

1 BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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3 In the Matter of the :
4 Application of The East :
5 Ohio Gas Company d/b/a :
6 Dominion East Ohio for :
7 Authority to Increase :
8 Rates for its Gas :
9 Distribution Service, :
10 Approval of an Alternative:
11 Rate Plan for its Gas :
12 Distribution Service, :
13 Approval to Change :
14 Accounting Methods, :
15 Approval of Tariffs to : Case Nos. 07-829-GA-AIR
16 Recover Certain Costs : 07-830-GA-ALT
17 Associated with a Pipeline: 07-831-GA-AAM
18 Infrastructure Replacement: 08-169-GA-ALT
19 Program Through an : 06-1453-GA-UNC
20 Automatic Adjustment :
21 Clause, and for Certain :
22 Accounting Treatment, and :
23 Approval of Tariffs to :
24 Recover Certain Costs :
25 Associated with Automated :
26 Meter Reading Deployment :
27 Through an Automatic :
28 Adjustment Clause, and for:
29 Certain Accounting :
30 Treatment. :

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32 VOLUME V - PROCEEDINGS

33
34 before Ms. Christine M.T. Pirik and Mr. Scott Farkas,
35
36 Hearing Examiners, at the Public Utilities Commission
37
38 of Ohio, 180 East Broad Street, Room 11-C, Columbus,

20

Ohio, called at 10:00 a.m. on Tuesday, August 26,

21

2008.

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- - -

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8 OCC EXHIBITS IDFD ADMTD

9 18B - Prefiled Direct Testimony and -- 9
Confidential Attachment of

10 Trevor R. Roycroft, PhD - Redacted

11 21 - Direct Testimony of 11 39
Frank W. Radigan

12

13 COMMISSION-ORDERED EXHIBIT IDFD ADMTD

14 1 - Blue Ridge report 11 11

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1 Wednesday Morning Session,

2 August 26, 2008.

3 - - -

4 EXAMINER PIRIK: Go on the record. I

5 think we have several confidential things that we

6 need to discuss. Mr. Campbell.

7 MR. CAMPBELL: Thank you, your Honor.

8 I believe there's two outstanding issues

9 relating to the Trevor Roycroft testimony from OCC

10 and there's also the Blue Ridge report. I'm going to

11 start with the Roycroft exhibit.

12 First, we had filed proposed redactions

13 of Attachment TRR-8 to the Roycroft testimony and the

14 examiners also raised the issue of the redaction in

15 the table of contents to that testimony, and we

16 examined it and we are not asserting confidentiality

17 of the redacted part of the table of contents, so

18 that can be filed openly in the record. And I

19 believe we're just waiting, there's a ruling coming

20 from the Bench on our proposed redactions.

21 EXAMINER PIRIK: Once we finalize

22 whatever the redactions are or are not then,

23 Mr. Sauer, would you be prepared to file the updated

24 maybe not today, but as a late-filed exhibit? We're

1 going to need to receive an updated table of contents
2 page because that will not be considered
3 confidential, as well as an updated TRR-8 will need
4 to be filed.

5 We did review the proposed redactions
6 from TRR-8. The problem, I believe, is that the
7 lettering is so small that there are a couple of
8 pages, for example, and I think it has to do with the
9 highlighting of the boxes, that what occurred was
10 that, for example on page 8 as they were numbered the
11 other day, when you look at the redacted version, I
12 don't believe you're asking for confidentiality of
13 that number, but on the copy it shows up blank. It
14 shows up as a black box.

15 Is there a way to get the copies so that
16 that does not occur? Can you take -- because the
17 original TRR-8 that's not a problem with.

18 MR. CAMPBELL: What I think we -- to
19 solve that problem I think we would need to get the

- 20 native file from OCC because I think just, I don't
- 21 know that we can do anything about it by copying off
- 22 what's been given to us so far. So we can resolve
- 23 that.
- 24 EXAMINER PIRIK: If you can work with OCC

8

1 to make sure that those shaded boxes, that you can
2 read the numbers in those shaded boxes, I believe
3 everything else that you have redacted is appropriate
4 according to our ruling, so I think you're ready to
5 go ahead and work with OCC and actually file those
6 documents and then make the numbers in those boxes so
7 that we can actually read them.

8 MR. CAMPBELL: I understand. I apologize
9 for that.

10 EXAMINER PIRIK: No; that's fine. I
11 think we're all of the same mind on that, then, I
12 think your redactions are appropriate, the table of
13 contents is in the open, you will fix the shaded
14 boxes so that we can read them.

15 And then, OCC, I will -- do you want to
16 move admission of that document as far as the
17 redacted version that will be filed as a late-filed
18 exhibit?

19 MR. SAUER: We can do that, your Honor.

20 MR. KUTIK: Your Honor, I think we

21 already had agreed to that when Dr. Roycroft was

22 here.

23 EXAMINER PIRIK: We didn't admit it into

24 the record, though, because we hadn't seen it.

1 MR. SAUER: That's correct.

2 EXAMINER PIRIK: So I was asking

3 Mr. Sauer to renew his motion.

4 So you're renewing your motion.

5 MR. SAUER: Yes, ma'am.

6 EXAMINER PIRIK: Great. So when that is

7 complete, if you could file that, I believe we'll be

8 going on the record again later this week and you can

9 bring it at that time and provide it to the court

10 reporter.

11 MR. SAUER: We will do that. Thank you,

12 your Honor.

13 EXAMINER PIRIK: So, yes, OCC Exhibit 18B

14 is the redacted version of the Roycroft testimony and

15 TRR-8, we'll admit that into the record subject to

16 provision to the court reporter.

17 (EXHIBIT ADMITTED INTO EVIDENCE.)

18 EXAMINER PIRIK: Mr. Campbell.

19 MR. CAMPBELL: Thank you, your Honor. I

20 believe that just leaves the Blue Ridge report, and
21 we have reviewed the Blue Ridge report and there were
22 a number of places in the report where redactions
23 were made, we've reviewed them, none of those need to
24 be kept out of the record. They're all -- the report

10

1 can be filed as is without redactions.

2 EXAMINER PIRIK: So will that be
3 submitted on the record? I don't believe it's been
4 marked as an exhibit.

5 MS. HAMMERSTEIN: No; I was waiting to
6 find out what the company wanted to do in terms of
7 redactions. I'm just going to move it into the
8 record as Commission-Ordered Exhibit 1.

9 EXAMINER PIRIK: I'm sorry,
10 Ms. Hammerstein, I can't hear you.

11 MS. HAMMERSTEIN: I want to move it into
12 the record as Commission-Ordered Exhibit 1.

13 EXAMINER PIRIK: Are you going to provide
14 copies at a later time?

15 MS. HAMMERSTEIN: I have a copy for the
16 court reporter.

17 EXAMINER PIRIK: Are there any objections
18 to the admission of Commission-Ordered Exhibit 1
19 which is the Blue Ridge report which is not being

20 requested confidentiality of any portion of it by the

21 company? Any objections?

22 MR. SAUER: No objection.

23 MR. CAMPBELL: No objections.

24 EXAMINER PIRIK: The document shall be

11

1 admitted onto the record.

2 (EXHIBIT MARKED FOR IDENTIFICATION AND
3 ADMITTED INTO EVIDENCE.)

4 EXAMINER PIRIK: Are there any other
5 procedural items before we go forward with the next
6 witness?

7 If not, Mr. Sauer.

8 MR. SAUER: The OCC would call Frank
9 Radigan. We would like his direct testimony marked
10 as OCC Exhibit 21.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 EXAMINER PIRIK: Mr. Radigan, will you
13 please raise your right hand.

14 (Witness sworn.)

15 EXAMINER PIRIK: Thank you.

16 - - -

17 FRANK W. RADIGAN

18 being first duly sworn, as prescribed by law, was
19 examined and testified as follows:

20 DIRECT EXAMINATION

21 By Mr. Sauer:

22 Q. Please state your full name and business

23 address for the record, please.

24 A. My name is Frank W. Radigan. My business

12

1 address is 237 Schoolhouse Road, Albany, New York

2 12203.

3 Q. Are you the Frank W. Radigan whose direct

4 testimony has been marked as OCC Exhibit 21?

5 A. Yes.

6 Q. On whose behalf do you appear today?

7 A. Office of Consumers' Counsel.

8 Q. And do you have your prepared testimony

9 with you on the stand?

10 A. I do.

11 Q. Did you prepare the testimony or have it

12 prepared under your supervision?

13 A. I did.

14 Q. Do you have any changes or corrections to

15 the testimony?

16 A. Yes, I have one correction at page 8,

17 line 12. A word was omitted. The sentence begins at

18 line 11, it states "The fact that the majority of

19 DEO's residential customers subscribe to budget

20 billing." What was meant to be said was "the
21 majority of DEO's residential customers don't
22 subscribe to budget billing."

23 Q. And if I asked --

24 A. That's the only correction.

13

1 Q. That's the only correction. Thank you,
2 sir. And if I asked you today the same questions
3 found in your direct testimony other than the
4 exception that you noted just now for the record,
5 would your answers be the same?

6 A. They would.

7 MR. SAUER: The OCC moves for the
8 admission of OCC Exhibit 21 and tenders the witness
9 for cross-examination.

10 EXAMINER PIRIK: Ms. Hammerstein, do you
11 have any questions for the witness?

12 MS. HAMMERSTEIN: I guess I was thinking
13 the company would go first.

14 EXAMINER PIRIK: That's fine. You can go
15 first if you're prepared to go.

16 I also need you to use a microphone while
17 you ask questions. You and Mr. Sauer have very soft
18 voices and the fans are very loud in here today.

19 THE WITNESS: And I'm deaf in one ear.

20 EXAMINER PIRIK: Yes, you definitely need

21 to hear, and the court reporter.

22 On behalf of the company, Mr. Kutik.

23 MR. KUTIK: Your Honor, at this time we

24 have a motion to strike. We would move to strike the

14

1 testimony the text appearing on page 18 lines 1
2 through 6 and the footnote, footnote 21, that goes
3 with that text on the grounds that the material
4 discussed there is hearsay.

5 EXAMINER PIRIK: Is that your only
6 request? Do you have further --

7 MR. KUTIK: That's it.

8 EXAMINER PIRIK: That's it?

9 MS. HAMMERSTEIN: Staff would join that
10 motion, your Honor.

11 MR. SAUER: The witness in his testimony
12 has just described a situation involving Atlantic Gas
13 Light that had put straight fixed variable into the
14 record or into their billing system and cited the --
15 cited in the footnote where that information had come
16 from.

17 MR. KUTIK: That's the very point. The
18 material relied upon, for example, the article from
19 Pipeline & Gas Journal, the quotation I think is

20 triple hearsay. With respect to the study cited by
21 NRRI, that's obviously hearsay. It's statements made
22 by an out-of-court declarant for the purpose of the
23 truth of that statement, that's the classic
24 definition of hearsay.

15

1 EXAMINER PIRIK: Thank you. The motion
2 to strike will be granted.

3 MR. KUTIK: I'm sorry, your Honor, is it
4 granted?

5 EXAMINER PIRIK: Granted.

6 - - -

7 CROSS-EXAMINATION

8 By Mr. Kutik:

9 Q. Mr. Radigan, you've never worked for a
10 large investor-owned utility, correct?

11 A. That's correct.

12 Q. And prior to this case you've testified
13 only twice about decoupling issues, correct?

14 A. Decoupling specifically, yes.

15 Q. Okay. And with respect to straight fixed
16 variable, you've only testified in one case, correct?

17 In Arizona, the Southwest Gas case.

18 A. Yes, but there's nothing special about
19 straight fixed variable, it's just a rate --

20 Q. You only testified once before about

21 straight fixed variable, correct?

22 A. As I explained.

23 Q. Okay. Now, in terms of your, quote,

24 "study," end quote, of decoupling and straight fixed

16

1 variable issues, isn't it true that you don't know,
2 for example, whether the FERC has adopted SFV rates
3 for interstate pipelines?

4 A. I don't know if they have adopted that, I
5 would have to look at that.

6 Q. Now I'd like to talk with you a little
7 bit about customer attitudes and behavior vis-a-vis
8 decoupling and straight fixed variable. You
9 testified a little about that, correct?

10 A. Yes.

11 Q. You haven't seen any surveys or customer
12 attitudes on decoupling, correct?

13 A. No.

14 Q. What I said was correct.

15 A. That's correct, no, I haven't seen any.

16 Q. Okay. And you're not aware of any
17 surveys of Ohio customers regarding attitudes on
18 decoupling, correct?

19 A. Correct.

- 20 Q. And you've seen no studies of DEO
- 21 customers on why they do or don't participate in
- 22 budget billing, correct?
- 23 A. That's correct.
- 24 Q. And you're not aware of any studies or

17

1 surveys about how customers respond to changes in

2 fixed charges, correct?

3 A. As opposed to?

4 Q. How they respond to changes in fixed

5 charges, you don't know how they do that, correct?

6 You've seen no studies or surveys on that subject,

7 correct?

8 A. On that subject specifically you're

9 asking.

10 Q. Yes.

11 A. Yes.

12 Q. You've seen no studies.

13 A. Correct.

14 Q. Okay. Now, you've had experience in

15 dealing with customers as part of work that you've

16 done for municipal utilities and when you were on the

17 staff of the New York Public Service Commission,

18 correct?

19 A. Correct.

20 Q. And in that -- as part of that experience
21 one of the things that you saw or you see is that
22 customers don't want to see surcharges because they
23 think that something devious is going on, correct?

24 A. That's correct.

18

1 Q. Now, you support the rate design as
2 proposed by the company in its application, correct?

3 A. Correct.

4 Q. Including the sales reconciliation rider,
5 correct?

6 A. Correct.

7 Q. And that sales reconciliation rider is a
8 surcharge; is it not?

9 A. That's correct, but in the --

10 Q. Now --

11 A. May I finish my answer?

12 Q. -- decoupling --

13 EXAMINER PIRIK: Mr. Kutik.

14 MR. KUTIK: Yes.

15 EXAMINER PIRIK: I will allow the witness
16 to continue.

17 Q. I'm sorry. Go ahead.

18 A. Yes, it's a surcharge, but you have to
19 compare that to what is the other option. The other

20 option is a straight fixed variable.

21 Q. My question, sir, is "Is it a surcharge?"

22 The answer is "Yes," correct?

23 A. Correct.

24 Q. Thank you.

19

1 Now, I want to talk to you a little bit
2 about customer understanding, okay? Would you agree
3 with me that decoupling is more difficult to explain
4 to customers?

5 A. As opposed to?

6 Q. SFV.

7 A. No.

8 Q. Okay. Do you have your deposition before
9 you, sir?

10 A. Yes.

11 Q. You have it with you?

12 A. Oh, no, I do not.

13 MR. KUTIK: May I approach the witness,
14 your Honor?

15 EXAMINER PIRIK: Yes.

16 Q. Would you agree with me, sir, that
17 decoupling is harder to explain to customers?

18 A. They're both difficult to explain.

19 Q. Would you agree with me that decoupling

20 is harder to explain to customers?

21 A. They're both -- it's very hard for your

22 average Joe on the street to understand utility rate

23 design and regulation. I think they're both

24 difficult to explain; decoupling may be slightly more

1 difficult.

2 Q. Okay. Let me refer you to your

3 deposition, sir, page 89.

4 A. Okay.

5 Q. Are you there, sir?

6 A. I am.

7 Q. Line 13, do you remember this question

8 and this answer: "Do you agree with me that

9 decoupling is harder to explain to customers?

10 "Answer: Yes."

11 Do you remember that, sir?

12 A. Yes.

13 Q. Thank you.

14 A. Excuse me.

15 Q. Isn't it also true, sir, that levelized

16 rates --

17 EXAMINER PIRIK: Mr. Sauer.

18 MR. SAUER: Could the witness please be

19 allowed to explain his answer?

20 MR. KUTIK: I asked him if he remembered
21 his answer. The answer is "Yes." What else is there
22 to explain?

23 EXAMINER PIRIK: I believe he had a
24 further explanation.

21

1 A. The next question says, "And similarly
2 would you agree that decoupling is harder for
3 customers to understand?" And I answered, "Well, as
4 I said, you have to describe what you're comparing it
5 to, but as I said before, customers don't like to see
6 increases in their bills. Both concepts are
7 difficult for customers to understand."

8 Q. Isn't it true, sir, that you testified
9 that decoupling is harder to explain to customers?
10 That was your testimony in your deposition, correct?

11 A. I'll stand by my answer.

12 Q. It was, correct?

13 A. Yes, with the explanation.

14 Q. Thank you.

15 Now, levelized rates are easier for a
16 customer to understand, correct?

17 A. Yes.

18 Q. Now, I want to refer you to page 14 and
19 15 of your testimony and starting on -- are you

20 there, sir?

21 A. I am.

22 Q. Starting on page 14, line 21 you refer to

23 the nongas cost revenue of the company and you talk

24 about the nongas portion of the bill, correct?

1 A. Correct.

2 Q. And you come up with \$31 a month as being
3 the nongas portion of an average bill or typical
4 bill?

5 A. Correct.

6 Q. Now, that number, that \$31 per month, is
7 derived from the \$448 million in nongas cost
8 revenues, correct?

9 A. Correct.

10 Q. Is it your view, sir, that the company
11 and the staff propose that the entire \$448 million be
12 recovered through SFV?

13 A. No, I think the stipulation has --

14 Q. Is your answer "No"?

15 A. I don't have an answer yet. It's
16 approximately half of that.

17 Q. Thank you. And so the other half of that
18 would be recovered through volumetric charges,
19 correct?

20 A. That's correct.

21 Q. Now, you would agree with me, would you

22 not, that the commodity portion of the bill is the

23 biggest driver of the amount of a customer's bill,

24 correct?

1 A. Currently that's correct.

2 Q. Okay. And you'd also agree with me that
3 the commodity portion of the bill is the biggest
4 driver of usage decisions, correct?

5 A. I don't know what you mean by that
6 question.

7 Q. Well, in terms of a customer's decision
8 whether to conserve or not conserve, isn't the
9 commodity portion of the bill the biggest driver?

10 A. No. I think it's the total bill.

11 Q. And the commodity portion of the bill is
12 the largest portion of the bill, correct?

13 A. Commodity portion is the largest.

14 Q. Now, with a sales reconciliation rider
15 would you agree with me that decreases in usage per
16 customer will result in subsequent increases in rates
17 for service?

18 A. Yes.

19 Q. And if that occurs, that would extend the

20 payback period for conservation investments, correct?

21 A. That's correct.

22 Q. Because the savings that would be

23 realized would be less than had originally been

24 anticipated, correct?

1 A. That's correct.

2 Q. Now, you've mentioned the dispute about
3 whether decoupling is a complicated thing, correct?

4 A. Yes.

5 Q. And you would agree with me that
6 decoupling is a highly debated issue in the industry,
7 correct?

8 A. That's correct.

9 Q. Some commissions have rejected it, some
10 commissions have rejected it and then accepted it,
11 some commissions have accepted it then rejected it,
12 and so forth, correct?

13 A. That's correct.

14 Q. And as part of your work, for example,
15 when you testified in the Southwest Gas case for the
16 Arizona Corporation Commission, you've studied the
17 various type of proceedings that there have been that
18 commissions have developed in determining how to
19 adjust decoupling riders, correct?

20 A. Correct.

21 Q. And in those adjustment proceedings there

22 are sometimes issues about how to normalize

23 consumption so that you're comparing apples to apples

24 from one year to the next, correct?

1 A. Depending on how it's set up, that's

2 correct.

3 Q. And the issue of how to normalize can be

4 a highly disputed issue; can it not?

5 A. Yes. Almost all issues can be disputed.

6 Q. Okay. Certainly normalization, how to

7 normalize is one of those.

8 A. That's correct.

9 Q. And similarly the question of what real

10 normalized consumption is is also or can also be a

11 highly disputed issue.

12 A. It can be.

13 Q. Now, you're familiar with the various

14 principles relating to rate design, correct?

15 A. Correct.

16 Q. And one of those principles is the

17 principle of cost causation, correct?

18 A. Correct.

19 Q. Another principle of rate design is to

20 send proper price signals, correct?

21 A. Correct.

22 Q. And you would agree with me that properly

23 designed rates send proper price signals when they

24 properly reflect the company's costs.

1 A. Correct, and that's one of the issues

2 that I have with the straight fixed variable rate

3 design in this case.

4 Q. Now, most of the company's operating

5 costs are fixed, correct?

6 A. Correct.

7 Q. And under traditional rate design the

8 ability of a company to recover its fixed cost hinges

9 in part on actual sales, correct?

10 A. That's correct.

11 Q. And a negative trend in sales may have a

12 corresponding negative effect on the company's

13 ongoing financial stability all other things being

14 equal, correct?

15 A. All other things being equal.

16 Q. Now, with the decoupling rider customers

17 would pay a higher portion of fixed cost in the

18 heating season, correct?

19 A. Well, they always do, it doesn't matter

20 if you have a decoupling rider or not.

21 Q. But with a decoupling rider that would be
22 the case, correct? Than, for example, versus SFV.

23 A. Oh, as opposed to SFV, yes, you're
24 correct.

1 Q. Now, one of the things you have a problem
2 with in terms of the proposal by the staff here is
3 that you believe that DEO's costs vary with the
4 different customers or serve different customers
5 within the class that's proposed to receive the SFV,
6 meaning the general sales service class, correct?

7 A. That's very true, yes.

8 Q. Okay. Now, you believe that the size of
9 service lines, the size of meters, and the size of
10 mains to serve these customers may be different,
11 correct?

12 A. I know it's different.

13 Q. Okay. But you also haven't looked at a
14 single design layout, a service layout, a main layout
15 of any customer in East Ohio's territory; isn't that
16 true?

17 A. No, but since the deposition when we
18 discussed this issue I have had the opportunity to go
19 back and look at the cost to serve per bill for the

20 large volume general service class.

21 Q. Sir.

22 A. I'm answering your question.

23 Q. No, you're not. The question is, with

24 respect, sir, is "You haven't looked at design

1 layout." And the answer to that question is "Yes,"

2 you have not, correct?

3 A. Correct.

4 MR. SAUER: Your Honor, I object. He was

5 trying to answer that question.

6 MR. KUTIK: If he has an explanation as

7 to why he wants to make his speech, that's part of

8 redirect. That's not an answer to my question.

9 EXAMINER PIRIK: I agree, Mr. Kutik.

10 Q. Now, you believe that the cost of service

11 lines is one of the costs that vary to serve the

12 different customers in the GSS class, correct?

13 A. Yes.

14 Q. And is it true in your view that the

15 company owns the service lines in its territory?

16 A. It's the service lateral to the curb from

17 the main.

18 Q. Okay. So not the service lines

19 themselves.

20 A. Not the service line to the house.

21 Q. Okay. Now, I want to refer you to page

22 21 of your testimony, and particularly I want to

23 refer you to the first paragraph of answer 14 and

24 towards the end of that paragraph you say, I'm

1 starting on line 15 "Staff admitted this concern in
2 the Staff Report by saying, 'Large volume general
3 service customers are much less homogeneous than
4 residential customers and a simple fixed charge may
5 not be the appropriate cost recovery mechanism.'" Do
6 you see that?

7 A. I see that.

8 Q. Now, are you familiar with the different
9 rate schedules that Dominion currently offers for
10 service?

11 A. The large volume GSS and the GSS, yes.

12 Q. Okay. Do you know whether -- isn't it
13 true that when the staff referred to large volume
14 general service customers, they were referring to
15 customers under the large volume general service
16 schedule?

17 A. Yes.

18 Q. Now, you also believe that the proposed
19 SFV rate design may force customers off the system,

20 correct?

21 A. Could.

22 Q. And it's your belief that a \$12 per month

23 increase in bill may have that effect, correct?

24 A. It could.

1 Q. Is that your understanding, that it will?

2 A. It could.

3 Q. Will it?

4 A. I don't know.

5 Q. Would an increase in the commodity charge

6 of \$3 a month have the same effect for a customer

7 that consumes more than 4 Mcf a month?

8 A. I don't think I understand your question.

9 Q. Okay. Assume for me that a -- there's an

10 increase in the commodity charge of \$3.

11 A. Okay.

12 Q. Assume for me that the customer consumes

13 4 Mcf a month or more. In other words, there's a

14 \$12 increase in the commodity -- in the bill because

15 of commodity charges. Are you with me?

16 A. No.

17 Q. What's three times four?

18 A. Twelve.

19 Q. Okay.

20 A. I still don't understand your question.

21 Q. Would a \$12 per month increase in the
22 commodity charge have the same effect as a \$12
23 increase in straight fixed variable?

24 A. Would that --

31

1 Q. In forcing a customer off the system.

2 A. I just want to make sure I understand.

3 It's a \$12 increase in the bill, you don't care how
4 you get there, straight basic service charge increase
5 or --

6 Q. That wasn't really my question, but I'll
7 accept that modification.

8 A. Yes, it would have the same impact of
9 driving the customer off the system.

10 Q. In other words, any way that a bill would
11 increase by \$12 per Mcf would have the effect, in
12 your view, potentially to force a customer off the
13 system.

14 A. Well, for a very small customer, yes.

15 Q. That would.

16 A. Yes.

17 Q. Okay. But it's also true that you've
18 done no studies on the effect of price increases on
19 customers dropping off the system, correct?

20 A. No, but I've seen it happen.

21 Q. Okay. You've done no studies.

22 A. I've done no studies.

23 Q. Thank you.

24 Isn't it true that you don't know whether

1 high-use customers have been overpaying their fair

2 share of fixed costs?

3 A. Under the general service class?

4 Q. Yes.

5 A. Based on the information I have,

6 overpaying their share of fixed costs how?

7 Q. Have they been -- isn't it true that you

8 don't know that high-use customers have been

9 overpaying their fair share of fixed costs?

10 A. Now, that's a point that I said before

11 you do this rate design, you should study that.

12 Q. So you've seen no studies and so you

13 don't know, correct?

14 A. That's correct, but I see the cost

15 differential between the large volume general service

16 class and the staff proposed rate design.

17 Q. Have you reviewed any other testimony in

18 this case, sir?

19 A. Yes.

20 Q. Have you reviewed the transcript of these
21 proceedings?

22 A. No.

23 Q. Okay. Are you aware of a cost-of-service
24 study performed by DEO Witness Cliff Andrews?

1 A. Yes.

2 Q. Are you aware that Mr. Andrews testified
3 in this proceeding that if residential -- that
4 residential customers' rates would be higher if
5 nonresidential customers were taken out of the
6 general sales service schedule class?

7 A. Yeah, I haven't seen a study that
8 specifically does that.

9 Q. Are you aware that he testified to that?

10 A. No, I'm not aware he testified to it.

11 MR. KUTIK: May I have one moment?

12 EXAMINER PIRIK: Yes.

13 MR. KUTIK: I have no further questions.

14 Thank you.

15 EXAMINER PIRIK: Ms. Hammerstein.

16 MS. HAMMERSTEIN: Thank you, your Honor.

17 - - -

18 CROSS-EXAMINATION

19 By Ms. Hammerstein:

20 Q. Good morning, Mr. Radigan.

21 A. Good morning.

22 Q. The study that you cite in your

23 testimony, the Energy Information Agency study --

24 A. Yes.

1 Q. -- that's based on 1997-2001 costs; is
2 that correct?

3 A. Yes, that's correct. That was the latest
4 information available.

5 Q. And are you familiar with the trend in
6 gas prices since approximately the year 2000?

7 A. They've been going up.

8 Q. Would you agree with me that the prices
9 have been volatile since then?

10 A. I would agree with that.

11 Q. And that also since that time, that the
12 use per customer particularly in this company's
13 experience, and I can cite you to page 45 of the
14 Staff Report, has been going down consistently?

15 A. I haven't committed that to memory.

16 Q. Okay. If a customer in a higher income
17 bracket -- strike that.

18 A customer in a higher income bracket of
19 East Ohio, would you agree with me, would have more

20 discretionary income?

21 A. I would.

22 Q. And that would enable that customer to

23 deal with these volatile gas prices by conserving or

24 increasing their energy efficiency more readily than

1 a lower-income customer?

2 A. I don't know what the -- he haven't
3 studied the demand-side management programs that are
4 available to customers in Ohio. The wealthy customer
5 would have more discretionary income and be more able
6 to pay it and vice versa for the low-income customer.

7 Q. But you would agree with me that a higher
8 income customer would have more discretionary income
9 to devote to energy efficiency; would you not?

10 A. Yes, and vice versa for a low-income
11 customer.

12 MS. HAMMERSTEIN: Your Honor, I'd like
13 you to take administrative notice of the company's
14 July 17th, 2008, and August 15th, 2008, 21st
15 revised sheet number B-SS0 1, that's a standard
16 service offer gas cost rate. Those are on file with
17 the Commission.

18 EXAMINER PIRIK: Administrative notice
19 will be taken.

20 Q. Mr. Radigan, if you would take a look at
21 the gas cost reflected on those two sheets, the July
22 17th, 2008, reflects a cost of \$14.545 per Mcf; is
23 that correct?

24 A. That's correct.

1 Q. And the August 15th, 2008, sheet
2 reflects a gas cost rate of \$10.657 per Mcf; is that
3 correct?

4 A. That's correct.

5 Q. And that basically could be one
6 illustration of the volatility in recent times of gas
7 prices; is that correct?

8 A. That could be one example.

9 MS. HAMMERSTEIN: That's all the
10 questions I have. Thank you, Mr. Radigan.

11 EXAMINER PIRIK: Mr. Sauer?

12 MR. SAUER: Could we take a brief recess,
13 your Honor, to confer with Mr. Radigan?

14 EXAMINER PIRIK: We'll just sit here
15 while you confer briefly.

16 MR. SAUER: Okay, thank you.

17 (Off the record.)

18 EXAMINER PIRIK: Mr. Sauer.

19 MR. SAUER: Just brief redirect, your

20 Honor.

21 - - -

22 REDIRECT EXAMINATION

23 By Mr. Sauer:

24 Q. Mr. Radigan, do you remember when

1 Mr. Kutik was asking some questions about the cost of
2 metering customers and the meter service lines and
3 the cost of mains to serve customers? Do you recall
4 those questions, sir?

5 A. Yes, I recall those questions. He was
6 asking me about the cost to serve large customers
7 versus small customers.

8 Q. And what was your -- what is your opinion
9 on the cost to serve small customers versus large
10 customers?

11 A. Well, he asked me if I had done any
12 studies and the answer to that was no, but what I was
13 trying to point out was that the large -- under the
14 straight fixed variable rate design that staff is
15 proposing the rates for both the customer charge and
16 the volumetric rates are considerably lower than the
17 rates for the large volume general service class, and
18 that class is making its adequate return. So it
19 would indicate that large customers have higher costs

20 to serve than the rates that staff's being --

21 proposed.

22 Another problem with the staff rate

23 design is that unless stopped, and Mr. Murphy pointed

24 this out in his supplemental testimony, unless you

1 put a stop, those rates are so much lower that all of
2 the large general volume -- large volume general
3 service customers would move over because the rates
4 are so low and that just from a cost perspective
5 doesn't make any sense. That's why I was
6 recommending that you need to do a study before you
7 implement this type of rate design.

8 MR. SAUER: No further questions, your
9 Honor.

10 EXAMINER PIRIK: Mr. Kutik.

11 MR. KUTIK: No questions.

12 EXAMINER PIRIK: Ms. Hammerstein?

13 MS. HAMMERSTEIN: No questions, your
14 Honor.

15 EXAMINER PIRIK: Thank you.

16 (Witness excused.)

17 MR. SAUER: OCC would move for the
18 admission of Exhibit No. 21.

19 MR. KUTIK: We have no objection subject

20 to the motion to strike that was granted by the

21 Bench.

22 MS. HAMMERSTEIN: No objections.

23 EXAMINER PIRIK: The document OCC Exhibit

24 21 shall be admitted into the record with the

1 portions stricken that were mentioned previously.

2 (EXHIBIT ADMITTED INTO EVIDENCE.)

3 MR. KUTIK: Your Honor, could we go off
4 the record at this time?

5 EXAMINER PIRIK: Yes.

6 (Discussion off the record.)

7 EXAMINER PIRIK: Let's go back on the
8 record and we will just set the schedule that OCC
9 will be filing their rebuttal testimony by the end of
10 the day today. We will convene tomorrow at 11:30 to
11 determine what the continuation of the procedure will
12 be in this case, and whatever that process is, we
13 will have this rebuttal witness concluded by the end
14 of the week, but we will determine what that process
15 is tomorrow at 11:30.

16 And the parties will bring with them
17 their opinions and proposals with regard to briefing
18 versus oral argument tomorrow at the conclusion of
19 the witness, rebuttal witness.

20 MR. KUTIK: Thank you.

21 EXAMINER PIRIK: Is there anything else

22 that we need to state on the record?

23 MR. KUTIK: No, your Honor.

24 EXAMINER PIRIK: That being said, we will

40

1 conclude the hearing for today.

2 MR. KUTIK: Thank you.

3 (The hearing adjourned at 11:17 a.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a
true and correct transcript of the proceedings taken
by me in this matter on Tuesday, August 26, 2008, and
carefully compared with my original stenographic
notes.

Maria DiPaolo Jones, Registered
Diplomate Reporter and CRR and
Notary Public in and for the
State of Ohio.

My commission expires June 19, 2011.

(MDJ-3246)

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Volume V

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