



Vorys, Sater, Seymour and Pease LLP

Legal Counsel

52 East Gay St.
PO Box 1008
Columbus, OH 43216-1008
614.464.6400

www.vorys.com

Founded 1909

Stephen M. Howard
Direct Dial (614) 464-5401
Facsimile (614) 719-4772
E-Mail - smhoward@vsssp.com

Attached Direct Testimony
is not in electronic format.

October 23, 2007

Filing 2

Ms. René Jenkins
Secretary, Public Utilities Commission of Ohio
180 East Broad Street, 13th Floor
Columbus, Ohio 43215-3793

Re: Case No. 07-478-GA-UNC
Utility Service Partners
Testimony of Carter T. Funk

Dear Ms. Jenkins:

Please find attached an electronic copy of the Testimony of Carter T. Funk on behalf of Utility Service Partners, Inc. in the above entitled matter.

Sincerely yours,

/s/

Stephen M. Howard

Attorneys for Utility Service Partners, Inc.

SMH/jab

Enclosures

cc: All parties of record - with enclosures

WASHINGTON

1828 L St. NW
Eleventh Floor
Washington, DC 20036-5109

202.467.8800

10/23/2007 10267092

CLEVELAND

1375 East Ninth St.
2100 One Cleveland Center
Cleveland, OH 44114-1724

216.479.6100

CINCINNATI

221 East Fourth St.
Suite 2000, Atrium Two
PO Box 0236
Cincinnati, OH 45201-0236

513.723.4000

ALEXANDRIA

277 South Washington St.
Suite 310
Alexandria, VA 22314

703.837.6999

AKRON

106 South Main St.
Suite 1100
Akron, OH 44308

330.208.1000

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

**In the Matter of the Application of)
Columbia Gas of Ohio, Inc. for Approval)
of Tariffs to Recover Through An)
Automatic Adjustment Clause Costs)
Associated with the Establishment of an)
Infrastructure Replacement Program)
and for Approval of Certain Accounting)
Treatment)**

Case No. 07-478-GA-UNC

**TESTIMONY OF CARTER T. FUNK ON BEHALF
OF UTILITY SERVICE PARTNERS, INC.**

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

2 A.1. My name is Carter T. Funk and I reside at 503 Turnberry Lane, St. Augustine,
3 Florida, 32080.

4 **Q.2. Please describe your current position, your business and your educational**
5 **background.**

6 A.2. I am currently President of CKF Enterprises, Inc. an energy consulting firm based
7 in North Canton, Ohio. I founded CKF Enterprises in February 2000. Prior to my
8 work at CKF Enterprises, I held many executive level positions at Consolidated
9 Natural Gas Company ("CNG") including serving as Vice President and General
10 Manager of West Ohio Gas Company, a subsidiary of CNG from 1989 to 1993. I
11 have held many positions in the natural gas industry, including positions in
12 engineering, corporate planning, operations and planning. I graduated from Case
13 Western Reserve University in 1972 with a Bachelor of Science degree in
14 Mechanical Engineering, received a Masters in Business Administration from the
15 West Virginia College of Graduate Studies in 1981 and was a Licensed

Professional Engineer in Ohio for many years. Attached as Exhibit USP-1 is a copy of my current curriculum vitae.

Q.3. What is the purpose of your testimony?

A.3. I am filing testimony to express and support Utility Service Partners, Inc.'s ("USP") objections to Columbia Gas of Ohio, Inc.'s ("Columbia") request in Case No. 07-478-GA-UNC, to assume responsibility for the maintenance, repair and replacement of customer-owned service lines and to own both new and replaced service lines.

Q.4. Are you familiar with natural gas customer service lines?

A.4. Yes, I am very familiar with natural gas customer service lines given my years of experience in the natural gas industry. For example, I have experience designing, installing and repairing customer service lines as a field engineer and project engineer. I also have experience in regulatory compliance regarding the inspection of customer service lines by utilities.

Q.5. What is a customer service line?

A.5. A customer service line is the pipe that connects the distribution line to the riser which then connects to the gas meter and internal piping for a residence or commercial property. Prior to the 1970's, customer service lines consisted primarily of small diameter steel lines. After 49 CFR Part 192 was amended to accept plastic pipe and companies tested and approved plastic pipe for installation, more companies began installing plastic customer service lines. Currently residential customer service lines typically are plastic lines.

Q.6. Where do customer service lines generally leak?

1 A.6. Customer service line leaks generally occur in metal pipelines that have been
2 underground for several decades. In my experience, leaks are generally caused by
3 corrosion and metal fatigue. Plastic lines also leak, but leaks generally occur
4 immediately after installation due to improper installation or due to damage from
5 digging. On metal customer service lines, leaks are generally located by periodic
6 leak surveys required under DOT regulations or are occasionally located by
7 customers reporting a smell of gas.

8 **Q.7. Are customer service line leaks a new problem?**

9 A.7 No. Customer service line leaks have always occurred in the natural gas industry
10 and the current system for finding and fixing service line leaks has worked
11 successfully for decades. Under this system, the property owner owns the
12 customer service line and is responsible for repairs. As most leaks occur in metal
13 customer service lines that have been underground for decades, property owners
14 with older customer service lines can purchase service warranties to avoid the
15 financial responsibility for repairs. Property owners with newer customer service
16 lines can choose not to purchase service warranties given the low risk of leaks.
17 These aspects of the current system allows customers to choose when and how to
18 avoid the financial risk of service line leaks, and this system has been successful
19 for decades in Ohio.

20 **Q.8. What are the safety issues associated with a customer service line that is**
21 **leaking or that has been damaged by digging?**

22 A.8. The degree of danger varies by the incident. For example, a customer service line
23 with a leak caused by corrosion will typically start very small and increase over

1 time until it is detected. A customer service line that is damaged by digging can
2 result in substantial quantities of gas escaping and may pose an immediate danger
3 to the person digging into the pipe as well as others nearby until the gas flow is
4 stopped. In my experience, the bulk of customer service line leaks are caused by
5 corrosion.

6 **Q.9. How is a leaking or damaged customer service line made safe?**

7 A.9. In most cases, the LDC will simply turn the gas off using a valve at the
8 distribution line by the curb. At that time the LDC will inform the customer of
9 the problem and provide them with the information concerning the process for
10 them to get the line repaired and service restored. Then, after the repair or
11 replacement of the customer service line is complete, the LDC must inspect and
12 test the new line prior to restoring service.

13 **Q.10. Will customer service line safety be improved under Columbia's proposal to**
14 **assume responsibility for the maintenance, repair and replacement of**
15 **customer-owned service lines and to own both new and replaced service**
16 **lines?**

17 A.10. No. Under Columbia's proposal, the LDC will still have the responsibility to
18 make leaking and damaged customer service lines safe. If anything, Columbia's
19 proposal would reduce safety because Columbia would be inspecting its own
20 work prior to restoring service, eliminating the independent oversight which
21 exists today.

22 **Q.11. Will Columbia's proposed Infrastructure Replacement Program ("IRP")**
23 **promote safety through the maintenance, repair and/or replacement of all**

1 **leaking customer-owned service lines identified during the survey proposed**
2 **in Columbia's application?**

3 A.11. No. Columbia is currently required to inspect all customer service lines in its
4 service area every three years which is the same amount of time that Columbia
5 has proposed to complete repairs and replacements of the risers. Columbia's
6 proposed IRP will not hasten the repair or replacement of leaking customer
7 service lines. Also, safety is not promoted by simply substituting a Columbia
8 contractor for a USP contractor to fix a damaged or leaking customer service line
9 as proposed by Columbia in its application. In either case, both Columbia and
10 USP would be required to use DOT-certified contractors and the customer service
11 line would be inspected by the LDC prior to gas service being restored. In fact, a
12 valuable check and balance is eliminated because the same party responsible for
13 the repair would then be doing the inspection under the Columbia proposal.
14 Columbia's proposed IRP does not promote safety in regards to the customer
15 service lines.

16 **Q.12. Does this conclude your testimony?**

17 A.12. Yes, it does.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Testimony of Carter T. Funk was served upon the following persons by electronic mail and by first class U.S. mail, postage prepaid this 23rd day of October, 2007:

/s/

Stephen M. Howard

Stephen Seiple
Daniel Creekmur
Columbia Gas of Ohio, Inc.
200 Civic Center Drive
P. O. Box 117
Columbus, OH 43216-0117
sseiple@nisource.com
dcreekmur@nisource.com

Joseph P. Serio
Associate Consumers' Counsel
10 W. Broad St., Suite 1800
Columbus, OH 43215
serio@occ.state.oh.us

David C. Rinebolt
Ohio Partners for Affordable Energy
231 West Lima St., P.O. Box 1793
Findlay, OH 45839-1793
drinebolt@aol.com

Duane L. Luckey
Assistant Attorney General
Chief, Public Utilities Section
180 E. Broad St., 9th Floor
Columbus, OH 43215-3793
duane.luckey@puc.state.oh.us

Vincent A. Parisi
5020 Bradenton Avenue
Dublin, OH 43017
vparisi@igsenergy.com

Joseph M. Clark
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215
jclark@mwncmh.com

Carl A. Aveni, II
Joseph M. Patchen
Carlile, Patchen & Murphy LLP
366 E. Broad St.
Columbus, OH 43215
caa@cpmlaw.com
jmp@cpmlaw.com

John W. Bentine
Chester, Wilcox & Saxbe, LLP
65 E. State Street, Suite 1000
Columbus, OH 43215
jbentine@cwslaw.com

CARTER T. FUNK

PRINCIPAL

503 Turnberry Lane
St. Augustine, FL 32080

Work (904) 471-2755 Cell (904) 669-7964

e-mail: carterfunk@comcast.net

PROFESSIONAL BACKGROUND & ACCOMPLISHMENTS

CKF ENTERPRISES, Inc.
North Canton, Ohio

2000 to Present

President, CKF Enterprises

- Consulting for a variety of clients including major electric utilities, major oil producers and independent energy marketing companies on unregulated marketing strategy, new market entry planning and the acquisition or divestiture of business units.

BELDEN AND BLAKE CORPORATION
North Canton, Ohio

1999 to 2000

President, Belden Energy Services

- Led the marketing effort of a major Appalachian producer. Developed more efficient market channels and increased customer base and margins by over 30% in less than one year. Sold the division in less than 2 months at a 50% premium to internal valuation.

CONSOLIDATED NATURAL GAS COMPANY (CNG)
Pittsburgh, Pa.

1995 to 1999

Vice President, Business and Operations Services

- Led the due diligence team that closed on the \$100 million acquisition of interests in 2 gas and 2 electric distribution companies in Argentina. Served on the Board of Directors of the acquired distribution companies.
- Participated on Putnam Hayes & Bartlett consulting team to develop market clearing logic and regulations for the state of Victoria in preparation for privatization of government owned energy assets.
- Led task forces that resulted in the transfer of producing properties from regulated affiliates to the unregulated CNG Producing Company and the Systemwide use of a common supply planning and operations model.

CNG ENERGY SERVICES CORPORATION (ESC)
Pittsburgh, Pa.

1994 to 1995

Vice President, Asset Acquisition and Resource Development

- While directing the New Business Development, Operations and Strategic Planning for ESC, refocused the Cogeneration unit into a broad based Asset Development team resulting in partnership with Centana to complete \$200 million of off-shore oil and gas gathering lines with an ROE well in excess of 20%.
- Directed the development of ESC's power marketing effort and the Energy Alliance (with Hydro Quebec) and served on the partnership's Board of Directors.
- Developed a portfolio of strategic assets to position ESC to capture market and arbitrage opportunities including many fuel/capacity management contracts and a seasonal service contract on TransCanada that yielded net revenue of \$2 million in the first year and \$5 million the second.

Carter T. Funk

CNG GAS SERVICES CORPORATION (GSC)

1993 to 1994

Pittsburgh, Pa.

Vice President and General Manager

- Started and managed CNG Gas Services, CNG's unregulated energy marketing company, operating profitably from the first year and achieving over 1Bcf/day of gas sales in only two years while becoming the 4th largest independent power marketer.
- Built and managed a contractual portfolio of pipeline and storage assets to position CNG to profit from "open access" gas transportation by offering cost competitive, firm and winter peak services.
- Introduced futures trading as a tool to manage risks inherent in unregulated marketing.
- Among the first in the nation to identify the convergence of energy markets and the need for CNG to start power marketing.
- Conceived and initiated CNG's alliance with HydroQuebec and Soquip resulting in CNG becoming 4th largest independent power marketer in the USA in its first year.
- Participated in the formation of numerous other alliances and partnerships.

WEST OHIO GAS COMPANY (a subsidiary of CNG)

1989 to 1993

Lima, Ohio

Vice President and General Manager

- Managed West Ohio Gas, a gas distribution company with 65,000 customers and 150 employees, achieving returns on equity in excess of 20% in each of 4 years.
- Successfully initiated a Quality process with measurable improvement in corporate culture and union relations.
- Innovative in portfolio design and creation of customer oriented products and services including an agency program that generated over \$1 million in incremental annual revenues and improved satisfaction and profitability among the industrial customer group.
- Negotiated an excess profit case brought by the Ohio Consumer's Council resulting in the ability to maintain 20% earnings. Active in the development of regulatory strategy for CNG's Ohio Companies.
- Aggressively grew the company through economic development and regional expansion that included landing the Kobe steel plant in our territory.
- Selected by my peers in the community to many leadership positions in civic organizations.

CNG SERVICE COMPANY

1987 to 1989

Pittsburgh, Pa.

Assistant Vice President, System Gas Operations

- Directed the coordinated operations and supply planning for all CNG Companies.
- Coordinated the development of CNG's strategies in response to FERC Order 436 (Open Access) and negotiated CNG's position with upstream pipelines.
- Participated in CNG's successful project proposals in the Northeast open season. Designed the facility operating plans to assure full service and reliability to new customers.
- Developed and implemented systems and procedures to manage CNG's transition to open access transportation.
- Developed FERC testimony to support CNG's supply activity and avoided any exposure to direct Take-or-Pay charges.
- Advised Board of Directors and Senior Corporate management on regulatory policy, supply and operations matters and operational aspects of merger and acquisition opportunities.

Carter T. Funk

CNG TRANSMISSION COMPANY

1972 to 1987

Clarksburg, W.Va.

Director, Planning, Budgets and Information Services

1985 to 1987

- Directed the Planning, Budgeting, Communications and Computer Services functions (approx. 200 employees). Installed a concept of service orientation toward internal customers.

General Manager, Operations Staff Services

1984 to 1985

- Directed the Gas Measurement, Purchasing, Communications and Environmental functions (approx. 200 employees) and lead the development of two major computer projects; Gas Measurement and Inventory and Material Control - Each on time and within their \$5 million budgets.

Manager, Corporate Planning

1980 to 1984

- Coordinated development of Transmission goals and reported results to CNG Corporate.
- Developed strategic and economic justification for all major capital budget projects including the creation of two new CNG subsidiaries. (Cogen and Appalachian E&P) and numerous acquisition studies.

Division Engineer, Hope Natural Gas Co.

1978 to 1980

- Supervised Engineering staff of 100 employees including meter shop, corrosion control, drafting, engineers and technicians in the West Virginia distribution subsidiary of CNG.
- Managed meter change out and testing programs, all facility design and construction, DOT, OSHA and environmental compliance, capital budget development and justification and W.Va. PUC justification of programs and policies.
- Participated on AGA committees and CNG new products and materials development committees.

Division Engineer, Division II (Charleston, W.Va.)

1975 to 1978

- Supervised 20 employees in drafting, surveying, corrosion control and technical services with responsibility for all construction and regulatory code compliance programs in production and gathering division.

Engineer II, Division IV (Leidy/Sabinsville, Pa.)

1972 to 1975

- Supervised facility construction projects and designed programs to comply with safety codes and environmental regulations in high pressure storage and wholesale sales oriented division.

Engineer I, Transmission Services (Clarksburg, W.Va.)

1972

- Staff technical services. Introduced new technology in all aspects of field operations.

Summer Scholarship Student (Various Locations)

1968 to 1971

- Various engineering and construction related jobs with increasing responsibility each summer.

EDUCATION

West Virginia College of Graduate Studies (formerly WVU)

1976 to 1981

MBA

Case Western Reserve University - Cleveland, Ohio

1968 to 1972

BSME Mechanical Engineer

Licensed Professional Engineer

This foregoing document was electronically filed with the Public Utilities

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in

Case No(s). 07-0478-GA-UNC

Summary: Testimony Utility Service Partners Testimony o Carter T. Funk electronically filed by Stephen M Howard on behalf of Utility Service Partners, Inc.