**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Regulation of the Purchased Gas Adjustment Clauses Contained With In the Rate Schedules of Brainard Gas Corporation, Northeast Ohio Natural Gas Corporation, and Orwell Natural Gas Company and Related Matters.In the Matter of the Uncollectible Expense Riders of Northeast Ohio Natural Gas Corporation and Orwell Natural Gas Company.In the Matter of the Percentage of Income Payment Plan Rider of Northeast Ohio Natural Gas Corporation | ))))))))))))) | Case No. 14-206-GA-GCRCase No. 14-209-GA-GCRCase No. 14-212-GA-GCRCase No. 14-309-GA-UEXCase No. 14-312-GA-UEXCase No. 14-409**-**GA-PIP |

**DIRECT TESTIMONY**

**OF**

**GREGORY SLONE**

**On Behalf of**

**The Office of the Ohio Consumers' Counsel**

*10 West Broad Street, Suite 1800*

*Columbus, Ohio 43215-3485*

***July 21, 2015***

**TABLE OF CONTENTS**

 **PAGE**

[I. INTRODUCTION 1](#_Toc425427765)

[II. PURPOSE OF TESTIMONY 4](#_Toc425427766)

[III. RECOMMENDATION 6](#_Toc425427767)

[IV. HISTORY OF 2012 GCR CASES AUDIT REPORT, HEARING AND RESULTING PUCO OPINION AND ORDER 11](#_Toc425427768)

[V. CURRENT STAFF AUDIT REPORT OF NORTHEAST, ORWELL AND BRAINARD 14](#_Toc425427769)

[VI. LOCAL PRODUCTION GAS COSTS COMPARED TO INTERSTATE GAS COSTS FOR NORTHEAST AND ORWELL 17](#_Toc425427770)

ATTACHMENTS

|  |  |
| --- | --- |
| OCC Attachment GS-1 | Gregory Slone Testimony History. |
| OCC Attachment GS-2 | List of Gas Purchasing, Gas Storage and Gas Transportation Contracts for Orwell, Brainard and Northeast. |
| OCC Attachment GS-3 | Analysis of Local Gas Purchases Compared to Interstate Gas Purchases for Northeast and Orwell. |
| OCC Attachment GS-4 | Gas Transportation Service Agreement between Orwell and Orwell Trumbull Pipeline signed January 1, 2006. |
| OCC Attachment GS-5OCC Attachment GS-6OCC Attachment GS-7OCC Attachment GS- 8 | Gas Transportation Service Agreement between Orwell and Orwell Trumbull Pipeline signed July 1, 2008.Gas Transportation Service Agreement between Orwell and Cobra Pipeline dated January 23, 2008.Gas Transportation Service Agreement between Orwell and Spelman Pipeline Holdings, LLC dated February 28, 2014 Gas Transportation Service Agreement between Orwell and North Coast Gas Transmission dated August 23, 2004. |
| OCC Attachment GS-9 OCC Attachment GS-10 OCC Attachment GS-11 OCC Attachment GS-12OCC Attachment GS-13OCC Attachment GS-14OCC Attachment GS-15 | Gas Transportation Service Agreement between Orwell and Dominion (as East Ohio Gas Company d/b/a Dominion East Ohio) dated April 14, 2005.Transportation Service Agreement between Orwell-Trumbull Pipeline and Newbury Local Schools dated July 27, 2009.July Invoice from Orwell-Trumbull Pipeline to Orwell Natural Gas dated August, 13, 2012.Analysis of Orwell’s increased gas cost due to loss of Gas Transportation Service Agreement between Orwell and Dominion dated April 14, 2005.Map of Orwell/Orwell-Trumbull System.Analysis of Orwell’s gas supply delivered through Dominion. May 8, 2015 Transcript Of Martin Whelan Deposition. |

# I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.

***A1.*** My name is Gregory Slone. My business address is 10 West Broad Street, Suite 1800, Columbus, Ohio 43215-3485. I am employed by the Office of the Ohio Consumers’ Counsel (“OCC” or “Consumers’ Counsel”) as a Senior Energy Analyst.

***Q2. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE?***

***A2.*** I received my bachelor’s degree in civil engineering from The Ohio State University in 1977, and received the status of a certified charted industrial gas consultant from the Gas Technology Institute in Chicago, Illinois in 1984.

I joined the OCC in May 2010 as a Senior Energy Analyst. Prior to joining the OCC, I served as vice president of generation services for American Municipal Power, Inc. (“AMP”), where I was responsible for the daily operations of AMP’s electric generating plants, which included negotiating all the commodity contracts for purchasing and selling coal, natural gas, and emission allowances. I also developed and directed AMP’s natural gas and electric aggregation consulting business. As General Manager of the aggregation business, I negotiated consulting services contracts with more than forty municipalities throughout Ohio. These consulting services included negotiating price, terms and conditions for natural gas and electric supply with the retail natural gas and electric service providers.

Prior to AMP, I worked for many years for Columbia Gas of Ohio, Inc. (“Columbia”), serving in a number of sales and marketing positions, including Director of Sales. During my employment at Columbia, I was responsible for interacting with customers and retail natural gas marketers on issues related to natural gas costs, supply, and rates. In addition, I negotiated special contracts that involved competitive market issues for major industrial accounts.

I have also had experience with transactions among affiliated companies. During my tenure at Columbia, I interacted with large industrial customers on a daily basis. At the same time, an affiliate company, Columbia Energy Services (“CES”), was also contacting many of these same industrial customers in an effort to market natural gas services to the customer. CES was one of a number of natural gas marketers working in Ohio, and as an employee of Columbia, we were required to implement corporate separation policies to ensure that any transactions with affiliates were fair and reasonable. We were also required to not disclose certain price sensitive information or share that information with affiliates.

***Q3. WHAT ARE YOUR RESPONSIBILITIES AS AN OCC SENIOR ENERGY ANALYST?***

***A3.*** My duties include research, investigation, and analysis of electric and natural gas utility filings at the state and federal levels, and providing recommendations concerning policy development and implementation in various jurisdictions Specifically, among other things, I provide policy and technical analysis on both natural gas and electric utility filings with the Public Utilities Commission of Ohio (“PUCO”), including Electric Standard Service Offers (“SSO”), Gas Cost Recovery (“GCR”) Audits, Fuel Adjustment Clause Audits, Long-Term Forecast Reports, Infrastructure Replacement Programs, and rate cases.

***Q4. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY OR TESTIFIED BEFORE THE PUCO?***

***A4.*** Yes. This information is attached as OCC Attachment GS-1.

***Q5. WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF YOUR TESTIMONY?***

***A5.*** I have reviewed the PUCO Staff’s (“Staff”) January 27, 2015 Financial Audits of the Gas Cost Recovery Mechanisms for the Effective GCR Period January 1, 2013 through June 30, 2014 for Brainard Gas Corporation (“Brainard”); for the Effective GCR Period July 1, 2012 through June 30, 2014 for Orwell Natural Gas Company (“Orwell”); and for the Effective GCR Period March 1, 2012 through June 30, 2014 for Northeast Ohio Natural Gas Corporation (“Northeast”) (collectively, “the Utilities”). I also reviewed the Utilities’ responses to OCC discovery. Additionally, I have reviewed the 2010 and 2012 GCR audit proceedings for Orwell and Northeast, including discovery responses, along with Annual Reports filed with the PUCO for Orwell, Northeast, and other small Ohio gas distribution companies.[[1]](#footnote-1)

# II. PURPOSE OF TESTIMONY

***Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?***

***A6.*** The purpose of my testimony is to address certain issues related to the natural gas purchasing practices and policies of Northeast, Orwell and Brainard. These policies and practices implicate how the Utilities’ charges to consumers are adversely impacted by contracts with affiliate and related companies, and how the Utilities’ system reliability and diversity of fuel supply was negatively affected by Orwell’s abandonment or dismantling of interconnects (or “taps”) on Dominion East Ohio Gas Company’s (“Dominion”) system. Through my testimony, I will:

1. Explain how contracts that Northeast, Orwell and Brainard have with affiliate and related companies are biased toward the affiliate or related natural gas suppliers, production companies, and intrastate pipelines. These contracts had a detrimental impact on the Utilities’ residential customers’ gas rates by inflating the GCR. As a result, the Utilities’ gas purchasing contracts with affiliated companies and gas transportation contracts with related companies did not provide their residential customers with fair, just, and reasonable gas rates during the Audit period and the Utilities’ gas purchasing practices and policies were imprudent. I calculate that customers paid higher rates than necessary resulting in $671,696 of excessive gas charges (for Northeast customers) and $25,181 of excess charges (for Orwell customers).

2. Demonstrate that the removal of approximately 10 interconnects with the Dominion system unreasonably increased costs to the GCR, and at the same time, reduced the reliability of natural gas supplies to residential customers of Orwell Natural Gas during the Audit period. As a result, I explain how the GCR rates for Orwell were not fair, just, and reasonable and that Orwell’s gas purchasing practices and policies did not promote minimum prices consistent with an adequate supply of gas. I also provide an appropriate repricing of the gas supplies transported on Orwell-Trumbull Pipeline (‘OTP”), the related company intrastate pipeline that Orwell relied on in place of Dominion. I calculate that customers paid higher rates than necessary resulting in $1,653,652 of excessive gas charges to Orwell’s customers.

3. Demonstrate that the loss of a special contract with Dominion, due to signing an inappropriate agreement with a related company -- OTP -- unreasonably and unjustly increased the cost of natural gas supplies to customers of Orwell. I calculate that this imprudent transaction resulted in customers paying higher rates than are fair, just and reasonable in the amount of $205,016.

# III. RECOMMENDATION

***Q7. WHAT ARE YOUR RECOMMENDATIONS REGARDING THE UTILITIES’ PURCHASING PRACTICES AND ASSOCIATED CONTRACTS WITH AFFILIATES AND RELATED COMPANIES?***

***A7.*** I have several recommendations that are aimed at producing rates for customers that are fair, just, and reasonable, and ensuring that the Utilities’ natural gas purchasing practices and policies promote minimum prices consistent with an adequate supply of gas. These recommendations focus on Orwell’s and Northeast’s natural gas purchasing practices and associated contracts with affiliates and/or related companies.

1. I recommend that the PUCO find that the gas cost recovery rates charged to Orwell and Northeast customers during the current audit periods were not fair, just, and reasonable. Instead the rates were excessive due to unreasonable and/or imprudent purchasing policies or practices of the Utilities, which did not result in minimum gas prices consistent with adequate supply of gas.
2. To assure fair, just, and reasonable rates for the Utilities’ customers, I recommend that the intrastate gas supply purchased from local gas producers provided by JDOG Marketing and its successor, Gas Natural Resources (“GNR”), during the Audit period be re-priced. Specifically, the natural gas purchased should be re-priced based on the historic difference between the cost of interstate gas and the cost of local production gas prior to the utilization of JDOG Marketing in 2008 as the asset manager for both Northeast and Orwell. I discuss this in greater detail below. More specifically, I recommend that the PUCO order Northeast to refund $671,696 to GCR customers and Orwell to refund $25,181 to GCR customers for excessive charges associated with local production gas purchased during the audit periods.
3. I recommend that the PUCO terminate the July 1, 2008 gas transportation agreement between Orwell and Brainard with Orwell-Trumbull Pipeline. The contract at issue was not negotiated as an arm’s length agreement and, consequently, has caused customers to pay excessive gas costs, resulting in unjust and unreasonable rates to Orwell’s and Brainard’s residential customers. In its place, the PUCO should order Orwell and Brainard to negotiate a reasonable agreement to obtain minimum gas prices consistent with adequate supplies of gas for customers. I also recommend that the PUCO require Orwell to pursue reinstalling the interconnections with Dominion that Orwell abandoned/dismantled after the gas transportation contract with OTP was executed. The PUCO should also order that shareholders bear the cost of the new interconnections inasmuch as their abandonment or dismantling was imprudent (ordered by the largest shareholder of Orwell’s parent Company).[[2]](#footnote-2)
4. With regard to the issue of re-pricing the gas transported on OTP, I recommend that the PUCO order Orwell to refund $1,653,652 to GCR customers for excessive charges for natural gas purchased through the OTP system during the audit period.
5. In addition, I recommend that the PUCO order Orwell to refund $205,016 to GCR customers for excessive charges for natural gas transportation services on the Dominion East Ohio Gas (“Dominion”) system. The excessive charges resulted from the loss of a gas transportation contract Orwell entered into with Dominion on April 15, 2005 (Dominion Special Contract”),[[3]](#footnote-3) which was terminated once Orwell signed the transportation contract with OTP.
6. I recommend that the PUCO order a complete management Performance Audit (“M/P Audit”) as part of their next GCR review. I recommend that the PUCO retain an independent auditor to conduct the MP Audit to ensure that the gas purchasing practices and policies of the Utilities result in fair, just, and reasonable gas rates and promote minimum prices consistent with an adequate supply of gas. Finally, I recommend that the Utilities’ shareholders, not customers, pay for the M/P Audit.

***Q8. HAVE YOU REVIEWED THE PUCO STAFF’S RECALCULATION, OR ADJUSTMENTS, IN THE 2012 GCR CASES FOR NORTHEAST AND ORWELL?***

***A8.*** Yes, I have reviewed the Staff’s recommendation for refunds to customers and reconciliations for Northeast’s and Orwell’s GCR rates. The Staff’s recommendations appear to be consistent with the principles that I recommend; however, the methodology used by Staff to reprice the excessively priced local production is different.

Staff’s recommendation regarding the re-pricing of gas delivered through OTP was to re-price the natural gas purchased in March 2014, resulting in an adjustment that covers only a few days of excessive prices. My recommendation, however, is to re-price the gas delivered through OTP for the entire audit period. It is more appropriate to re-price the natural gas purchased during the entire audit period, not just for one selected month out of the entire period. Otherwise, customers are not assured that the prices paid during the entire audit period are fair, just and reasonable.

# IV. HISTORY OF 2012 GCR CASES AUDIT REPORT, HEARING AND RESULTING PUCO OPINION AND ORDER

***Q9. CAN YOU SUMMARIZE YOUR FINDINGS FROM THE 2012 GCR AUDIT?***

***A9.*** As noted in my testimony that was filed in Northeast’s and Orwell’s 2012 GCR (Case Nos. 12-209-GA-GCR and 12-212-GA-GCR), certain gas purchase contracts between the Northeast and Orwell and their affiliated marketing company -- JDOG Marketing -- in place during the 2012 GCR Audit, showed a bias toward JDOG Marketing. This bias was manifested in the excessive GCR rates paid by the customers of Northeast and Orwell. In those cases, I recommended that the PUCO order Northeast and Orwell to terminate their gas purchase, agent, and asset management contracts with affiliated companies. My recommendation was made after I determined that the contracts caused Northeast’s and Orwell’s residential customers to be charged excessive gas rates.[[4]](#footnote-4)

I also recommended that the PUCO require Northeast and Orwell to discontinue using JDOG Marketing, or any other affiliated company, as the gas purchasing agent and asset manager. In addition, I recommended that the work that had been outsourced to JDOG Marketing should be performed by in-house employees of Northeast and Orwell.[[5]](#footnote-5) Finally, I recommended that the gas supply from local gas producers that was procured by JDOG Marketing during the audit periods be re-priced and a refund made to customers. The repricing was based on the historical difference between the cost of interstate gas and the cost of local production gas prior to using JDOG Marketing as the asset manager for both Northeast and Orwell in 2008.[[6]](#footnote-6)

***Q10. ARE THE GAS PURCHASE CONTRACTS FROM THE 2012 GCR APPLICABLE TO THE CURRENT GCR AUDIT?***

***A10.*** Yes.The gas purchase contracts with affiliated and related companies that were an issue in the 2012 GCR were also in place for a majority of the current Audit period,[[7]](#footnote-7) which covers the period through June 30, 2014.[[8]](#footnote-8) Thus applying any disallowance from the 2012 GCR to this audit period is consistent with the PUCO’s Order in the 2012 GCR.

***Q11. WHAT ARE YOUR OBSERVATIONS BASED ON YOUR REVIEW OF THE GAS PURCHASE CONTRACTS BETWEEN NORTHEAST AND ORWELL AND AFFILIATED OR RELATED COMPANIES FROM THE 2012 GCR CASES?***

***A11.*** Based on the numerous natural gas purchase agreements I reviewed in the 2012 GCR Audit, I concluded that there was a lack of attention to and enforcement of the terms and conditions in the natural gas purchase contracts between Northeast and Orwell and affiliated companies, such as JDOG Marketing. In addition, I found that Northeast and Orwell made no attempt to verify that the price they paid JDOG Marketing for local production gas promoted minimum prices consistent with an adequate supply of gas as required by the PUCO’s rules. Responses to OCC discovery indicated that Northeast and Orwell accepted the end result (gas purchased) as being the lowest cost option. There was no indication Northeast or Orwell performed any independent analysis to determine (or verify) that the natural gas purchased was actually at the minimum prices available. Moreover, the contracts suggested a bias towards the affiliated company -- JDOG Marketing -- by imprudently injecting JDOG Marketing, and its additional fee, into the purchasing process to perform duplicative services already performed by Northeast and Orwell employees.[[9]](#footnote-9)

***Q12. WHAT ISSUES WERE RESOLVED THROUGH THE OPINION AND ORDER IN THE 2012 GCR?***

***A12.*** In the Opinion and Order filed in the 2012 GCR on November 13, 2013, the PUCO concluded that during the GCR audit period “the evidence shows that the gas costs were not fair, just, and reasonable and their gas purchasing practices and policies did not promote minimum prices consistent with an adequate supply of gas.”[[10]](#footnote-10) The PUCO also ruled on a number of issues, including the over-collection for costs from customers for the purchase of local gas production by Northeast and Orwell during the audit periods,[[11]](#footnote-11) and the disallowance of premiums paid to JDOG Marketing in the amount of $583,417 for Northeast, and $224,991 for Orwell.[[12]](#footnote-12) The PUCO also approved a disallowance of the Cobra processing fees charged to Northeast’s GCR customers in the amount of $145,363.[[13]](#footnote-13) Finally, the PUCO ordered a civil forfeiture in the amount of $2,000 for each month Northeast and Orwell failed to comply with the terms of the Stipulation in the 2010 GCR Audit, which required the termination of the affiliate contracts. The total forfeiture equaled $26,000 for Northeast and $50,000 for Orwell.[[14]](#footnote-14)

# V. CURRENT STAFF AUDIT REPORT OF NORTHEAST, ORWELL AND BRAINARD

***Q13. ARE YOU FAMILIAR WITH THE PUCO STAFF’S CURRENT FINANCIAL AUDIT REPORT FOR NORTHEAST, ORWELL AND BRAINARD?***

***A13*.** Yes, I reviewed the 2015 Audit Report conducted by Staff, which was docketed on January 27, 2015. In addition, I have reviewed the gas purchase contracts, gas supply options, and pricing history, and other information provided by Northeast, Orwell, and Brainard in response to OCC discovery. I have also reviewed information from the 2012 GCR proceeding, including the 2012 GCR Audit and Opinion and Order, which continue to impact the results and findings in the current GCR Audit for Orwell, Northeast, and Brainard.

***Q14* *WHAT IS YOUR UNDERSTANDING OF THE PUCO STAFF’S AUDIT REPORT?***

***A14.*** It is my understanding that the PUCO Staff Audit was a financial audit that focused on review of accounting issues. The Audit was not a Management/Performance (“M/P”) Audit where the focus is on a review of the natural gas purchasing policies and practices of the utility. As a result, the Staff’s Audit is not exhaustive and does not address the prudency of many of the Utilities’ policies and practices.

As part of its financial audit and review of the prior PUCO orders, Staff re-priced local production costs based upon the costs paid to the local producers and any associated transportation charges. By re-pricing the production costs, the Staff determined that customers had been charged too much for natural gas. In doing so, Staff eliminated premiums paid to the affiliated marketers -- JDOG Marketing and GNR -- and eliminated any Cobra Pipeline Co. (“Cobra”) processing fees for Northeast.[[15]](#footnote-15) In addition, the Staff recommended re-pricing 9,000 dekatherms (Dth) of natural gas that Orwell purchased for March 2014. Orwell paid $56.00 per Dth for the gas; however, Staff recommended a price of $6.72 per Dth, because it believed lower priced gas was available.[[16]](#footnote-16)

Specifically, the Staff recommended refunding $1,077,901 for Northeast’s customers. In addition, Staff recommended an upward adjustment of $43,470 for Orwell, increasing GCR rates for Orwell’s customers. Finally, Staff recommended refunding $4,960 for Brainard’s customers.[[17]](#footnote-17)

I agree with the reasoning for the Staff’s recommended adjustments. But I used a different methodology to reprice the over-priced local production. In addition, my re-pricing of Orwell’s interstate gas purchases on OTP covers the entire audit period. Staff’s re-pricing only accounts for a few of the most egregious and costly days in March 2014,[[18]](#footnote-18) when Orwell paid $56 per Dth for 9,000 Dth of gas.

# VI. LOCAL PRODUCTION GAS COSTS COMPARED TO INTERSTATE GAS COSTS FOR NORTHEAST AND ORWELL

***Q15. IS LOCAL PRODUCTION GAS IN OHIO NORMALLY LESS EXPENSIVE TO PURCHASE AND DELIVER FOR LOCAL DISTRIBUTION GAS COMPANIES THAN GAS PURCHASED FROM AN INTERSTATE PIPELINE?***

***A15.*** Yes. Historically, interstate gas purchases have been more expensive than local gas production purchases. The higher cost for interstate gas is often attributed to the fixed demand cost for interstate transportation associated with interstate gas supply. In addition, many interstate gas contracts also include significant fixed costs associated with firm interstate storage service that is vital to all Local Distribution Companies (“LDCs”) in Ohio. As a matter of fact, local gas production supplies for Northeast and Orwell have historically been priced lower than interstate supplies -- or at least that was the case from 2000 until 2008. However, starting in 2008, local production gas supplies for Northeast and Orwell suddenly became more expensive than interstate gas supplies.

***Q16. WHAT DO YOU ATTRIBUTE THE SHIFT IN 2008 THAT INCREASED THE GAS COST OF LOCAL PRODUCTION RELATIVE TO INTERSTATE GAS?***

***A16.*** In 2008, Northeast and Orwell signed gas purchase agreements with an affiliate company -- JDOG Marketing. From 2008 until November 2013, JDOG Marketing or its successor (GNR) purchased gas on behalf of the Utilities. During this time period, local production gas became more expensive than interstate gas.

As demonstrated in OCC Attachment GS-3, for the eight-year period from 2000 through 2007, Northeast purchased local production gas at a weighted average rate that was $0.97 per thousand cubic feet (Mcf) **less** than the average cost of interstate gas supplies.

However, after JDOG Marketing began purchasing local gas production for the Utilities, for the seven-year period from 2008 through 2014, the weighted average cost of local gas averaged $0.62 per Mcf **more** than the weighted average cost of interstate gas. This represents a total shift of $1.59 per Mcf after the affiliate -- JDOG Marketing -- began purchasing local gas for Northeast and Orwell. This differential would have been greater if not for the PUCO’s decision in the 2012 GCR that prevented JDOG Marketing from purchasing local gas on the Utilities’ behalf, effective December 2013. As a result of the PUCO’s action, I have no re-pricing concerns or recommendations for local gas purchases after December 2013 for the remaining audit period (January 2014 through June 2014).

***Q17. WHAT ARE OTHER REASONS THE COST OF LOCAL PRODUCTION GAS IS HIGHER FOR NORTHEAST AND ORWELL?***

***A17.*** Another reason that the cost of local production has been higher for Northeast and Orwell compared to local production costs prior to 2008 is that, in the past, Northeast paid for services that were never performed.

For example, JDOG Marketing purchased local production gas on behalf of Northeast from gas producers delivering gas supplies into Cobra Pipeline’s Churchtown system. Cobra Pipeline -- a related company -- is an intrastate pipeline operating only in Ohio, with three separate pipeline systems: Churchtown, Homesville and North Trumbull. Because there are significant volumes of high Btu gas in the area, the Churchtown system, located in southeastern Ohio, has a processing plant that extracts butane, propane and other hydrocarbons (except methane) from natural gas delivered by producers into Cobra Pipeline.

In the 2012 GCR, the PUCO ruled that Northeast was paying the processing fee to Cobra Pipeline for gas that was never actually processed. Accordingly, the PUCO disallowed $145,363 for processing charges paid by Northeast to Cobra Pipeline reducing rates to Northeast’s GCR customers.[[19]](#footnote-19)

***Q18. HAVE YOU CALCULATED HOW MUCH NORTHEAST AND ORWELL OVERPAID, TO THE DETRIMENT OF GCR CUSTOMERS, FOR LOCAL PRODUCTION GAS DURING THE CURRENT AUDIT PERIOD?***

***A18.*** Yes. I calculated the total overpayment for local production gas purchases by Northeast, which should be refunded to its GCR customers, is $671,696 during the current audit period. I calculated the total overpayment for local production gas purchases by Orwell, which should be refunded to its GCR customers, is $25,181 during the current audit period.

***Q19.*** ***HOW DID YOU DETERMINE THE APPROPRIATE REFUND TO CUSTOMERS?***

***A19.*** As discussed previously and as shown on OCC Attachment GS-3, (which was developed from Northeast’s and Orwell’s Annual Reports to the PUCO), for the eight-year period from 2000 through 2007, Northeast purchased local production gas at a weighted average rate of $0.97 per Mcf less than the average cost of interstate gas supplies. However, after JDOG Marketing began purchasing local gas production for Northeast, for the seven-year period from 2008 through 2014, the average cost of local gas was actually higher than the average cost of interstate gas. By using the same price relationship between local gas and interstate gas that was established in the eight years prior to JDOG Marketing’s involvement in the purchase of gas for Northeast, an appropriate annual price for local production can be determined and applied for the audit period. This re-pricing will help assure that customers pay fair, just, and reasonable rates for natural gas supply.

OCC Attachment GS-3, column (b) shows the average price of local production gas for each year from 2000 through 2014. Reducing the average annual price of local production for the 2012 through 2014 audit period shown in column (b) by the historical weighted average difference between local gas and interstate gas of $0.97 per Mcf from the previous eight-year period prior to JDOG purchasing gas for Orwell and Northeast (2000 - 2007) provides a more appropriate price for local gas during the current audit period. This adjusted price for local production gas during the current audit period is shown in column (e).

The difference between the price Northeast actually paid for local production gas and the adjusted price is shown in column (f) of OCC Attachment GS-3 represents the average price per Mcf that Northeast overpaid for local production gas. By multiplying the average overpayment in column (f) by the adjusted local production gas purchased during the audit period, shown in column (g), the amount customers overpaid Northeast for local production gas during the audit period is shown in column (i).

***Q20. HOW WAS THE AMOUNT THAT ORWELL’S CUSTOMERS HAVE OVERPAID FOR NATURAL GAS SUPPLY DERIVED?***

***A20.*** The total overpayment for local production gas that GCR customers paid to Orwell during the current Audit period can be calculated using the same approach developed for Northeast. The only variable that changed in my analysis takes into consideration that Orwell did not report a breakdown of local gas purchases and interstate gas purchases on its Annual Report to the PUCO for a number of years between 2000 and 2007. Consequently, because of the limited data points available to calculate the average price differential between local production gas and interstate gas for Orwell prior to 2008, I used the same $0.97 per Mcf differential that I calculated for Northeast. Had I only used the two data points available from Orwell’s 2000 through 2007 Annual Reports, the average price differential between local production gas and interstate gas would have been $2.40 per Mcf. Based on using Northeast’s lower price differential of $0.97 per Mcf, I calculated the total overpayment for local production gas purchases by Orwell’s GCR customers to be $25,181 during the current audit period.

**VII. ORWELL GAS TRANSPORTATION CONTRACTS WITH ORWELL-TRUMBULL PIPELINE**

***Q21. WHAT GAS TRANSPORTATION CONTRACTS DOES ORWELL HAVE WITH OTP?***

***A21.*** Orwell entered into a transportation service agreement with OTP on January 1, 2006, attached as OCC Attachment GS-4, and began receiving natural gas deliveries from OTP that year. Orwell signed a second agreement with OTP on July 1, 2008, which replaced the 2006 agreement and obligated Orwell to transport gas through OTP for a 15-year period, as noted in OCC Attachment GS-5.

***Q22. ARE ORWELL AND OTP AFFILIATED OR RELATED IN ANY WAY?***

***A22.*** Yes, at the time the contracts were signed, both Orwell and OTP were under the control of Richard Osborne.[[20]](#footnote-20) Mr. Osborne was the owner of OTP[[21]](#footnote-21) and the Chairman of the Board and CEO of Gas Natural, Inc. (“GNI”),[[22]](#footnote-22) the parent company of Orwell. [[23]](#footnote-23) It is my understanding that an affiliate is a company that shares common ownership with another company. In this instance, Richard Osborne owned OTP at the same time he was CEO of GNI and a majority stockholder in GNI. Therefore, it is my understanding that OTP and Orwell are related companies, rather than affiliates.

***Q23. DID RICHARD OSBORNE SIGN THE TRANSPORTATION CONTRACT ON BEHALF OF ORWELL AND OTP?***

***A23.*** No, however, both Stephen G. Rigo, who signed for OTP and Thomas J. Smith, who signed for Orwell and Brainard, worked directly for Richard Osborne at the time the contracts were executed.[[24]](#footnote-24) In prior testimony before the PUCO, both Mr. Rigo and Mr. Smith indicated that they reported directly to Mr. Osborne.[[25]](#footnote-25)

***Q24. DO THE CONTRACTS BETWEEN ORWELL AND ORWELL-TRUMBULL PIPELINE SHOW A BIAS TOWARDS THE RELATED COMPANY?***

***A24.*** Yes. The 2006 contract between Orwell and OTP had a three year term at $0.95 per Mcf for interruptible service. In addition, the contract had the effect of reducing the volumes of natural gas Orwell was transporting through Dominion. This contract showed bias toward OTP because Orwell agreed to pay OTP $0.95 per Mcf for interruptible transportation service, while it had been paying Dominion approximately $0.92 per Mcf for firm transportation service, which is a considerably more valuable service for consumers.

Firm transportation service is more valuable than interruptible transportation service because, as the name implies, the service is firm (or available) 24 hours a day, 365 days a year. This is important to GCR customers because they need to be assured of having service during the peak cold winter heating season. On the other hand, interruptible transportation service can be interrupted and thus is often not available during the coldest parts of the winter heating season.

For example, both Spelman and Cobra have tariffs with a transportation rate for interruptible service for $0.50 per Dth.[[26]](#footnote-26) The fact that the rate that Orwell paid OTP for charges are far in excess compared to what other affiliated and related pipelines were charging suggests the lack of an arms-length relationship. A reasonable arms-length transaction would have produced a transportation rate on the OTP system of approximately $0.50 per Mcf.

Similarly, the 2008 contract was also not negotiated at arm’s length and shows an even greater bias towards OTP than the 2006 contract Orwell signed with OTP for the following reasons:

1. The transportation rate that OTP charges Orwell is not commensurate with the rate Orwell paid other similarly situated pipelines;
2. OTP has agreements with other transportation customers (end-users on Orwell’s distribution system) at significantly lower transportation rates than that which OTP charges Orwell;
3. The 2008 agreement provides OTP with the exclusive right to transport all of Orwell’s natural gas supply for a 15-year term,[[27]](#footnote-27) which is significantly longer than normal for this type of agreement; and
4. The 2008 contract between Orwell and OTP was for interruptible transportation service, replacing a similarly priced transportation contract Orwell had negotiated with Dominion East Ohio Gas for firm service. In addition, the Dominion contract did not grant Dominion the exclusive right to transport gas for Orwell. Thus, Orwell had significant flexibility under the Dominion contract that it does not have under the OTP contract.

5) Orwell was paying OTP the same rate for an inferior interruptible transportation service that it previously paid Dominion for firm service. To the extent that the OTP contract was needed to provide Orwell’s customers with gas during peak winter periods, the reliance on interruptible transportation service was unreasonable and imprudent, because the service is not reliable during high demand winter periods when customers have the greatest need for natural gas service.

***Q25. DID THIS BIAS CREATED WITH THE CONTRACT BETWEEN ORWELL AND OTP RESULT IN CUSTOMERS PAYING TOO MUCH FOR NATURAL GAS?***

***A25.*** Yes, the bias resulted in customers over paying by $1,653,652. The OTP/Orwell contract amounted to an unreasonable and imprudent purchasing contract. The GCR customers should be protected from paying excessive charges caused by these actions.

***Q26. IS THE TRANSPORTATION RATE ORWELL PAYS OTP COMMENSURATE WITH OTHER SIMILARLY SITUATED PIPELINES IN OHIO?***

***A26.*** No. Orwell takes transportation service from four intrastate pipeline companies: OTP, Cobra Pipeline Co., LTD (“Cobra”), Spelman Pipeline Holdings, LLC (“Spelman”), and North Coast Gas Transmission, LLC (“North Coast”). Cobra’s rate is $0.50 per Dth.[[28]](#footnote-28) Spelman’s rate is $0.50 per Dth.[[29]](#footnote-29) North Coast’s rate is $0.25 per Dth.[[30]](#footnote-30) OTP’s rate was $0.95 per Mcf for the 2012 - 2014 audit period and due to an escalation clause in the contract, it is currently $1.01 per Mcf[[31]](#footnote-31) -- more than double the rates charged by the other three pipelines.[[32]](#footnote-32)

***Q27. DO YOU HAVE OTHER CONCERNS REGARDING THE OTP CONTRACT IN ADDITION TO THE RATE?***

***A27.*** Yes. The contract Orwell signed with OTP is for a 15-year term whereby OTP has exclusive rights to transport all natural gas delivered to Orwell.[[33]](#footnote-33) The term of the contract is unusually long, but more importantly there is an exclusivity clause[[34]](#footnote-34) in the agreement that is unduly burdensome and likely to cause customers to pay rates that may not be fair, just, and reasonable.

The agreement states that “[Orwell] agrees that during the term of this Transportation Service Agreement it will use only OTP’s pipelines to transport gas for any of its customers; provided, however, that this exclusive use of the OTP pipelines shall remain in effect as long as OTP has available capacity within its pipelines.”[[35]](#footnote-35) By signing this agreement Orwell is committed to taking gas from the OTP system, regardless of how many other better opportunities might arise over the next 15 years. Interestingly, while Orwell was prevented from taking service from any other pipeline for fifteen years, OTP was not similarly handicapped. OTP retained the option of serving additional or other customers if an opportunity arose for OTP to transport at a higher, or lower, rate than Orwell was paying. OTP had that option, even if it meant daily gas capacity being used by Orwell would have to be interrupted.

Orwell also appears to have similar concerns as mine, regarding the validity of the contract with OTP as they have filed a Complaint with the PUCO alleging that the 2008 contract between Orwell and OTP is “currently detrimental to rate payers within ONG’s [Orwell’s] system and OTP should be under a standard tariff rate for transportation services.”[[36]](#footnote-36) The Complaint also alleges that “The Agreement, pursuant to its terms, results in [customers] for ONG [Orwell] paying a premium for gas than is otherwise available in the market.”[[37]](#footnote-37)

***Q28. DO YOU HAVE ANY OTHER CONCERNS RELATED TO THE 2008 CONTRACT?***

**A28.** Yes. It is my understanding that the PUCO has long preferred that LDCs minimize their reliance on affiliated pipelines for transportation service.[[38]](#footnote-38) It is also my understanding that the PUCO prefers that LDCs diversify both their commodity and gas transportation services whenever financially feasible.[[39]](#footnote-39)

In this case, Orwell acted contrary to PUCO precedent. First, Orwell increased its reliance on a related pipeline -- OTP -- when it signed the 15-year transportation agreement. Thus Orwell became more reliant on a related company. Second, by abandoning or dismantling the Dominion taps, Orwell lessened the potential diversity of supply options. The reasonable and prudent action (as has been previously recognized by the PUCO) would have been to increase diversity of supply actions by adding OTP as a potential transportation provider, while retaining the services option provided by Dominion.

Based on my reading of the PUCO’s Opinion and Order in a Columbia Gas of Ohio GCR case, Case Nos. 83-135-0GA-COI and 84-6-GA-GCR, and on advice of counsel, the PUCO was critical of Columbia for its over-reliance on its affiliate pipeline transportation service provider, Columbia Gas Transmission Company.[[40]](#footnote-40) In addition, the PUCO ordered Columbia to take steps to diversify its gas commodity and transportation options.[[41]](#footnote-41)

Perhaps the most significant issue with Orwell signing the one-sided agreement with its related pipeline is that the exclusive right that Orwell entered into with OTP led to the loss of a special contract Orwell had with Dominion.

***Q29.*** ***WHY IS THE LOSS OF THE DOMINION SPECIAL CONTRACT SIGNIFICANT?***

***A29.*** There are a number of reasons. Orwell signed an agreement with Dominion on April 14, 2005 (“Dominion Special Contract”).[[42]](#footnote-42) Prior to signing the OTP contract, Orwell received most of its gas supply from Dominion and some from local gas production.[[43]](#footnote-43) Once Orwell began taking gas deliveries from OTP, the gas supply from Dominion was drastically reduced.

On the surface, reducing reliance on the Dominion system would appear to be the right move, as supply diversity can be an advantage for any natural gas local distribution system. Unfortunately, rather than improving its supply diversity by adding another supply alternative, Orwell entered into an exclusive 15-year agreement with OTP for the transport of all of its gas deliveries beginning on July 1, 2008.[[44]](#footnote-44) Thus, not only did Orwell improperly reduce its gas transportation and gas supply options, but at the same time, it improperly increased its reliance on a related company -- OTP.

Orwell essentially traded reliance on a firm contract with a non-affiliated and non-related entity -- Dominion -- for reliance on an interruptible contract with a related entity -- OTP.

Trading the Dominion Special Contract for the OTP contract is imprudent for at least two reasons: first, the transportation rates were approximately equal, but the Dominion transportation rate averaged $0.92 per Mcf for firm service, as long as Orwell arranged to deliver gas to Dominion,[[45]](#footnote-45) while the OTP contract provided for an inferior quality (interruptible) service at a rate of $0.95 per Mcf;[[46]](#footnote-46) Second, the exclusivity clause in the OTP contract limits future opportunities to take lower priced natural gas from other pipelines and potentially other gas supply sources that are not tied to OTP. A gas distribution company with natural gas purchasing practices and policies that promote minimum prices for their customers consistent with an adequate supply of gas would not voluntarily enter into this type of agreement with OTP and give up the firm contract it had with Dominion for an interruptible rate with an exclusivity clause.

***Q30. WHY DO YOU STATE THAT OTP HAS AGREEMENTS WITH OTHER TRANSPORTERS (END-USERS ON ORWELL’S DISTRIBUTION SYSTEM) AT SIGNIFICANTLY LOWER TRANSPORTATION RATES THAN ORWELL PAYS?***

***A30.*** A number of Orwell’s distribution customers are currently receiving transportation service directly from OTP. Unfortunately, several of the agreements are filed with confidential transportation rates and are not currently available to OCC. A public 2009 contract between OTP and Newbury Local Schools includes the transportation rate. The rate is $0.90 per Mcf, which is less than the rate Orwell pays for transportation.[[47]](#footnote-47) Moreover, Newbury Local Schools’ agreement is for firm service, while Orwell pays $0.95 per Mcf for interruptible service.[[48]](#footnote-48)

In addition, I am aware of another customer -- identified only as YMCA --receiving a transportation rate of $0.50 per Mcf from OTP. I have not been able to locate the specific transportation agreement, but the rate is identified and listed on a separate bill on monthly invoices from OTP to Orwell.[[49]](#footnote-49) It appears that Orwell bills the transportation rate to the YMCA on behalf of OTP. Because the contract between OTP and the YMCA is unavailable, it cannot be determined if the agreement is for firm or interruptible service. While the $0.50 per Mcf rate is significantly lower than that which Orwell pays to OTP, it is practically the same rate as other pipelines -- Spelman and Cobra -- charge Orwell for transportation service. The $0.50 per Mcf rate appears to be a more appropriate rate for Orwell to pay OTP. That is, had the rate been determined through an arm’s length negotiation.

***Q31. HAVE YOU CALCULATED HOW MUCH ORWELL HAS OVERCHARGED CUSTOMERS FOR GAS DELIVERED THROUGH ORWELL-TRUMBULL PIPELINE DUE TO THE LOSS OF THE DOMINION SPECIAL CONTRACT?***

***A31.*** Yes. In response to OCC discovery, Orwell provided the gas supply volumes delivered through the OTP system for the audit period, attached as OCC Attachment GS-12. The data provided as “Orwell OTP Supply” show the gas volumes purchased and delivered to Orwell each month and the cost per Mcf Orwell paid for the gas.

As OCC Attachment GS-12 shows, during the audit period, Orwell paid a total of $7,642,032 (column “h”) for 1,082,245 Mcf of gas delivered (column “d”) for an average cost of $7.061 per Mcf (column “i”).

Also in response to OCC discovery, Orwell provided the gas supply volumes still delivered through the Dominion system for those limited Orwell pipeline systems that OTP could not serve. This data is also shown on OCC Attachment GS-12 as the “Orwell DEO Supply.” This table shows the average commodity price of gas that Orwell paid for gas received through the Dominion pipeline system for each month of the audit period. However, instead of using the transportation rate Orwell actually paid each month, I replaced the transportation rate paid with the price Orwell would have paid Dominion had Orwell remained on its Special Contract Rate with Dominion.

With this adjustment, I was able to determine the price Orwell would have paid for gas purchases from the Dominion system for each month during the audit period. The average price Orwell would have paid for gas through the Dominion system during the audit period was $5.722 per Mcf (column “r”).

Based on these calculations shown on OCC Attachment GS-12, by signing the 15-year exclusive contract with OTP and losing the Dominion Special Contract, GCR customers paid $1,653,652 more during the audit period than they would have paid if Orwell would have maintained the Dominion Special Contract. Customers are required to pay gas rates that are fair, just, and reasonable and natural gas companies are required to have gas purchasing practices and policies that are reasonable, prudent, and promote minimum prices consistent with an adequate supply of gas. Due to Orwell’s unreasonable and imprudent purchasing practices, customers overpaid for gas supply. The overpayment should be refunded to customers.

***Q32. WERE MONTHLY DELIVERED GAS PRICES DURING THE AUDIT PERIOD ALWAYS HIGHER ON THE OTP SYSTEM THAN THE DOMINION SYSTEM?***

***A32.*** No. Although the delivered price of gas was generally cheaper from Dominion than from OTP, the difference was not significant most months. However, during the five month period from November 2013 through March 2014, the delivered cost of gas from the OTP system was much higher, accounting for almost 95% of the total difference during the audit period.

***Q33. COULD ORWELL HAVE PURCHASED GAS THROUGH THE DOMINION SYSTEM DURING THE FIVE MONTH PERIOD FROM NOVEMBER 2013 THROUGH MARCH 2014, EVEN IF IT NO LONGER HAD THE SPECIAL TRANSPORTATION AGREEMENT WITH DOMINION?***

***A33.*** No. Orwell chose to abandon or physically dismantle the interconnections (or taps) with Dominion once Orwell began receiving natural gas supplied from OTP.[[50]](#footnote-50) Dominion currently only serves the isolated parts of Orwell’s system that OTP cannot serve.

***Q34. WHY DID ORWELL ABANDON THE TEN INTERCONNECTIONS WITH DOMINION?***

***A34.*** According to Orwell’s President -- Marty Whelan -- the taps were abandoned in order to avoid paying a meter charge of $120 per month for each of the interconnections.[[51]](#footnote-51) This saved Orwell approximately $1,200 per month for all ten interconnects, or $14,400 per year.

***Q35. DO YOU CONSIDER ORWELL’S ACTIONS TO ABANDON THE TAPS TO SAVE APPROXIMATELY $14,400 PER YEAR ON GAS COSTS A PRUDENT DECISION?***

***A35.*** Absolutely not, and based on his testimony, neither does Orwell’s President -- Marty Whelan. During his deposition regarding the reason that Orwell abandoned the taps with Dominion, Mr. Whelan stated, “I can tell you that I didn’t agree with it, and I blew a gasket over it. And if nothing else, if something happened to Orwell-Trumbull system, [we would] have a backup.”[[52]](#footnote-52)

OTP receives its gas supply through one interconnect with North Coast Gas Transmission (“North Coast”) located near Mantua, Ohio. OTP then moves the gas received from North Coast north to Orwell’s distribution system, as can be seen on the map of Orwell and OTP’s systems, attached as OCC Attachment GS-13. Any disruption of service from North Coast or OTP could put the entire Orwell system served by OTP at risk of losing gas service to customers. So not only would the Dominion taps have provided Orwell with another gas supply option for potentially cheaper gas supplies, the interconnects would have also provided a physical backup gas supply in the event of a disruption on North Coast or OTP.

***Q36. WOULD ORWELL HAVE BEEN ABLE TO PURCHASE GAS SUPPLIES FROM DOMINION DURING THE FIVE-MONTH PERIOD FROM NOVEMBER 2013 THROUGH MARCH 2014 IF THE DOMINION TAPS WERE STILL IN PLACE?***

***A36.*** Yes, if Orwell had not entered into the 2008 contract with OTP and the interconnects with Dominion had remained in place, Orwell would have been able to purchase gas and transport on Dominion’s system at any time during the current audit period and especially during the five-month period from November 2013 through March 2014.

**VIII. LOSS OF DOMINION SPECIAL CONTRACT**

***Q37. IN ADDITION TO OVER PAYING FOR GAS DELIVERED THROUGH OTP, DID THE LOSS OF THE DOMINION SPECIAL TRANSPORTATION CONTRACT CREATE ANY ADDITIONAL COSTS TO ORWELL’S GCR CUSTOMERS?***

***A37.*** Yes. The loss of the Dominion Special Transportation Contract also impacted the cost of gas Orwell still purchased from Dominion to serve isolated Orwell distribution systems that could only be supplied by Dominion because they were not interconnected with gas supplies from OTP.

***Q38.*** ***HAVE YOU CALCULATED HOW MUCH ORWELL HAS OVERPAID FOR GAS DELIVERED FROM DOMINION DUE TO THE LOSS OF THE DOMINION SPECIAL CONTRACT?***

***A38.*** Yes. GCR customers paid a total of $205,016 more for gas transported through Dominion than they would have been charged had the Dominion Special Contract with Orwell not been terminated.

***Q39. HOW WAS THIS EXCESS AMOUNT CALCULATED?***

***A39.*** In response to OCC discovery, Orwell provided the natural gas delivered through the Dominion system for the current audit period, attached as OCC Attachment GS-14. The data provided by Orwell, shown on OCC Attachment GS-14 as “Orwell Dominion Supply” shows the gas volumes purchased and delivered to Orwell each month and the cost per Mcf Orwell paid for the gas.

The calculation of how much Orwell overpaid for gas delivered from Dominion, due to the loss of the Dominion Special Contract is shown on OCC Attachment GS-14 as the “Added Cost of Terminated Dominion Special Contract.” The actual Dominion transportation rate for each month of the audit period is calculated by dividing the total monthly Dominion transportation charge, listed on OCC Attachment GS-14 as “DEO Transport,” by the monthly volumes delivered to Orwell -- shown on the attachment as MCF After Shrink. The actual monthly Dominion transportation rate is then reduced by the average transportation rate of $0.92 per Mcf,[[53]](#footnote-53) which Orwell would have paid each month if the Special Contract with Dominion had not been unreasonably terminated.

The total monthly cost premium Orwell paid Dominion for transportation service after the loss of the Dominion Special Contract is shown on the last column of OCC Attachment GS-14. As OCC Attachment GS-14 shows, GCR customers paid a total of $205,016 more for gas transported through Dominion than they would have been charged had the Dominion Special Contract with Orwell not been terminated.

**IX. CONCLUSION**

***Q40. WHAT IS YOUR RECOMMENDATION?***

***A40.*** Based on the gas purchasing practices between Northeast and Orwell and their affiliates during the 2015 Audit period, as discussed in my testimony, I recommend the PUCO find that the local production gas costs for Northeast and Orwell during the 2015audit period were unreasonable and imprudent.

Therefore, I recommend that the intrastate gas supply from local gas producers provided by JDOG Marketing and GNR during the audit periods be re-priced. It should be re-priced based on the historic difference between the cost of interstate gas and the cost of local production gas prior to the insertion of JDOG Marketing in 2008 as the asset manager for both Northeast and Orwell. I recommend that the PUCO order corresponding refunds or reconciliations to customers of $671,696 for Northeast and $25,181 for Orwell.

In addition, I recommend that the PUCO terminate as unreasonable the 2008 gas transportation agreement between Orwell and Brainard with Orwell Trumbull Pipeline. I also recommend the PUCO should direct Orwell and Brainard to renegotiate a more reasonable agreement because the agreement was not entered into through an arm’s length negotiation and, consequently, had a detrimental impact on Orwell’s and Brainard’s residential customers’ GCR rates.

I also recommend that the PUCO require Orwell to pursue reinstalling the interconnections with Dominion that Orwell abandoned/dismantled after the gas transportation contract with OTP was executed. The PUCO should also order that shareholders bear the cost of the new interconnections inasmuch as their abandonment or dismantling was imprudent.

With regard to the issue of re-pricing the gas transported on OTP, I recommend the PUCO order Orwell to refund $1,653,652 to GCR customers for excessive charges for natural gas delivered through the OTP system during the audit period.

In addition, I recommend the PUCO order Orwell to refund $205,016 to GCR customers for excessive charges for natural gas transportation services on Dominion’s system. The refund is necessary due to the loss of a special gas transportation contract Orwell had with Dominion that was terminated by Dominion once Orwell signed the transportation contract with OTP.

Finally I recommend that the PUCO order a complete management Performance Audit (“M/P Audit”) as part of their next GCR review. I recommend that the PUCO retain an independent auditor to conduct the M/P Audit to ensure that the gas purchasing practices and policies of the Utilities result in fair, just, and reasonable gas rates to customers and promote minimum prices consistent with an adequate supply of gas. I recommend that the Utilities’ shareholders pay for the M/P Audit.

***Q41. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?***

***A41.*** Yes, however, I reserve the right to incorporate new information that may subsequently become available. I also reserve the right to supplement my testimony in response to positions taken by the PUCO Staff or the Utilities.

**CERTIFICATE OF SERVICE**

 I hereby certify that a copy of the *Direct Testimony of Gregory Slone, on behalf of the Office of the Ohio Consumers’ Counsel*, was served on the persons stated below via electronic service this 23rd day of July, 2015.

 */s/ Joseph P. Serio*

 Joseph P. Serio

 Assistant Consumers’ Counsel

**SERVICE LIST**

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1. Some of the contracts OCC received from the Staff in Case Nos. 10-209-GA-GCR and 10-212-GA-GCR contained markings or hand written notations that were made by the Staff or the Utilities My review of those contracts did not take any of those markings into consideration. [↑](#footnote-ref-1)
2. 2012 GCR, Staff Audit Report at 7-8 (February 28, 2013). [↑](#footnote-ref-2)
3. See April 14, 2005 Agreement between Orwell and Dominion, attached as OCC Attachment GS-9. [↑](#footnote-ref-3)
4. *In the Matter of the Regulation of the Purchased Gas Adjustment Clauses Contained Within the Rate Schedules of Northeast Ohio Natural Gas Corporation and Orwell Natural Gas Company*, Case Nos. 12-209-GA-GCR and 12-212-GA-GCR, Direct Testimony of Gregory Slone at 11-30 (July 1, 2013) (“2012 GCR”). [↑](#footnote-ref-4)
5. 2012 GCR, Direct Testimony of Gregory Slone at 11-30 (July 1, 2013). [↑](#footnote-ref-5)
6. 2012 GCR, Direct Testimony of Gregory Slone at 11-30 (July 1, 2013). [↑](#footnote-ref-6)
7. See OCC Attachment GS-2 (Exhibit “A” from Orwell/Northeast/Brainard Discovery Responses). [↑](#footnote-ref-7)
8. The Audit period for Brainard is January 1, 2013 through June 30, 2014. The Audit period for Orwell is July 1, 2012 through June 30, 2014. The Audit period for Northeast is March 1, 2012 through June 30, 2014. [↑](#footnote-ref-8)
9. 2012 GCR, Direct Testimony of Gregory Slone at 20-25 (July 1, 2013). [↑](#footnote-ref-9)
10. 2012 GCR, Opinion and Order at 35 (November 13, 2013). [↑](#footnote-ref-10)
11. 2012 GCR, Opinion and Order at 27 and 39 (November 13, 2013). [↑](#footnote-ref-11)
12. Id at 42. [↑](#footnote-ref-12)
13. Id. at 44-45. [↑](#footnote-ref-13)
14. Id at 62. [↑](#footnote-ref-14)
15. Staff Audit Report at 14 (January 27, 2015). [↑](#footnote-ref-15)
16. Staff Audit Report at 15 (January 27, 2015). [↑](#footnote-ref-16)
17. Staff Audit Report at 16, 29 and 31 (January 27, 2015). [↑](#footnote-ref-17)
18. Staff Audit Report at 15 (January 27, 2015). [↑](#footnote-ref-18)
19. 2012 GCR, Opinion and Order at 45. [↑](#footnote-ref-19)
20. *In the Matter of the Purchased Gas Adjustment Clause Contained Within the Rate Schedule of Northeast Natural Gas Corporation*, Case No. 10-209-GA-GCR, and *In the Matter of the Purchased Gas Adjustment Clause Contained Within the Rate Schedule of Orwell Natural Gas Company*, Case No. 10-212-GA-GCR, Testimony of Stephen G. Rigo at 1 (April 8, 2011); Tr. Vol. III at 400 (Rigo)(May 11, 2011). Tr. Vol. IV at 787-788 (Smith)(May 12, 2011). [↑](#footnote-ref-20)
21. 2014 Staff Audit Report at 8 (January 27, 2015). [↑](#footnote-ref-21)
22. 2012 Staff Audit Report at 8 (February 28, 2013). [↑](#footnote-ref-22)
23. 2014 Staff Audit Report at 6 (January 27, 2015). [↑](#footnote-ref-23)
24. See, July 1, 2008 Natural Gas Transportation Service Agreement attached as OCC Attachment GS-5 at 9. [↑](#footnote-ref-24)
25. 2012 GCR, Direct Testimony of Stephen G. Rigo at 1 (April 8, 2011); Tr. Vol. III at 400 (Rigo)(May 11, 2011). Tr. Vol. IV at 787-788 (Smith)(May 12, 2011). [↑](#footnote-ref-25)
26. Both Mcf and Dth are simply units of measure used to determine the amount of natural gas transported or consumed. Mcf if measured in cubic feet and Dth is measured in therms or btus. Typically, one Dth equally approximately 970 cubic feet of natural gas. One Mcf equals 1,000 cubic feet of natural gas. [↑](#footnote-ref-26)
27. See, July 1, 2008 Natural Gas Transportation Service Agreement between Orwell and OTP at 5, attached as OCC Attachment GS-5. [↑](#footnote-ref-27)
28. See, January 24, 2008 Transportation Service Agreement between Orwell and Cobra at 1, attached as OCC Attachment GS-6. [↑](#footnote-ref-28)
29. See February 28, 2014 Transportation Service Agreement between Orwell and Spelman at 2, attached as OCC Attachment GS-7. [↑](#footnote-ref-29)
30. See August 23, 2004 Transportation Service Agreement between Orwell and North Coast at 16, attached as OCC Attachment GS-8. [↑](#footnote-ref-30)
31. Both Mcf and Dth are simply units of measure used to determine the amount of natural gas transported or consumed. Mcf if measured in cubic feet and Dth is measured in therms or btus. Typically, one Dth equally approximately 970 cubic feet of natural gas. One Mcf equals 1,000 cubic feet of natural gas. [↑](#footnote-ref-31)
32. See, July 1, 2008 Natural Gas Transportation Service Agreement between Orwell and OTP at 11, attached as OCC Attachment GS-5. [↑](#footnote-ref-32)
33. Id. at 5. [↑](#footnote-ref-33)
34. Id. at 4. [↑](#footnote-ref-34)
35. See July 1, 2008 Natural Gas Transportation Service Agreement between Orwell and OTP at 4, attached as OCC Attachment GS-5. [↑](#footnote-ref-35)
36. *Orwell Natural Gas Company, Complainant, vs. Orwell-Trumbull Pipeline Company, LLC, Respondent,* Case No. 15-637-GA-CSS, Complaint at 3 (March 31, 2015). [↑](#footnote-ref-36)
37. Id. [↑](#footnote-ref-37)
38. *In the Matter of the Investigation Into the Gas Purchasing Practices and Policies of Columbia Gas of Ohio, Inc.,* Case No. 83-135-GA-COI, and *In the Matter of the Regulation of the Purchased Gas Adjustment Clause Contained Within the Rate Schedules of Columbia Gas of Ohio, Inc. and Related Matters*, Case No. 84-6-GA-GCR, Opinion and Order at 20 (October 8, 1985). [↑](#footnote-ref-38)
39. Id at 20, 22, 25. [↑](#footnote-ref-39)
40. *In the Matter of the Investigation Into the Gas Purchasing Practices and Policies of Columbia Gas of Ohio, Inc.,* Case No. 83-135-GA-COI, and *In the Matter of the Regulation of the Purchased Gas Adjustment Clause Contained Within the Rate Schedules of Columbia Gas of Ohio, Inc. and Related Matters*, Case No. 84-6-GA-GCR, Opinion and Order at 20 (October 8, 1985). [↑](#footnote-ref-40)
41. Id. at 20. [↑](#footnote-ref-41)
42. See April 14, 2005 Agreement between Orwell and Dominion, attached as OCC Attachment GS-9. [↑](#footnote-ref-42)
43. Orwell and OTP Annual Reports to the PUCO. [↑](#footnote-ref-43)
44. See July 1, 2008 Natural Gas Transportation Service Agreement between Orwell and OTP at 4-5, attached as OCC Attachment GS-5. [↑](#footnote-ref-44)
45. See, April 14, 2005 Agreement between Orwell and Dominion at 1, 7-9, attached as OCC Attachment GS-9. [↑](#footnote-ref-45)
46. See, July 1, 2008 Natural Gas Transportation Service Agreement between Orwell and OTP at 4, attached as OCC Attachment GS-5. [↑](#footnote-ref-46)
47. July 28, 2009 Transportation Service Agreement between Orwell-Trumbull Pipeline and Newbury Local Schools at 4, attached as OCC Attachment GS-10. [↑](#footnote-ref-47)
48. July 28, 2009 Transportation Service Agreement between Orwell-Trumbull Pipeline and Newbury Local Schools at 4, attached as OCC Attachment GS-10. [↑](#footnote-ref-48)
49. *In the Matter of the Complaint of Orwell Natural Gas Company, Complainant, v. Orwell-Trumbull pipeline Company, LLC, Respondent*, Case No. 14-1654-GA-CSS, See OCC Attachment GS-11, August 12, 2012 OTP Invoice to Orwell Natural Gas. [↑](#footnote-ref-49)
50. 2014 GCR, Deposition of Martin Whelan at 52-53 (May 8, 2015), attached as OCC Attachment GS-15. [↑](#footnote-ref-50)
51. 2014 GCR, Deposition of Martin Whelan at 53 (May 8, 2015), attached as OCC Attachment GS-15. [↑](#footnote-ref-51)
52. 2014 GCR, Deposition of Martin Whelan at 52-53 (May 8, 2015), attached as OCC Attachment GS-15. [↑](#footnote-ref-52)
53. See, April 14, 2005 Agreement between Orwell and Dominion at 9, attached as OCC Attachment GS-9. [↑](#footnote-ref-53)