup is for MVR prices compared to the NYMEX
17 close?

18 A. No. And I question the use of the term
19 "markup." Are you assuming the MVR is based on
20 NYMEX?

21 Q. The basis that is put on top of the NYMEX
22 charge, would we know that for an MVR price?

23 A. No, but the MVR isn't always NYMEX priced
24 either.

25 Q. Okay. Do customers know what the MVR

1 prices are that they are being assigned to when they
2 are assigned?

3 A. When they are assigned, they can receive
4 that either by contacting the utility or looking at
5 the Apples to Apples chart, and then they'll know
6 after they're actually assigned by looking at their
7 bill.

8 Q. So after the bill comes and they see who
9 they've been assigned to, they can tell what the
10 price is?

11 A. Yes.

12 Q. Now, is the MVR price based on
13 head-to-head competition with other suppliers?

14 A. It's going to depend on the individual
15 supplier, how they view their use of the MVR.

16 Q. Now, it's my understanding, and it's been
17 discussed here, that the MVR price is the lowest
18 price that a customer -- or, that a company chooses
19 to post on the Apples to Apples chart; is that
20 correct?

21 A. The lowest monthly variable price that
22 they post on the Apples to Apples chart.

23 Q. Okay. Now, that's a requirement; is that
24 correct?

25 A. That's required in the tariff.

1 Q. Okay. Now, since those tariffs are
2 approved by the Commission, does that mean that the
3 MVR price is a regulated price? A regulated product
4 price.

5 A. I think that the terms of how it's capped
6 is regulated, yes.

7 Q. Now, there's also a requirement that
8 there be no termination fees.

9 A. Yes.

10 Q. And that's a requirement of the tariff.

11 A. Yes.

12 Q. And that tariff is approved by the
13 Commission.

14 A. Yes.

15 Q. And the fact that it has to be a monthly
16 variable rate is also a requirement of the tariff.

17 A. Yes.

18 Q. Okay. You say in line 13 through 15
19 that, based on the experience that we will have
20 should this motion -- proposal be adopted, that we'll
21 be able to monitor customer reactions to the MVR
22 process before we move to an exit for residential
23 customers, correct?

24 A. Yes.

25 Q. Do you think that one of the metrics that

1 should be used as a part of that monitoring is to
2 compare the MVR prices paid by commercial customers
3 to the SCO price paid by residential customers?

4 A. No. I actually laid out what I think
5 should be monitored later on in my testimony; there
6 were five items.

7 Q. So you don't think that price term is
8 something that should be monitored.

9 A. No.

10 Q. On page 5 at line 5 you refer to
11 attempting to convert customers to an organic product
12 offering. For my edification, could you please
13 define "organic product offering"?

14 A. Yes. The way I use it here, organic
15 product offering is a customer actually reaching out
16 to a supplier or a supplier reaching out to a
17 customer and them entering into a contract together,
18 versus --

19 Q. So that could either be a price that was
20 negotiated between the customer and the supplier or
21 another one of the supplier's offers.

22 A. Yes. It's not a default, right? The
23 customer does nothing, they get a price; I don't view
24 that as an organic product offering.

25 Q. To your -- if you know, have a

1 significant number of customers assigned to CRNG
2 suppliers through the SCO process converted to an
3 organic product offering?

4 A. I don't know. Direct Energy isn't an SCO
5 supplier.

6 Q. Okay. Now, in lines 8 through 10 you
7 indicated that Phase 3 will be the completion of an
8 exit for nonresidential customers by removing them
9 from retail auctions and requiring competitive
10 suppliers to completely fulfill the default service
11 commodity role. Now, that's true only for
12 Choice-eligible customers, correct?

13 A. Yes.

14 Q. Choice-ineligible customers will continue
15 to be served through an SSO, a wholesale market --

16 A. Yes.

17 Q. -- option?

18 Let's move down to line 15, please. You
19 indicate that in a competitive market suppliers will
20 constantly be searching for more efficient ways of
21 supplying natural gas on a daily basis. Could you
22 please define what you mean as "efficient" in this
23 sentence?

24 A. Yes. So there's a couple of ways that we
25 think of "more efficient" rate, one is reducing our

1 cost to acquire, right? So finding new marketing
2 channels that take less time for the customers to
3 enroll with us, right, but still educates the
4 customer in the process, one of those ways might be
5 not requiring the customer to have their account
6 number with them, right? Making sure that you're
7 hitting them at the time that they're actually
8 thinking about energy efficiency products like a new
9 furnace, windows, things like that, letting the
10 customer make the decision about their gas price
11 right then versus having to send out mailings and
12 wait for the customer to come back and contact you.
13 That's one way.

14 The other way is actually offering
15 products that are focused on efficiency, right? So
16 we have a whole services side to our business that in
17 the Dominion territory if you got a new furnace from
18 us that was more efficient, you also got a year of
19 free natural gas, right? So looking at different
20 ways to reach the customer to reduce your cost to
21 acquire but also looking at ways to offer products to
22 customers to use their energy more efficiently is
23 where, at least from Direct Energy's perspective,
24 that's where we view the world going?

25 Q. Can you quantify the efficiency?

1 A. In terms of the cost to acquire, you
2 definitely can. In terms of the other types of
3 products, it depends on how many customers are taking
4 that product, right? Are they actually interested in
5 that or is it something that it's, you know, they
6 just don't want to take it, either they don't
7 understand it or there's just no interest in it.

8 Q. Well, can you convert that efficiency to
9 a cents per Mcf number? Like if you sell somebody a
10 furnace and then you acquire them through a part of
11 that process, it would result in this lower price or
12 it would save you this much money whether you pass
13 that through to the consumer or you put it in your
14 pocket?

15 A. You can do it in different ways. You
16 could offer a product that is based on your weather
17 normalized usage, if you stay within this, right, you
18 will get a lower price per unit or a lower -- or
19 just, you know, 50 bucks is what you're going to pay
20 every month, right? As long as you stay within this
21 usage realm. If you go beyond that as a customer,
22 you might get a penalty rate or pay a higher rate,
23 right? There's ways to quantify it in that sense.

24 Q. So that would be analogous to really
25 looking at a load factor for that customer and you'd

1 want to keep that load factor as high as possible and
2 if they went over, then you would charge them a
3 different rate.

4 A. You could look at a small commercial
5 customer, and let me point out that Direct Energy
6 actually has an entire business that's just dedicated
7 to small commercial customers that's not C&I related,
8 and in that business we do look at small commercial
9 customers in different areas and we do profile them
10 based on what we expect their usage to be, and based
11 on that we can offer products that say based on your
12 historical usage and where we see the weather going
13 this year, if you stay within this realm, this would
14 be your price.

15 Q. Do you offer any products like this in
16 the Dominion service territory right now?

17 A. No, currently we don't in Dominion. It's
18 something that we have been talking about, but
19 figuring out how to put those on the actual bill and
20 the way that the bill is programmed has been a
21 barrier to us.

22 Q. Now, you mention at line 20-21 smart
23 metering. Are smart meters at all relevant to
24 natural gas pricing?

25 A. There are -- not in Dominion. Dominion's

1 version of the smart meter is basically you drive by
 2 and you get a remote read, right? There are versions
 3 of natural gas smart metering which let you see what
 4 the customer is using throughout the month which
 5 could lead us, assuming they ever got installed,
 6 right, to things such as pay as you go types of
 7 products, right? You pay for the month ahead, you
 8 get text messages, e-mails, whatever, that tell you
 9 how to adjust your usage so you don't go over what
 10 you've basically prepaid, right?

11 Our view of the world is when the utility
 12 is no longer in that default commodity structure in
 13 any way, shape, or form, that their focus does shift
 14 to different things that the market needs to grow,
 15 different types of smart meter products focusing on
 16 improving your distribution system, building out
 17 pipes to reach Utica or Marcellus. Those are the
 18 things that we see as the utility's role going
 19 forward.

20 From our perspective, give us the data,
 21 let us create the products to reach the customer.

22 Q. If they were to build out pipe to reach
 23 the Marcellus or Utica, would you view that as being
 24 a rate based construction or would they do that with
 25 their own capital and not put it in rate base?

1 MR. PETRICOFF: I'm sorry. Could I have
2 that question read back.

3 (Record read.)

4 MR. PETRICOFF: Point of clarification.
5 Who is the "they"?

6 MR. RINEBOLT: Dominion East Ohio. That
7 was her example.

8 MR. PETRICOFF: All right.

9 MR. WHITT: I would object to the extent
10 the question calls for a legal conclusion.

11 MR. RINEBOLT: Your Honor, the reason I
12 asked the question is because the witness said that
13 that's something that Dominion might do to make -- to
14 evolve the market to the benefit of consumers. I'm
15 curious as to whether the witness views that as a
16 function of the distribution company and the base
17 rates that the customers pay to support the
18 distribution company or some other commercial
19 activity of Dominion.

20 EXAMINER STENMAN: The objection is
21 overruled. She can give her lay opinion.

22 A. I think it depends on what they're
23 building out to connect to it, right? If you're
24 talking about completely outside of their service
25 territory, then no, I don't view that as something

1 that should be in rate base, right?

2 Are they building pipes or an
3 infrastructure within their service territory to
4 allow those outside pipelines to come in? Then yes,
5 I think when you're within their service territory,
6 that becomes a ratepayer distribution focused
7 requirement.

8 Q. So do you view any investment that a
9 utility makes to make it easier for marketers to
10 offer innovative products or services or source
11 different types of supply to be something that
12 ratepayers should pay for?

13 A. I think it depends on what it is. I
14 believe that we already, as suppliers, offer to put
15 up the money to pay for consumer education programs.
16 I think Direct Energy in Texas right now pays into
17 low income energy efficiency programs. There are --
18 it depends on what it is.

19 Q. Let's go back to smart meters. And you
20 discuss the different, in general the different kinds
21 of products.

22 Now, I understand the product that you
23 talked about before. If a customer on a monthly
24 basis exceeds a certain level of consumption, would
25 you use a smart meter to set a daily limit on

1 consumption?

2 A. You potentially could. I mean, the way
3 that we view -- I want to be careful because on the
4 electric side there's two different views of what a
5 prepaid type of product is, right? There's you
6 didn't pay and we're going to shut you off, and then
7 there's the way that we view our prepaid product
8 which is pay as you go, right, where you feel that --
9 you're not necessarily shut off, but you may face a
10 penalty, right? So let's be clear on the two
11 different ones.

12 So when you talk about could you set a
13 daily limit? Absolutely, right? It would be more
14 difficult because you don't generally do -- you're
15 delivering to the weather each day but the forecasts
16 typically change in the morning, right, so it would
17 be a much more difficult product to offer than just
18 going by like a general month, right? You expect
19 January to be really cold, you know, this winter this
20 is what we expect it to be, you typically use this
21 amount, right? That's easier.

22 But, yes, you could do a daily limit but
23 it's not necessarily if you hit your daily limit, I'm
24 shutting you off.

25 Q. I appreciate that and so do my clients.

1 Are there any LDCs that currently offer
2 meters that provide -- natural gas meters that
3 provide two-way communication of consumption?

4 A. It's my understanding that Duke has some
5 of those natural gas meters and is installing them.

6 Q. Would that be in Ohio or in another
7 state?

8 A. In Ohio.

9 Q. Then on line 22 you indicate that retail
10 suppliers will have offices and personnel in Ohio. I
11 assume that retail suppliers already have offices and
12 personnel in Ohio.

13 A. Some do.

14 Q. Some do.

15 A. Well, let me take that back. If you're a
16 certified supplier, you have to have an office,
17 right? It doesn't necessarily mean that it's an
18 office filled with people, right?

19 Q. It can be a mail drop.

20 A. It could be.

21 Q. Could you give me an estimate of if the
22 SCO is eliminated, how many new retail suppliers will
23 increase the size of their office or how many new
24 ones will come in and open new offices?

25 A. Sure. I'm going to give you some history

1 too, so -- around 2008 there were a number of
2 suppliers in this market, there was Integrys,
3 Constellation, Direct Energy, IGS, that actually had
4 very large offices in the state of Ohio.

5 Around that time, June of 2008, there was
6 some things happening on the electric side that were
7 viewed by the market to have shut down the market in
8 Ohio and the gas suppliers were still going to stay,
9 and then we were essentially told by the chairman of
10 the Commission at that time "You will never get an
11 exit on the gas side." And that led to a lot of
12 suppliers, Integrys, Direct, basically leaving the
13 state, right? There were a few employees left here
14 to maintain the business, but it wasn't growing.

15 Flash forward to a year ago and things
16 are very different, right? You have things happening
17 on the electric side that are leading people to
18 believe that this electric market is going to grow
19 and then you have Dominion and Columbia entering into
20 negotiations that would include an exit from the
21 merchant function, right? A path forward, not
22 necessarily a flash-cut, but a path forward.
23 Something that gives certainty to suppliers to make
24 an investment here and keep growing this market.

25 So as a result of that Direct Energy is

1 opening an office in Ohio at the direction of my CEO
2 who came here and talked to people and he got in the
3 car with me and said "You're going to open an office
4 and you're going to staff it here because I believe
5 in Ohio."

6 As part of that I've made my first hire.
7 I have another position that's open in the compliance
8 side. I have two sales leadership management
9 positions. These are not just, you know, off the
10 street, these are people who are making at a minimum
11 85,000 plus a year. These are good jobs.

12 I know for fact Integrys is hiring right
13 now. They're staffing up their Worthington office.
14 They're going to have about 20 positions available.

15 I know IGS is hiring people.

16 I know that Just Energy is opening an
17 office here.

18 Hess just bought Delta and their intent,
19 from what they have said to me, I don't know if
20 that's hearsay or not, but is to keep those
21 employees, right?

22 And I say this because I regularly in my
23 position talk to 23 other companies. You know, I
24 work for RESA. I'm Mid-Ohio Gas chair. I talk to
25 these companies. And I've been there at these

1 meetings where people are like, Ohio is dead, why
2 bother. And over the past two years it's -- Ohio is
3 where it's at. People are looking at Ohio, they want
4 to invest in Ohio, but they also don't want to feel
5 like the rug's going to be pulled out from underneath
6 them again.

7 Long way of answering your question,
8 but --

9 Q. No; it's very interesting.

10 But, as you pointed out, at one point
11 marketers reduced their presence here and now it's
12 built back up.

13 A. Marketers reduced their presence because
14 they didn't think the exit was going to come. They
15 felt like the market was stalled.

16 Q. Now, so am I to understand that
17 Dominion's proposed exit which will release an
18 additional 14,000 customers into the MVR market is a
19 justification to commit additional staff and capital
20 resources in Ohio?

21 A. It's -- if you view it as it's a
22 commitment by the state that this is the path that
23 the state is on, yes, it is. Because keep in mind
24 that this is the very first approval by a Commission
25 to say you know what, we're willing to look at this

1 further, right? We're willing to let it go and see
2 what happens. That's what this settlement is.

3 It's the chicken and the egg, right? If
4 you bring all your jobs, we'll allow an exit, right?
5 Well, we're not going to bring all of our jobs if you
6 don't allow an exit. This is sort of meeting in the
7 middle. We'll let it go partway, we'll see what you
8 guys bring, we'll see how it works, it's a path to
9 move forward.

10 Q. So if the Commission were to deny this
11 application, would you anticipate that your company
12 and the other marketers would close down offices or
13 would not make additional investments here?

14 A. I absolutely believe that.

15 Q. Now, when your companies make additional
16 investments in Ohio, they have to recoup that cost in
17 some way, correct?

18 A. Yes.

19 Q. So that cost, if you go -- if you were to
20 go from one employee to 20 employees, then you will
21 have to factor that increased cost into the rates
22 that you charge customers.

23 A. Depending on where those employees -- if
24 they're already located somewhere, right, if we're
25 moving our gas division out of Houston to Ohio

1 because we believe that Ohio is where we should be
2 because it's the fully open exit the market that we
3 should be in for gas, just as Houston is the place to
4 be for electricity, then you're not necessarily going
5 to see a huge shift in those costs, right?

6 If we have to ramp up our total employee
7 base because we have so much business because the
8 state has opened so completely, then yeah, there's
9 going to be additional costs, but I would think,
10 just -- I'm not an economist, but those people moving
11 here buying houses, going out to eat, spending money
12 on groceries, buying cars, it's going to add to the
13 overall economy.

14 Q. Move down to line 9, 8 and 9, you talk
15 about Ohio being the place where capital and other
16 investments can and should be made. Just out of
17 curiosity, what types of capital investments do
18 marketers make?

19 A. Line 8 and 9 on page 5 still?

20 Q. Let me double-check on the page here. It
21 will be on 6. It will be on 6.

22 A. So there's different things that you
23 could, I mean, if you look at IGS, they built a
24 building, right? There's a capital investment. From
25 Integrys's perspective they have a lot of local

1 production, right, so there's that. You know, Direct
2 Energy, it's no secret that we're also an upstream
3 producer, right, so deciding if we want to, you know,
4 buy wells or invest in Utica or if we want to do
5 something in New York or pay a premium with
6 Marcellus, right, the difference is going to be in
7 that market where we hold the largest amount of
8 customers, right? We really want to make that
9 investment.

10 So when you talk about capital, you know,
11 if you're talking about physical assets, that's what
12 I'm referring to.

13 Q. No; I think you answered my question,
14 actually. Thank you.

15 A. Okay.

16 Q. Let's move down to line 17, and the
17 sentence actually starts on 16, but essentially you
18 refer to barriers to developing new and varied
19 products. Can you offer new and varied products in
20 the current marketplace?

21 A. You can, but it's been my experience that
22 oftentimes when you have everything going back to the
23 SCO, Stacia referred to it as a benchmark, but
24 oftentimes it's -- if you want to go out and you
25 offer a customer a fixed bill product, I mean just

1 the fixed commodity portion not a per-unit fixed
2 price, right, but your price is going to be \$50 a
3 month for the entire year, no trueups, right, it's
4 not -- it's not a budget plan, right, it is what it
5 is. There's a lot of value in that to some
6 customers, right?

7 But then if you break it down, the
8 per-unit price month after month could be higher than
9 the SCO price, right? In that sense customers are
10 going to be like I don't -- I don't want this. Even
11 though overall they will know exactly, not per unit
12 where it could fluctuate with your commodity, right,
13 exactly what they're going to pay every month; that
14 could be a barrier.

15 The other barrier is when you're pointing
16 at the SCO for everything, you're not pointing at my
17 product versus IGS, you're not pointing at my product
18 versus, you know, Energy Plus, right? You're always
19 pointing at the SCO which leads to a lot of Monday
20 morning quarterbacking, right? Because you don't
21 know when you're looking at the SCO this month what
22 it's going to be last month [verbatim], right?

23 I mean, the market's moved 30 cents in
24 the past month, it's gone up, right, which means your
25 SCO price went up, which means people who probably

1 entered into fixed-price products last April are
2 going to look really good this winter if the market
3 continues to trend upward, right?

4 The problem with the SCO is that's all
5 you're looking at, right? I'm doing it right now,
6 but the reality is I could have entered into a
7 fixed-price product last April and look really good
8 compared to the SCO this winter if the market trends
9 up, but it might not have been as low as an IGS
10 fixed-price product, right? That's the problem.

11 When you get rid of the SCO and you make
12 sure that everybody still gets gas, right, at the end
13 of the day if you choose not to do anything at all,
14 right, because it's too complicated or whatever,
15 fine, you still get your gas, it's still going to
16 flow. But when you don't have that benchmark to
17 compare to, now you really are comparing all the
18 offers against each other in the market.

19 Q. Well, let's talk about that. As
20 Ms. Harper pointed out, one of the aspects of perfect
21 knowledge is, or a perfect market is perfect
22 knowledge. Granting that the retail gas market isn't
23 perfect, would a customer of your company know every
24 offer that's available to residential customers, that
25 you have available to residential customers?

1 A. If they went on our website and they
2 clicked on Residential, they could. But you're
3 right, would they know that if you put in the term
4 "friends" as your code, you would get an even better
5 price? Probably not unless they were my friend.

6 Q. Okay. And assume the same is true for
7 any of the other marketers, you have to, as a
8 customer, spend time to seek out what the prices are,
9 the varying prices that all 30 of those marketers
10 that are in Dominion are offering in order to make an
11 informed decision about the type of product you want
12 to buy.

13 A. Just as you would if you were purchasing
14 a car, entering into a cell phone plan, going to the
15 Giant Eagle to get your Fuel Perks versus Kroger to
16 get whatever crazy fuel program they have. Yeah,
17 you're right, you as a consumer have to make an
18 effort to make the best choice for you.

19 Q. And right now in order to take the SCO
20 price, you don't have to make any effort at all.

21 A. Same thing under an MVR.

22 Q. But if you take an SCO price, you know
23 what the benchmark price is.

24 A. If you take an MVR price, you get a
25 monthly variable rate just as you do with an SCO.

1 Q. Yes, but those are -- vary among the
2 various suppliers, don't they?

3 A. And I would hope that the suppliers would
4 attack each other over it, right? If I know Vince's
5 MVR price is higher, I'm going to go after his
6 customers and then they will be educated because my
7 rates are lower than Vince's MVR.

8 THE WITNESS: Sorry, Vince. IGS.

9 Q. Down at the bottom of page 7, I'm talking
10 lines 23 and 24, you indicate that auctions don't
11 bring low prices it's competitive suppliers
12 participating in those auctions that have brought
13 lower prices. Does that mean, then, that the
14 auctions that have been held are, in fact,
15 competitive?

16 A. Yes, they are.

17 Q. Based on your experience in the industry
18 do you think that marketers will be more profitable
19 if the SCO price goes away?

20 A. Based on my experience, and let's just
21 use Texas, right, and this is not particular to
22 any -- just Direct Energy, I'll say that, you tend to
23 have more customers which could make you more
24 profitable, but you tend to reduce your margins to
25 make you more competitive because customers are now

1 really choosing you versus your competitor.

2 Q. In your view does the Commission have any
3 direct authority over the SCO price other than
4 ensuring that the auction was fair?

5 A. In my opinion, the Commission doesn't
6 just determine if the auction was fair if they
7 approve the auction to be the ongoing default
8 structure every single year. They say the auction
9 was fair and this is the price. They have the
10 ability to say the auction was fair but, no, we're
11 going back to a GCR too, every year.

12 Q. And they would have that authority when
13 it comes to exiting the merchant function for
14 commercial customers; would they not?

15 A. It would not be an actual trigger every
16 single year, right? If you move to an MVR under an
17 exited structure, the Commission would have the
18 authority to come forward and say, you know, "We
19 don't think the MVR is working so let's talk about
20 this. Let's have a case on it," whatever it is. But
21 there's not one trigger every single year where
22 everybody's holding their breath to see where the
23 market's going to go.

24 Q. But it, in fact, the auction itself is
25 just determining the basis and so the monthly rate is

1 varying based on the NYMEX.

2 A. Right.

3 Q. And we do have at this point multiple
4 options available to customers to leave the SCO.

5 A. Yes.

6 Q. Okay. Now, you indicate at the bottom of
7 page 8 that the existing SCO service is subsidized by
8 customers who do not take the product --

9 A. Yes.

10 Q. -- is that correct? Define for me the
11 nature of that subsidy.

12 A. The fact that everybody pays for the
13 auction cost --

14 Q. Okay.

15 A. -- right? The fact that we as suppliers
16 have put forward a lot of money to educate, right?
17 So all the education costs which normally under a
18 normal product, right, only those customers who are
19 receiving that product are sort of paying the
20 baked-in marketing costs, right?

21 SCO customers aren't paying the baked-in
22 marketing costs, right? It's us, meaning marketers,
23 who have put in the customer education dollars for
24 that, right? It's Dominion's employees' time that
25 have been dedicated to putting forward all those

1 marketing pieces, right, for the SCO. That doesn't
2 get baked into the SCO price.

3 If you have a retail product out there
4 and I'm marketing it and I'm mailing pieces or
5 door-to-door people or whatever, that goes into my
6 price, right? It doesn't get paid for by someone
7 else and never show up in my price. That's what's
8 happening with the SCO. That's why the SCO is
9 subsidized.

10 You have Dominion employees' time and
11 efforts that aren't going into that SCO price, right,
12 being subsidized by everyone; you have the actual
13 auction price itself to contract with World Energy;
14 you have marketers out there paying into the consumer
15 education fund to educate people about the SCO,
16 right? All of that -- none of that is going into
17 that SCO price, right? It's being subsidized amongst
18 everyone.

19 All of that should only be paid for by
20 the SCO customers if you want to truly make it the
21 retail nonsubsidized alternative.

22 Q. Now, who supplies SCO customers; are
23 those competitive retail natural gas suppliers?

24 A. Yes, they are.

25 Q. The same competitive retail natural gas

1 suppliers that are paying -- that are paying for the
2 educational program.

3 A. No. Only a couple of the retail natural
4 gas suppliers who are paying for the program.

5 Q. You mean there are --

6 A. Constellation.

7 Q. -- certified marketers that are providing
8 SCO service that are not paying for customer
9 education costs?

10 A. No. I mean there are certified natural
11 gas suppliers who are paying for customer education
12 costs who are not the winning SCO suppliers.

13 Q. I appreciate that. I appreciate that.

14 Tell me exactly, define exactly for me
15 the customer education costs that CRNG suppliers pay
16 for. Do they pay for the customer education costs
17 that Dominion incurs?

18 A. It was -- there was actually a fund that
19 was set up, and I don't remember the dollar amount
20 off the top of my head, but it was a pretty
21 significant dollar amount.

22 Q. Who contributes to that fund?

23 A. It was contributed to by, I think it was
24 Hess. I don't know if Hess was part of it, actually.
25 It was Direct, IGS, I think Integrys contributed to

1 it. I'd have to look. There were a number of
2 different suppliers that basically when this all
3 kicked off said, you know, we'll put money into a pot
4 to be used for these things.

5 Q. So you were essentially educating
6 customers to create the market that ultimately you
7 sell into and it benefits your companies.

8 A. The education dedicated to telling
9 customers what the SCO is only about and not here are
10 all your other choices, no, that doesn't benefit my
11 company.

12 Q. Well, how much of your fund, then, is --
13 how much of that fund is used to educate customers on
14 the SCO?

15 A. I actually don't know.

16 Q. Okay. And does the fund pay Dominion
17 employees directly?

18 A. I don't believe it pays for Dominion's
19 employee time.

20 Q. Okay. So, in fact, that's paid for
21 through rate base.

22 A. Yep.

23 Q. And so all customers pay for that
24 including SCO customers.

25 A. All -- the majority of customers not

1 taking the SCO price today are paying for Dominion
2 employees' time to deal with the SCO.

3 Q. Well, that's because 80 percent of
4 customers are served under -- served by competitive
5 suppliers and 20 percent are served through the SCO.
6 But all of those customers are paying the cost, the
7 regulated cost that Dominion incurs, right?

8 A. Right.

9 Q. If only SCO customers paid the cost of
10 the auction, would you view that as removing part of
11 the subsidy?

12 A. If all the auction costs, everything,
13 were put into the actual auction price itself, yes.

14 Q. Now, but there are also customers that
15 are Choice ineligible and on PIPP.

16 A. Right.

17 Q. And they're served through the same
18 auction that determines the SCO price in Dominion's
19 case.

20 A. Right.

21 Q. Now, any customer including customers of
22 yours or any marketers can become Choice ineligible,
23 correct?

24 A. Yes.

25 Q. So the availability of that SSO service

1 for Choice-ineligible customers ensures that they
2 will continue to receive essential natural gas
3 services, correct?

4 A. Yes.

5 Q. So could one view the costs associated
6 with the auction as sort of an insurance policy to --
7 not an insurance policy, but a cost of ensuring that
8 SSO service is available to customers at a price
9 created in the competitive market?

10 A. No. I think we've always viewed those
11 customers that are Choice ineligible including PIPP
12 customers just, I would go so far as to say as an
13 industry, as something that we do subsidize, right?
14 That's why we have low-income programs that are paid
15 in through universal service riders and things like
16 that, right? There's a reason for that.

17 Customers who are not, quote, needy or
18 require that assistance, right, should not be
19 subsidized, they have other options out in the market
20 and they should have an apples-to-apples, true
21 apples-to-apples comparison.

22 Q. But that's not a viable option for
23 Choice-ineligible customers or PIPP customers,
24 obviously.

25 A. Right.

1 Q. Wouldn't we have to have an auction
2 anyway to set a price to supply that?

3 A. Yes.

4 Q. On page 8, bottom of page 8, bottom of
5 page 9 -- top of page 9, you talk about companies
6 having a fear of being shut down through uncertain
7 regulatory policies. Now, you've been in the
8 business for a while, do you recall a time when Ohio
9 first started Choice programs where marketers were
10 not regulated by the Commission?

11 A. I do.

12 Q. And did the change in policy when the
13 Commission, the General Assembly and the Commission
14 determined that they would regulate competitive
15 retail natural gas suppliers, did that chase
16 suppliers out of the market?

17 A. I honestly, I was so new to the industry
18 that I was on the side of rah rah, let's have rules,
19 so I wasn't -- I can't say that I was so involved in
20 the industry at that point that I was really paying
21 attention to customers leaving the market because of
22 it.

23 Q. So from the standpoint of a marketer,
24 certification rules, the CRNGS rules are a type of
25 regulation that is useful.

1 A. Yes.

2 Q. Just a couple questions, if I may, about
3 governmental aggregation which is a competitive
4 option authorized under Ohio law. Would you view the
5 price provided to customers through a governmental
6 aggregation as a competitive price?

7 A. Yes.

8 Q. Could you explain to me how the
9 competition that determines the price provided to
10 members of a governmental aggregation differs from
11 the competition that establishes the SCO.

12 A. Well, government aggregations don't
13 necessarily require you have an auction. They don't
14 even require that they actually do any sort of RFP.
15 Some communities have their own charters that let
16 them directly contact suppliers, never even have to
17 actually interview any other supplier, they can just
18 pick one that they like, right?

19 So I think the first difference is it
20 doesn't necessarily have to be through an auction.

21 The second difference is keep in mind
22 that when you do a government aggregation, there's a
23 cost to those programs. You have ballot issues that
24 have to be put on, you have public meetings that have
25 to be held and presented, you're dealing with city

1 attorneys and your own attorneys to negotiate
2 contracts, you have opt-out notices that have to go
3 out, you have regular, not all companies do this but,
4 you know, quarterly they call them refreshes, right,
5 to gather customers that might have moved into the
6 community and allow them an opportunity to join. So
7 you have those costs that go into your pricing.

8 The other piece of it is there's
9 communities that have chosen fixed rate options along
10 with a monthly variable rate option for customers,
11 right? There's communities that chose fixed rate
12 options with a quarterly variable rate for customers.
13 There's communities that have gone with a fixed rate
14 and an energy fund for the community where a, you
15 know, a certain amount per Mcf goes into an energy
16 fund to pay for energy efficiency programs or, you
17 know, revamping of a park or whatever it is, right?

18 You're talking about an actual
19 negotiation that results in a contract, you're not
20 talking about an auction that results in customers
21 doing absolutely nothing and just getting service.

22 Q. But some of the governmental
23 aggregations, they simply do an RFP process for a
24 price, correct?

25 A. They do an -- have you ever -- the RFPs

1 are not always about price.

2 Q. But are they sometimes?

3 A. I have never seen one that was based
4 solely on price.

5 Q. Have you seen a government aggregation
6 that was done through an auction process?

7 A. I think NOAC did that at one point. It's
8 been a while so I don't know if they still do.

9 Q. Do you view the cost of government
10 aggregation as lower than traditional marketing?

11 A. Not always.

12 Q. Do you think that governmental
13 aggregation is a fine example of competitive options
14 for customers in Ohio?

15 A. I think it's another competitive option.

16 MR. RINEBOLT: Thank you. I have no more
17 questions, your Honor.

18 EXAMINER STENMAN: Thank you.

19 Mr. Whitt, any questions?

20 MR. WHITT: I was going to ask about the
21 code word for the discount programs but I'll save it
22 for a post-hearing discussion.

23 EXAMINER STENMAN: Mr. Parram.

24 MR. PETRICOFF: We'll have to sign a
25 confidentiality agreement.

1 EXAMINER STENMAN: Any redirect?

2 MR. PETRICOFF: Just one question.

3 - - -

4 REDIRECT EXAMINATION

5 By Mr. Petricoff:

6 Q. Ms. Ringenbach, Mr. Rinebolt asked you a
7 question about will we have to have an auction for
8 PIPP. Are there other means other than an auction
9 that could be used to acquire supplies for PIPP?

10 A. So my sarcastic comment is yes, you could
11 just hand it over to another supplier.

12 Q. But how about an RFP?

13 A. You could do an RFP, it does not have to
14 be through an auction process.

15 MR. PETRICOFF: No further questions.

16 Thank you.

17 EXAMINER STENMAN: Thank you.

18 Any recross?

19 MR. SAUER: No, your Honor.

20 MR. RINEBOLT: No, your Honor.

21 EXAMINER STENMAN: I just have one or two
22 really quick questions for you. You talked about
23 there being new products and services if
24 competition's increased and we have more marketers
25 come into the market; do you have any more examples

1 of what that would be?

2 THE WITNESS: So we actually have a
3 product out right now in Columbia where we're giving
4 away a free warranty product, basically if you would
5 show that your furnace is tuned up in the fall and
6 the air conditioner is tuned up in the winter, with
7 this free warranty product you get that in addition
8 to your normal gas price.

9 So from our company's perspective it's a
10 way to combine our services side with our commodities
11 side.

12 You know, you don't see as much of that
13 in Ohio, a lot of it has to do with the bill, right?
14 If you get rid of the utility being sort of in the
15 function of customers viewing them as their default
16 supplier, right, we're hoping customers will become
17 more open to having a dual bill scenario and we can
18 sort of bill them on our own. We haven't been
19 successful with trying to own the utility bill.

20 So that's another thing that would allow
21 us to do more things with the customer on their bill.
22 We could combine their electricity, their natural
23 gas, and our service products all on one bill and
24 separately bill them.

25 EXAMINER STENMAN: Thank you.

1 MR. PETRICOFF: I was just going to move
2 for the admission of OGMG/RESA Exhibit No. 2.

3 EXAMINER STENMAN: Any objections?
4 (No response.)

5 EXAMINER STENMAN: All right. OGMG/RESA
6 Exhibit No. 2 will be admitted.

7 (EXHIBIT ADMITTED INTO EVIDENCE.)

8 EXAMINER STENMAN: Let's go off the
9 record for a moment.

10 (Discussion off the record.)

11 EXAMINER STENMAN: Let's go back on the
12 record. After a discussion with the parties we will
13 recess for today and reconvene tomorrow morning at
14 about 10:15, or immediately after the Commission
15 meeting whatever that works out to be.

16 Thanks.

17 (The hearing adjourned at 4:10 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 Tuesday, October 16, 2012, 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, 2016.

(MDJ-4069)

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Summary: Transcript of the East Ohio Gas Company hearing held on 10/16/12 - Volume I electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Jones, Maria DiPaolo Mrs.