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MC GINNIS & ASSOCIATES, INC.  
COLUMBUS, OHIO (614) 431-1344

DEPONENT DIV

PUBLIC UTILITIES COMMISSION

DEP-2 AM 10:58

STATE OF OHIO

PUCO

In the Matter of the )  
Application of Northeast Ohio )  
Natural Gas Corporation to ) Case No. 97-1724-GA-AIR  
Increase Rates for its Natural )  
Gas Service Area and )  
Related Matters. )

Lancaster City Schools  
Education Center  
Training Room.  
111 South Broad Street  
Lancaster, Ohio 43130  
Tuesday, January 19, 1999

Met, pursuant to assignment, at 7:28 o'clock p.m.

BEFORE:

Craig A. Glazer, Chairman.

\* DEPONENT AFFILIATE \* CERTIFIED MIN-U-SCRIPT PUBLISHER \*

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Technician Anna M. Hines Date Processed Feb 3, 1999

1 APPEARANCES:

2 ON BEHALF OF NORTHEAST OHIO NATURAL GAS CORPORATION:

3 Arthur E. Korkosz, Esq.  
4 FirstEnergy Corporation  
5 76 South Main Street  
Akron, Ohio 44308  
(330) 384-5849

6  
7 ON BEHALF OF THE RESIDENTIAL CONSUMERS OF THE  
NORTHEAST OHIO NATURAL GAS CORPORATION:

8 Robert S. Tongren, Esq.  
9 Ohio Consumers' Counsel

10 By: Eric B. Stephens, Esq.  
11 Werner Margard, Esq.  
12 Assistant Consumers' Counsel  
Office of The Ohio Consumers' Counsel  
13 77 South High Street - 15th Floor  
Columbus, Ohio 43266-0550  
(614) 466-9567

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P R O C E E D I N G S

Tuesday, January 19, 1999

Evening Session

CHAIRMAN GLAZER: All right. Let's go on the record.

First off, I apologize for the slight delay in getting here. I was literally trying to find a parking space.

My name is Craig Glazer. I'm the Chairman of the Public Utilities Commission of Ohio and one of five commissioners.

Our job is really multifaceted. We regulate the electric, natural gas and telephone companies in the state. We also -- You'll see our name and decals on trucks. We are involved in the registration of motor carriers and trucking safety, as well as rail crossings and rail safety in the State of Ohio. And our job really covers all of those.

One part of our job is to ensure adequate service in the provision of utility service. Another part more recently added to our agenda is to move forward with competitive -- bringing competition to as much a part of the utility business as we can with the idea to increase choices for customers.

And one other part of our job is to look at rate levels. And under the -- the laws that we operate in, the utilities are entitled to bring an application seeking an

1 increase in rates. It's not the part of the job we particularly  
2 like, but it's a necessary part of the job as well. And I will  
3 explain a little bit about what that process is, and then  
4 we'll -- we'll have the counsel for the company and for the  
5 Consumers' Counsel make any statement, then we'll take the  
6 public's statements.

7 This is a formal legal hearing. We have a court  
8 reporter taking that down; so I'll ask you if you have any  
9 questions, to hold them, and at the conclusion of the hearing,  
10 we'll -- or, actually, we will take a break before we get into  
11 the public statements to answer any questions. And I would ask  
12 people to hold the questions until we go off the record. If you  
13 shout out questions, it gets very difficult for the court  
14 reporter to take it all down.

15 But as I said, one of our other missions is to,  
16 obviously, look at rate levels and service levels. And in this  
17 case, the Northeast Natural Gas Company has brought an  
18 application for a rate increase. The process is the company  
19 files that application, our staff -- expert staff goes through  
20 the company literally from head to toe and produces what's  
21 called a Staff Report; that is this document. And it analyzes  
22 every single aspect of the company's operations from their  
23 financial health, to their level of service, to the level of  
24 complaints, number of complaints we've had from customers,  
25 et cetera.

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1           We go through that process, then there are formal  
2   legal hearings at our offices in Columbus, but before we pass on  
3   any rate increase, frankly, the most important part of the job  
4   and the job -- part of the job I actually like the most is to  
5   come out and hear from the public.

6           So we make it our business to literally come out and  
7   go into the service territory of the company and find out, you  
8   know, from the public what they think of the rate increase,  
9   obviously, but also what their views are of the company's level  
10  of cooperation, level of service, et cetera, and those are a  
11  very important part of what we do. I remember those hearings,  
12  and me and my colleagues, we deliberate on those and it's a very  
13  important part of the rate increase application and the rate  
14  review process.

15           Let me ask at this point for the attorney for the  
16  company, as well as the attorney for the Consumers' Counsel, to  
17  introduce themselves, and from the company to tell us why  
18  they're seeking a rate increase, and the Consumers' Counsel  
19  their position on this rate application.

20           Mr. Korkosz.

21           MR. KORKOSZ: Mr. Chairman, for the record, making the  
22  appearance on behalf of the Northeast Ohio Natural Gas  
23  Corporation, I'm Arthur Korkosz, at 76 South Main Street, Akron,  
24  Ohio 44308.

25           Also, on behalf of the company as representatives in

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1 a -- not lawyers, I have the President of the company,  
2 Mr. Lawrence P. Haren with us this evening, Mr. Darryl J.  
3 Raimer, who is a financial manager of the company and very  
4 involved -- both very involved in this case, this proceeding,  
5 and Miss Judy Kistler, who is a customer service supervisor who  
6 is here. If there's any member of the -- the public here that  
7 is a customer and has a particular question about their bill or  
8 service or something that is unique to their situation, would  
9 like to talk to a company representative, Miss Kistler is here  
10 and can address those --

11 CHAIRMAN GLAZER: Okay.

12 MR. KORKOSZ: -- those matters.

13 CHAIRMAN GLAZER: And tell us why the company is  
14 seeking a rate increase.

15 MR. KORKOSZ: Yes. The Northeast Ohio Natural Gas  
16 Corporation was formed in late 1985, 1986, at which time its  
17 current base gas rates were established by -- by the Public --  
18 by the Public Utilities Commission of Ohio.

19 Since that time, some 13 years, there has not been  
20 a -- a change or an increase in the base rates. That is not to  
21 say that the -- the periodic GCR or gas cost recovery rates have  
22 not varied through that period, but basically this company is  
23 operating and recovering rates set at levels that were  
24 appropriate in 1986.

25 And since that time, there has been a considerable

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1 investment made by the company to serve customers, been  
2 increases in costs, there have been a change -- a change in the  
3 gas business, and the contribution to helping recover those  
4 costs that come from larger customers. These things have  
5 changed and, I think, Mr. Chairman, you'll agree that 13 years  
6 for a company in this state under the existing rate is something  
7 of an extraordinary event. So it is those factors that bring us  
8 to your Commission with a request for an increase in rates.

9 CHAIRMAN GLAZER: Okay. And one of the -- as I said,  
10 this is a formal process that we follow. The Revised Code  
11 doesn't make it easy for people to increase rates, nor should  
12 it. It's a very extensive process.

13 Representing the residential consumers, the Office of  
14 Consumers' Counsel.

15 MR. STEPHENS: On behalf of Robert S. Tongren in his  
16 capacity as Ohio Consumers' Counsel, Eric B. Stephens, 77 South  
17 High Street, 15th Floor, Columbus, Ohio 43266-0550.

18 With me this evening is another attorney from our  
19 office Werner Margard, W-e-r-n-e-r M-a-r-g-a-r-d. I also have  
20 brought along this evening an employee from OCC from the  
21 Consumers' Services Division, James D. Williams. Jim is in the  
22 back of the room, if you will stick your hand up there.

23 Thanks.

24 The Public Utilities Commission, as the Chairman has  
25 indicated, will be determining whether the application that

1 Northeast Ohio Gas has submitted for a rate increase is granted  
2 and will also determine the amount of that increase. The Public  
3 Utilities Commission engages in a variety of different things in  
4 weighing all different interests that are effected whenever it  
5 looks at a rate increase. The Ohio Consumers' Counsel, on the  
6 other hand, is the advocate of the residential consumer.

7 Those of you who are here because you're customers of  
8 Northeast Ohio Gas and it serves your home, we represent you,  
9 and I'm the lead attorney for the agency on the case. As I said  
10 before, this is Werner Margard. He's here with me from our  
11 legal division. And Jim in the back is from our Consumers'  
12 Services Division.

13 If you have any issues that you'd like to discuss that  
14 are -- that are very specific or detailed and you don't  
15 necessarily want to provide testimony here, Jim will be happy to  
16 talk with you about them, or if they don't concern the Northeast  
17 Ohio Gas Company, Jim's here to help you out with a variety of  
18 different issues. He has brought with him some publications  
19 from our office, an office newsletter, some sheets to sign up if  
20 you would like to receive additional information from our office  
21 all for free; so please stop by and talk to Jim. Anything you  
22 can tell him may help us in this case and in other cases to  
23 represent you better.

24 As the Chairman said, this is a case in which the  
25 company is coming to ask for a rate increase. You heard



1 Mr. Korkosz say that this is the first time in 13 years that the  
2 company has requested that its rates go up. OCC, the Ohio  
3 Consumers' Counsel, sees three principle areas in this case  
4 where we're concerned.

5 The first is any time rates go up, OCC is concerned.  
6 Our objective is to make sure that any rate increase, if it does  
7 occur, is fair and reasonable. So we're looking closely at the  
8 figures that have been submitted by the company to determine if,  
9 in our judgment, it is fair.

10 The second issue is that there are going to be some  
11 changes in the charges that the company is making. Your bill is  
12 going to look a little bit different. What that means to you on  
13 a -- on a regular basis is it's going to look more like regular  
14 utility company bills that you're accustomed to seeing from  
15 other utilities or you might have seen from another gas utility  
16 somewhere else.

17 Nonetheless, we're interested in the changes that are  
18 going to occur because we want to minimize any confusion that  
19 might happen as a result -- as a result of any changes. Because  
20 the company has been doing business in pretty much the same way  
21 for about 13 years, we want to take a look at that issue as  
22 well.

23 Finally, any time a company comes in and requests an  
24 increase from the Commission, it's typical that we look at how  
25 the company is doing. And that's why it's especially important

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1 here, as the Chairman has said, that you provide any input that  
2 you might have. If there are issues that -- that concern you  
3 about the company, if there are things that the company is doing  
4 that are positive or negative from a customer service  
5 perspective, they're very important that you bring them forward.

6 The Chairman is serious when he says that he really  
7 wants to hear what you're saying. There have been instances  
8 where people have come forward in public hearings such as these  
9 and made indications that there have been difficulties with  
10 respect to their utilities and the Commission has ordered them  
11 to make -- has ordered the company to make changes to address  
12 those issues right there on the spot. If the -- if the Chairman  
13 weren't very serious about this, he wouldn't have taken the time  
14 to come down from Columbus and sit here with you.

15 I really encourage you to offer your testimony to let  
16 us know how you think the company is doing. And it will help  
17 the Commission make a better decision, and it will help me do my  
18 job better.

19 That's all I have, Mr. Chairman. Thank you.

20 CHAIRMAN GLAZER: I appreciate those comments. We  
21 only have one individual that signed up to testify, and I can  
22 explain to you in a minute the procedures we follow, but let's  
23 go off the record for a moment and see if anybody has any  
24 questions.

25 (Discussion held off the record.)

1 CHAIRMAN GLAZER: Let's go back on the record.

2 This is a small room and not that many people, so we  
3 can do this fairly informally, but as I said, this is a formal  
4 legal process. And so anybody that wants to testify, I'm going  
5 to ask them, and they can probably just stand in place or sit  
6 over here, whichever you're comfortable with. I'm going to ask  
7 people to identify themselves, their name, spell their last name  
8 and then their address. And sometimes people say, "What do you  
9 need my address for?" We like to get back to people with the  
10 results of our decision.

11 I'll then ask you if you want to give a sworn  
12 statement or unsworn statement. If you give a sworn statement,  
13 it's like testifying in court, you're testifying to the truth of  
14 what you're saying. And that's a big issue now with the Clinton  
15 trial and all that, but in fact, you're testifying to the truth  
16 of what you're saying. What that means is that anybody can ask  
17 you the basis of what you say. If you say, "I think the  
18 company's profitability level is X", somebody can say, "Where  
19 did you get that number, where did that come from".

20 That being said, we're not looking for any theatrics  
21 here. This is not the O.J. trial. Nobody is going to get into  
22 big theatrics here, but they can ask you a question or two. You  
23 are testifying to the truth of what you're saying. That being  
24 said, if you want us to consider your testimony and make it part  
25 of the record, you need to give a sworn statement. It's the

1 only way we can formally take -- take part of that -- take that  
2 information into account in making our decision. So I would  
3 encourage you, you know, if you're comfortable with what you're  
4 saying, obviously, to give a sworn statement.

5 The other type of statement you can give is an unsworn  
6 statement. Again, I'll ask you for your name, spell your last  
7 name and address. If you want to give an unsworn statement, you  
8 will -- I won't swear you in to the truth of what you're saying.  
9 You can give your statement and nobody can ask you questions  
10 about it, but the down side is we can't consider it in making  
11 our decision. We would very much like that to happen. The  
12 decision is yours. I'll ask you that which you want to give, an  
13 unsworn or sworn.

14 Again, if you want us to give -- us to consider your  
15 decision, you want to make a sworn statement, realize you're  
16 testifying to the truth of what you're saying or what you  
17 believe. The other type of statement is an unsworn statement  
18 and you're not testifying to the truth of it, but we can't  
19 consider it in making our decision.

20 So with that, Mr. Kemmerer, I believe you're the lone  
21 witness here.

22 MR. KEMMERER: Yes.

23 CHAIRMAN GLAZER: You can come up, either sit or  
24 stand, whatever your pleasure.

25 Do you wish to give a sworn or unsworn statement?

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MR. KEMMERER: Sworn statement.

(Witness placed under oath.)

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1 JOSEPH KEMMERER

2 of lawful age, being first duly placed under oath, as prescribed  
3 by law, was examined and testified as follows:

4 DIRECT TESTIMONY

5 CHAIRMAN GLAZER: Okay. Give us your name and spell  
6 your last name.

7 THE WITNESS: Joseph Kemmerer, K-e-m-m-e-r-e-r,  
8 55 Rainbow Drive Northeast, Lancaster, Ohio 43130.

9 As a Township Trustee for Pleasant Township, I've had  
10 some people concerned about this 34.6 percent increase for 2,300  
11 customers. I guess I'm concerned that it's a pretty good size  
12 increase all at once. And I would just like the Board to  
13 consider, on the increase of that much all at once, whether it  
14 happens at this point or not, as I go back to the customers,  
15 there's 2,300 customers, that's a big increase for them.

16 In the past, I worked with a company up here and I  
17 think a lot -- a lot of the company, but I think they need to  
18 consider that increase.

19 That's all.

20 CHAIRMAN GLAZER: Let me just follow up with a  
21 question if I can. You said -- First of all, you said you think  
22 a lot of the company in terms of their service. You don't have  
23 any particular concerns?

24 THE WITNESS: No. I've worked with the company the  
25 past ten or 11 years. I don't know for sure who owns it now.

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1 It's kind -- I know it's changed hands. The people that started  
2 it, we worked with them and with the lines going underground and  
3 everything, we have had a good communication with them.

4 CHAIRMAN GLAZER: Okay.

5 THE WITNESS: I felt that the company was doing a good  
6 job.

7 CHAIRMAN GLAZER: In terms of the size of the  
8 increase, you -- nobody likes to pay any increase, obviously,  
9 but if there was, for example, a phase in of the increase, would  
10 that be something better?

11 THE WITNESS: Yeah. Over that period of time, you  
12 know, you're talking ten, 11 years, I don't know how they can  
13 operate for that long and -- and operate efficiently, then all  
14 at once need that big of an increase. I guess that baffles me a  
15 little bit.

16 CHAIRMAN GLAZER: Questions?

17 MR. KORKOSZ: I have no questions. Thank you very  
18 much for your comments tonight.

19 MR. STEPHENS: No questions.

20 CHAIRMAN GLAZER: Okay. All right. Well, we will  
21 definitely take that into account on both fronts.

22 Does anybody else wish to give a statement?

23 (No response.)

24 CHAIRMAN GLAZER: All right. If not, that will close  
25 the formal part of this case. And, again, I and the Consumers'

1 Counsel, I'm sure Mr. Korkosz, will stick around if there's any  
2 additional questions. We're having these hearings around the  
3 state and we'll take this testimony into account. I appreciate  
4 everybody coming.

5 Thank you very much.

6  
7 (Thereupon, the hearing was concluded at  
8 7:48 o'clock p.m. on Tuesday, January 19, 1999.)  
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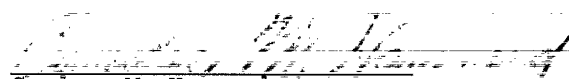


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I, Candace M. Hammond, Registered Professional  
Reporter, hereby certify that the foregoing is a true and  
correct transcript of the proceedings before the Public  
Utilities Commission, State of Ohio, on Tuesday, January 19,  
1999, as reported in stenotype by me and transcribed by me or  
under my supervision.

  
Candace M. Hammond,  
Registered Professional  
Reporter.

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