

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Regulation of the Pur-)	
chased Gas Adjustment Clauses Contained)	
within the Rate Schedules of:)	Case No. 16-206-GA-GCR
)	Case No. 16-209-GA-GCR
Brainard Gas Corporation, Northeast Ohio)	Case No. 16-212-GA-GCR
Natural Gas Corporation, Orwell Natural Gas)	
Company and related Matters.)	
In the Matter of the Uncollectible Expense)	
Riders of:)	
)	Case No. 16-309-GA-UEX
Northeast Ohio Natural Gas Corporation, Or-)	Case No. 16-312-GA-UEX
well Natural Gas Company and related Mat-)	
ters.)	
In the Matter of The Percentage of Income)	
Payment Plan Rider of Northeast Ohio Natu-)	Case No. 16-409-GA-PIP
ral Gas Corporation and Related Matters.)	

DIRECT TESTIMONY OF

MARTIN K. WHELAN

Submitted on behalf of

**BRAINARD GAS CORPORATION,
NORTHEAST OHIO NATURAL GAS CORPORATION, AND
ORWELL NATURAL GAS COMPANY**

Filed June 2, 2017

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

2 A. Martin K. Whelan, 5640 Lancaster-Newark Road, Pleasantville, Ohio 43148.

3 **Q. By whom are you employed and in what capacity?**

4 A. I am President of Northeast Ohio Natural Gas Company (“Northeast”), Orwell Natural
5 Gas Company (“Orwell”), and Brainard Gas Corporation (“Brainard”) (collectively, the
6 “Companies”).

7 **Q. On whose behalf are you testifying in this proceeding?**

8 A. My testimony is being sponsored by the Companies.

9 **Q. Please describe your professional experience and qualifications.**

10 A. I have 15 years of experience in Heavy Highway Construction, with an emphasis on the
11 installation of underground utilities, including sanitary sewers, storm sewers, electric,
12 water lines and gas lines. For the last 16 years I have been involved with the operations of
13 both Northeast and Orwell and have attended various industry seminars and classes
14 related to the distribution of natural gas. I began working for Orwell in September of
15 2002 as a Project Manager in charge of pipeline construction. I was also involved with
16 operations and earned the title of Operations Manager prior to being transferred to
17 Northeast in January 2004, with the title Vice President, Chief Operating Officer.

18 **Q. Describe the duties of your current position?**

19 A. I am currently President of the Companies. I am responsible for all aspects of the day-to-
20 day operations of the Companies, including pipeline construction, pipeline maintenance,
21 pipeline safety, and metering. I am very familiar with both Orwell’s and Northeast’s
22 pipeline systems and have been involved with the construction, maintenance and
23 operation of both systems.

1 **Q. What is the purpose of your testimony?**

2 A. I am testifying in support of the Stipulation and Recommendation (“Stipulation”) that
3 was filed in the above captioned matters on May 12, 2017. I will provide an overview of
4 the key terms and conditions of the Stipulation, and also explain how the Stipulation
5 meets the criteria used by the Commission when considering stipulated agreements.

6 **Q. Please summarize the Stipulation.**

7 A. The Stipulation, as a package, resolves the GCR financial audits for Brainard, Northeast,
8 and Orwell (Case Nos. 16-206-GA-GCR, 16-209-GA-GCR, and 16-212-GA-GCR,
9 hereafter referred to as the “GCR cases”), the audits of Northeast’s and Orwell’s
10 uncollectable expense (“UEX”) riders (Case Nos. 16-309-GA-UEX and 16-312-GA-
11 UEX, hereafter referred to as the “UEX cases”), and an audit of Northeast’s percentage of
12 income payment plan (“PIPP”) rider (Case No. 16-409-GA-PIP, hereafter referred to as
13 the “PIPP case”). The Stipulation incorporates all the recommendations that Staff made
14 in their reports in the GCR, UEX, and PIPP cases. The Stipulation also resolves all issues
15 raised by Rehmann Corporate Investigative Services (“Rehmann”) in its
16 management/performance audit (“M/P Audit”) report (“Rehmann Report”), which was
17 filed with the Commission on February 24 and February 27, 2017. The following
18 represents a summary of the key provisions of the Stipulation:

- 19 • The Signatory Parties agree that Brainard will file an adjustment of \$11,808 to
20 the GCR rate in the customers’ favor, agree that Northeast will file an
21 adjustment of \$224,523 to the GCR rate in Northeast’s favor, and agree that
22 Orwell will file an adjustment of \$345,362 to the GCR rate in Orwell’s favor.
- 23 • The Companies agree to ensure that the individual preparing the GCR
24 calculations verifies the accuracy of the calculations by comparing them to
25 source documents. The Companies also agree to verify the accuracy of the
26 GCR rate before issuing bills to customers.

- Orwell agrees that all the recommendations in the Orwell UEX Report are reasonable and should be adopted.

Q. Please summarize the Stipulation provisions regarding recommendations from the Rehmann Report.

A. In Case No. 14-206-GA-GCR, *et al.*, the Commission approved a stipulation in which the parties agreed that an M/P Audit would be conducted by an independent auditor selected by the Commission.¹ On May 11, 2016, the Commission issued an Entry in this proceeding in which it ordered the Companies to undergo an M/P Audit for the period of July 1, 2014 through June 30, 2016. On August 31, 2016, the Commission issued an Entry in which it selected Rehmann to perform the M/P Audit. Rehmann filed its report with the Commission on February 24 and February 27, 2017. In the Stipulation, the Companies have agreed to perform a number of the recommendations contained in the Rehmann Report. The following represents a summary of the key recommendations the Companies agreed to adopt:

- The Companies agree to use a new spreadsheet to assist in the calculation of the GCR on a monthly basis, which will simplify the GCR calculation process, enhance auditability of the GCR calculations, specify sources of information used in GCR calculations, and eliminate unnecessary information. This new spreadsheet is intended to reduce potential errors in the GCR process by creating a more consistent and streamlined calculation process.
- The Companies agree to create a secured database, which will contain the historical figures that were used in the GCR calculation. The secured database will help ensure that the historical figures that are used while calculating the GCR are not subsequently modified.
- The Companies agree to continue to abide by their existing GCR policy which currently specifies the process of performing the GCR calculation, and also specifies the individuals responsible for assisting in the GCR process.

¹ See *In re Brainard Gas Corp., Northeast Ohio Natural Gas Corp., and Orwell Natural Gas Co.*, Case No. 14-206-GA-GCR, *et al.*, Opinion and Order (Oct. 21, 2015) at 11-12.

- 1 • The Companies agree to continue implementing their current plans for
2 ensuring that GCR customers that are not entitled to free gas no longer receive
3 free gas from the Companies.
- 4 • The Companies agree to correct network access issues so that the only Gas
5 Natural Inc. (“GNI”)/affiliated company employees that can access the
6 Companies’ critical and confidential data are those affiliated company
7 employees that are designated as “need-to-know” employees.
- 8 • The Companies agree to implement the role enabler program as recommended
9 by Rehmann, which will help ensure that the Companies assign employees
10 SAP roles on a need-to-know basis.
- 11 • The Companies agree to exercise the allocation methodology described in
12 Companies’ signed shared-services agreements with GNI.
- 13 • The Companies agree to continue the current process of verifying that the
14 volumes purchased by the Companies are properly allocated between the
15 Companies, and continue the process of ensuring that the employee procuring
16 gas is independent from the employee that verifies proper allocation and
17 delivery of gas.
- 18 • The Companies agree to continue enforcing current policies that preclude
19 employees from working for unregulated GNI subsidiaries and the Companies
20 at the same time.
- 21 • The Companies agree to develop a written policy that addresses reconciling
22 figures between the general ledger and the GCR calculation.
- 23 • The Companies agreed to modify their email system so that all internal and
24 external email communications contain a signature block that indicates by
25 whom the sender of the email is employed or on whose behalf the sender is
26 acting.
- 27 • The Companies have agreed to complete final versions of job descriptions for
28 the President and Controller.
- 29 • The Companies agreed to adopt an Acceptable Use Policy, which addresses
30 employee email and communication activities.

31 **Q. What criteria have the Commission used in considering approval of a stipulation**
32 **among signatory parties in a proceeding?**

33 A. My understanding is that a stipulation must satisfy three criteria: (1) the stipulation must
34 be the product of serious bargaining among capable, knowledgeable parties; (2) the

1 stipulation must not violate any important regulatory principle or practice; and (3) the
2 stipulation must, as a package, benefit ratepayers and the public interest.

3 **Q. Does the Stipulation in this case satisfy these criteria?**

4 A. Yes. It does.

5 **Q. Is the Stipulation the product of serious bargaining among capable, knowledgeable**
6 **parties?**

7 A. Yes. Staff, the Companies, and The Office of Ohio's Consumers' Counsel ("OCC") have
8 a history of participation and experience in GCR, UEX, and PIPP cases, and are
9 represented by experienced and competent counsel. The Signatory Parties reached the
10 Stipulation after a thorough investigation by Staff and Rehmann. OCC also issued
11 discovery in these proceedings. Further, although OCC is not a signatory party to the
12 Stipulation, it was included in the settlement process. The Signatory Parties are very
13 knowledgeable of all the relevant issues in these cases, and they used this knowledge to
14 reach a comprehensive resolution of all the issues in these cases.

15 **Q. Does the stipulation violate any important regulatory principle or practice?**

16 A. No. Based on my experience in Commission cases, it is my understanding that
17 stipulations are frequently approved by the Commission in GCR, UEX, and PIPP cases.
18 It is my understanding that these stipulations typically adopt all of or a portion of the
19 recommendations of Staff. In this proceeding, the Companies have agreed to *all* of
20 Staff's recommendations from the GCR, UEX, and PIPP reports. Further, the Companies
21 have agreed to adopt many of the key recommendations from the Rehmann Report.

22 **Q. Does the Stipulation, as a package, benefit customers and ratepayers?**

1 A. Yes. Customers benefit from the Stipulation in a number of ways. As a total package, the
2 Signatory Parties have agreed to financial adjustments to the GCR rates of Brainard that
3 works in customers' favor. Although the financial adjustments of Orwell and Northeast
4 work in Orwell's and Northeast's favor, these adjustments are necessary to ensure Orwell
5 and Northeast do not under-recover for purchasing gas, which helps ensure that the
6 Companies are recovering their actual gas costs. In addition, the Companies have agreed
7 to a number of recommendations from the Rehmann Report, which will help strengthen
8 Companies' internal management procedures and policies. This will also help strengthen
9 the Companies' GCR calculations and reporting processes, which benefits the
10 Companies' customers.

11 **Q. Does this conclude your testimony?**

12 A. Yes. I reserve the right to supplement my testimony.

13

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Motion was served via electronic mail upon the following, this 2nd day of June 2017.



Devin D. Parram

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Case No(s). 16-0206-GA-GCR, 16-0209-GA-GCR, 16-0212-GA-GCR, 16-0309-GA-UEX, 16-0312-GA-U

Summary: Testimony of Martin K. Whelan on behalf of Brainard Gas Corporation, Northeast Ohio Natural Gas Corporation, and Orwell Natural Gas Company electronically filed by Teresa Orahoad on behalf of Devin D. Parram