

**FILE**

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

7  
RECEIVED-DOCKETING DIV  
2009 JUN 22 PM 4:57  
PUCO

In the Matter of the Application :  
of Pike Natural Gas Company for : Case No. 08-941-GA-ALT  
Approval of an Alternative Rate Plan :  
Proposing a Revenue Decoupling Mechanism :

**PREFILED DIRECT TESTIMONY  
OF  
BRIAN R. JONARD**

- 1 Q1. Please state your name and business address.  
2 A1. Brian R. Jonard., P.O. Box 430, Frazeyburg, Ohio 43822.  
3 Q2. What is your position with Pike Natural Gas Company?  
4 A2. I am President of Pike Natural Gas Company ("Pike").  
5 Q3. Please describe your educational background.  
6 A3. I graduated from The Ohio State University with a Bachelor of Science degree in  
7 Business Administration with a major in accounting and a Master of Business  
8 Administration with an area of emphasis in finance. Additionally, I participated in an  
9 independent studies program with Dr. Edward Jennings regarding public utility rate of  
10 return studies.  
11 Q4. Please describe your professional experience.  
12 A4. I worked at National Gas and Oil Company and its subsidiaries from 1982 through 1991  
13 in various administrative, operational, and financial roles. I was eventually appointed  
14 Controller with primarily financial responsibilities. I joined Clearfield Ohio Holdings,

This is to certify that the images appearing are an  
accurate and complete reproduction of a case file  
document delivered in the regular course of business  
Technician                      Date Processed JUN 22 2009

1 Inc. in 1991 as a Vice President and was appointed President of Pike Natural Gas  
2 Company in 2000.

3 Q5. Would you describe the operations of Pike Natural Gas Company?

4 A5. Pike is a natural gas utility providing service in the Villages of Beaver, Highland,  
5 Hillsboro, Jackson, Leesburg, New Vienna, Piketon, and Waverly and in unincorporated  
6 areas in Clinton, Fayette, Highland, Jackson, Pike, Ross, and Scioto Counties. Pike's  
7 facilities are in two divisions, which service two distinct but geographically adjacent  
8 areas. The two divisions are not physically interconnected. As of March 31, 2009, the  
9 Company provided gas service to approximately 7,200 customers.

10 Pike, Eastern Natural Gas Company and Southeastern Natural Gas Company are wholly  
11 owned subsidiaries of COHI, an Ohio corporation. COHI is headquartered in  
12 Frazeyburg, Ohio, and is a privately held corporation. COHI's parent, Clearfield Energy,  
13 Inc., is headquartered in Radnor, Pennsylvania, and is also a privately held corporation.  
14 Clearfield Energy, Inc., an entity separate from COHI, provides management services to  
15 the COHI subsidiaries. The management services include activities in the areas of  
16 benefits administration (payroll, workers' compensation, medical insurance, human  
17 resources, pension plan, savings plan), financial reporting (property tax, gross receipts  
18 tax, intrastate gross earnings, PUCO and FERC annual reports, EIA-187, annual financial  
19 audits and records management), loan administration (monthly and quarterly reporting to  
20 financial institutions, cash management and reporting), insurance administration (general  
21 liability, property, auto), accounting consultation, general management and business  
22 consultation, services performed by general counsel, maintenance of the general ledger

1 and fixed asset accounts and management of information systems (computer system  
2 operations, maintenance and programming).

3 Clearfield Ohio Holdings, Inc. purchased all of the outstanding shares of Pike during the  
4 period of July 1987 through February 1988 for approximately \$3.5 million plus legal  
5 costs. The property and equipment acquired are stated at their original cost less  
6 accumulated depreciation. Pike receives its natural gas transportation capacity  
7 entitlements from Tennessee Gas Pipeline and Columbia Gas.

8 Q6. What is the purpose of your testimony?

9 A6. My testimony is in support of the application filed in this docket. The past five years  
10 have created many difficulties for natural gas distribution companies. The significant  
11 price increases experienced since 2000 has caused all natural gas customers to conserve  
12 natural gas usage. During the twelve month period ending February 2009, which is the  
13 basis for this filing, Pike's general service sales volumes have decreased 2% despite there  
14 being an 11% increase in degree days as compared to the test period for the rates  
15 implemented in 2005.

16 Q7. What is the purpose of this application?

17 A7. This application is an attempt to stabilize our revenues and avoid the need for a costly  
18 traditional rate filing. Declining customer counts in addition to customer usage has  
19 reduced total revenues by approximately 15%.

20 Q8. How does this application create the desired results?

21 A8. Through this application, some of the revenues generated via the throughput charge are  
22 shifted to the customer charge, reducing the impact weather, both warmer and colder, has  
23 on the total revenues of the Company. Most of the expenses of the Company are

1 independent of the throughput of the Company. As throughput declined over the past 5  
2 years, the level of expenses remained constant. A means of collecting the under-  
3 recovered revenue is needed in order to bring the Company's revenue requirement closer  
4 to the level recommended in the previous rate case.

5 Q9. To what extent have your revenues per customer declined?

6 A9. As stated previously, our sales declined 2% over the last five years even though our  
7 heating degree-days for the period of the twelve months ended February 2009 increased  
8 over 11%. On a basis of consumption per degree-day, usage has decreased 12.2%.  
9 Throughout the five-year period, Pike's customers have steadily reduced their  
10 consumption, a trend that I expect to continue. This data has been provided in Second  
11 Amended Exhibit B of the Application.

12 The continued decline in revenues per customer makes it imperative that we move from a  
13 rate structure that is primarily based upon volumetric sales to a more stable cost per  
14 customer basis.

15 Q10. What changes are you proposing to your current tariffs?

16 A10. We are proposing to decouple our current rates to move towards a straight fixed variable  
17 (SFV) rate design, thereby reducing our reliance on volumetric sales. The rates we have  
18 proposed are based upon the customers, sales, and revenues experienced during the  
19 twelvemonth period ending February 2009. The increases proposed in the customer  
20 charges for each rate class are correspondingly offset by a reduction in the usage or  
21 commodity portion of the rates. The proposed rates and the calculation of the proposed  
22 rates are presented on Second Amended Exhibit D.

1 Since we are only moving towards a SFV rate design, a portion of our future revenue  
2 recovery will still be reliant upon volumetric sales. Additionally, we expect declines in  
3 our customer base, which will continue to erode future revenue recovery.

4 Q11. Why have you proposed dividing the General Service rate into a residential and  
5 commercial component?

6 A11. Currently Pike has a General Service rate, which covers both residential and commercial  
7 customers. In order for the change in the rate design to not unfairly affect one class of  
8 customer to the benefit of the other due to the substantially different average energy  
9 consumption of each class, we have split the General Service rate into two distinct  
10 classes.

11 Q12. Does Pike currently have any customers served under the Industrial Service or  
12 Transportation Service rate schedules?

13 A12. No, it does not.

14 Q13. Are you proposing any additional changes to the rates?

15 A13. Yes, we are proposing to include in the revised customer charge for the residential and  
16 commercial rates \$0.93 to help fund a proposed Demand Side Management program. It  
17 is my understanding that Section 4929.051, Revised Code, calls for the establishment,  
18 continuation, or expansion of an energy efficiency or energy conservation program. Pike  
19 does not currently have such a program. As part of this application, we propose establish  
20 a program to expend \$90,000 per year. The \$0.93 addition would fund \$80,000 of a  
21 demand side management program and Pike would supply an additional \$10,000.

22 At this time no specific program has been designed for the expenditure of these funds. It  
23 would be our desire to focus the expenditures on high volume Percentage of Income

1           Payment Plan (PIPP) customers. We believe that improving the energy efficiencies of  
2           this group of customers would provide a direct benefit to all customers through the  
3           eventual reduction of our PIPP rates.

4    Q14. Is Pike in compliance with Section 4929.05(A), Revised Code?

5    A14. Yes, Pike is currently in compliance with Section 4929.05(A), Revised Code, and will  
6           continue to be in compliance after implementation of the alternative rate plan.

7    Q15. Does this conclude your prefiled direct testimony?

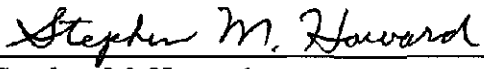
8    A15. Yes.

## CERTIFICATE OF SERVICE

I certify that a copy of the foregoing document was served upon the following persons by electronic mail this 22<sup>nd</sup> day of June, 2009:

Joseph P. Serio  
Office of Ohio Consumers' Counsel  
10 W. Broad Street, Suite 1800  
Columbus, Ohio 43215-3485  
[serio@occ.state.oh.us](mailto:serio@occ.state.oh.us)

Stephen A. Reilly  
Vern Margard  
Assistant Attorneys General  
180 E. Broad Street, 9<sup>th</sup> Floor  
Columbus, Ohio 43215-3796  
[Stephen.reilly@puco.state.oh.us](mailto:Stephen.reilly@puco.state.oh.us)  
[Werner.margard@puco.state.oh.us](mailto:Werner.margard@puco.state.oh.us)

  
\_\_\_\_\_  
Stephen M. Howard