

1 BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

2 - - -

3 In the Matter of the :
4 Application of The East :
5 Ohio Gas Company d/b/a :
6 Dominion East Ohio to :
7 Adjust Its Pipeline : Case No. 09-0458-GA-UNC
8 Infrastructure Replacement:
9 Program Cost Recovery :
10 Charge and Related :
11 Matters. :

12 - - -

13 PROCEEDINGS

14 before Ms. Christine M. Pirik and Ms. Katie Stenman,
15 Attorney Examiners, at the Public Utilities
16 Commission of Ohio, 180 East Broad Street, Room 11-F,
17 Columbus, Ohio, called at 10 a.m. on Friday,
18 October 16, 2009.

19 - - -

20 VOLUME I

21 - - -

22 ARMSTRONG & OKEY, INC.
23 222 East Town Street, Second Floor
24 Columbus, Ohio 43215-5201
25 (614) 224-9481 - (800) 223-9481
 Fax - (614) 224-5724

- - -

1 APPEARANCES:

2 Jones Day
3 By Mr. Paul A. Colbert
4 and Mr. Grant W. Garber
5 325 John H. McConnell Boulevard, Suite 600
6 Columbus, Ohio 43215

7 Jones Day
8 By Mr. David A. Kutik
9 901 Lakeside Avenue
10 Cleveland, Ohio 44114-1190

11 On behalf of the Applicant.

12 Richard Cordray,
13 Ohio Attorney General
14 By Duane W. Luckey,
15 Senior Deputy Attorney General
16 Public Utilities Section
17 By Mr. Stephen A. Reilly
18 and Mr. William Wright
19 180 East Broad Street
20 Columbus, Ohio 43215

21 On behalf of the Staff of the PUCO.

22 Janine L. Migden-Ostrander,
23 Ohio Consumers' Counsel
24 By Mr. Joseph P. Serio
25 and Mr. Larry S. Sauer
Assistant Consumers' Counsel
Ten West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

On behalf of the Residential Customers of
Dominion East Ohio.

- - -

INDEX

- - -

Witness	Page
Mike Reed	
Direct Examination by Mr. Colbert	22
Cross-Examination by Mr. Sauer	22
Cross-Examination by Mr. Wright	35
Redirect Examination by Mr. Colbert	42
Recross-Examination by Mr. Wright	43
Eric Hall	
Direct Examination by Mr. Garber	48
Cross-Examination by Mr. Serio	51
Cross-Examination by Mr. Wright	81
Redirect Examination by Mr. Garber	90
Recross-Examination by Mr. Serio	98
Recross-Examination by Mr. Wright	108
Vicki H. Friscic	
Direct Examination by Mr. Colbert	122
Cross-Examination by Mr. Sauer	137
Cross-Examination by Mr. Wright	172
Cross-Examination (Continued) by Mr. Reilly	177

- - -

DEO EXHIBITS	ID'D	REC'D
1 Direct Testimony of Vicki H. Friscic	122	--
2 Supplemental Direct Testimony of Vicki H. Friscic	122	--
3 Direct Testimony of Mike Reed	22	47
4 Direct Testimony of Eric Hall	112	--
5 Comments and Recommendations filed by Staff in Case No. 09-458	135	--
6 Comments on the Application Filed by OCC in Case No. 09-458	135	--
7 Application to Adjust the PIR Program Cost Recovery Charge	135	--
8 Notice of Intent to File an Application to Adjust PIR	135	--

1	INDEX (Continued)			
2	- - -			
3	DEO EXHIBITS	ID'D	REC'D	
4	13 Application in Case No. 08-169	112	--	
5	14 11-14-08 PUCO Meeting Dominion			
6	Pipeline Infrastructure Replacement			
7	Program	112	--	
8	15 DEO Comparative Analysis of the			
9	Bare Steel Piping of DEO	110	--	
10	- - -			
11	OCC EXHIBITS	ID'D	REC'D	
12	1 Direct Testimony of Tim C. McNutt	56	121	
13	2 10-2-09 Comments filed by OCC in			
14	Case No. 09-458	135	--	
15	3 10-15-09 Withdrawal of One OCC			
16	Comment in Case No. 09-458	135	--	
17	4 Title 18-Conservation of Power			
18	and Water Resources	154	--	
19	5 Requests for Production of			
20	Documents - Request No. 23	167	--	
21	- - -			
22	STAFF EXHIBITS	ID'D	REC'D	
23	1 10-2-09 Comments and Recommendations			
24	by Staff in Case No. 09-458	135	--	
25	2 7-12-08 Report filed by Staff in			
26	Case No. 08-169	135	--	
27	3 5-23-08 Report filed by Staff in			
28	DEO Distribution Rate Case	135	--	
29	- - -			

1 Friday Morning Session,

2 October 16, 2009.

3 - - -

4 EXAMINER PIRIK: The Public Utilities
5 Commission of Ohio has called for hearing at this
6 time and place case number 09-458-GA-UNC, being in
7 the matter of the application of the East Ohio Gas
8 Company d/b/a Dominion East Ohio to adjust its
9 pipeline Infrastructure Replacement Program, Cost
10 Recovery Charge, and Related Matters.

11 My name is Christine Pirik and with me is
12 Katie Stenman, and we are the attorney examiners
13 assigned by the Commission to hear this case. We'll
14 start with the appearances on behalf of the parties.

15 On behalf of the company.

16 MR. COLBERT: Thank you, your Honor. On
17 behalf of Dominion East Ohio, Jones Day, David Kutik,
18 Paul Colbert, and Grant Garber, 325 John H. McConnell
19 Boulevard, Suite 600, Columbus, Ohio 43215-2673.
20 Thank you.

21 EXAMINER PIRIK: Thank you. On behalf of
22 staff.

23 MR. REILLY: Thank you, your Honor. On
24 behalf of the staff of the Public Utilities
25 Commission of Ohio, Richard Cordray, Ohio Attorney

1 General, Duane Luckey, Section Chief, Steve Reilly
2 and Bill Wright, Assistant Attorneys General, 180
3 East Broad Street, Columbus, Ohio 43215.

4 EXAMINER PIRIK: On behalf of the Office
5 of Consumers' Counsel.

6 MR. SAUER: Thank you, your Honor. On
7 behalf of the residential consumers of Dominion East
8 Ohio Energy, the Office of the Ohio Consumers'
9 Counsel, Janine L. Migden-Ostrander, Consumers'
10 Counsel, Joseph P. Serio, Larry Sauer, Assistant
11 Consumers' Counsel, 10 West Broad Street, Suite 1800,
12 Columbus, Ohio 43215.

13 MR. COLBERT: Excuse me, your Honor, but
14 Mr. Sauer referenced that he was representing
15 Dominion East Ohio Energy.

16 MR. SAUER: I don't believe so. No, I'm
17 sorry. If I said that. Dominion East Ohio.

18 MR. COLBERT: The customers of.

19 MR. SAUER: The residential customers.

20 MR. COLBERT: Fair enough. Thank you.

21 EXAMINER PIRIK: Before we proceed I want
22 to make one clarification request of the parties on
23 the record and that is a request that pursuant to the
24 attorney examiners' entry issued June 29th, 2009,
25 that all future filings regarding the matter that

1 we're dealing with today in 09-458 be only filed in
2 this docket and not in the Dominion rate case docket
3 which is 07-829 and 08-169, et al.

4 Before we move forward I believe there is
5 a motion to strike pending and I think it would be
6 appropriate to deal with that motion to strike before
7 we proceed with testimony.

8 OCC. I believe the motion was filed by
9 OCC.

10 MR. SERIO: Yes, your Honor, thank you.
11 OCC contends that in any legal proceeding it's
12 incumbent on a party to meet the deadlines
13 established by that court or administrative agency.
14 In this proceeding it's undisputed that there was
15 never any entry from the Bench that authorized
16 electronic filing and there was no authorization by
17 the Commission through its generic guidelines on
18 electronic filing that would permit electronic filing
19 in a UNC proceeding.

20 The noon deadline for filing of
21 supplemental testimony was established by an entry
22 and on its face the company has acknowledged they
23 filed electronically, which is contrary to what was
24 authorized, and physically two of those pieces of
25 testimony are docketed after the noon deadline.

1 Those are unequivocal facts.

2 In addition, this isn't the first time in
3 the Dominion East Ohio rate case PIR proceedings
4 where there's been a dispute about the company filing
5 documents in a timely manner. OCC filed a motion to
6 reopen the record a couple of months ago in the rate
7 case proceeding, the 07-829 proceeding, and in that
8 proceeding there was an expedited schedule for
9 pleadings.

10 The company filed a memorandum contra
11 that was outside the timelines established by the
12 Bench, yet nonetheless the Commission took it upon
13 itself to retroactively issue an entry that negated
14 the expedited timeline in order to allow the
15 company's filing which at the time it was done out of
16 time to become then timely. So it's not the first
17 time, it establishes a pattern whereby the company
18 has not adhered to the timelines that this Commission
19 has established.

20 Moreover, the company never came to the
21 Commission and formally asked for the opportunity to
22 file the documents electronically; they took it upon
23 themselves to do so. The company's response
24 indicates they contacted docketing and got permission
25 from docketing. And in my 23 years plus of practice

1 at the PUCO, I'm not aware that docketing has the
2 authority to issue a finding that says that you can
3 file electronically if the examiner or the Commission
4 haven't permitted it.

5 So getting authorization from docketing
6 to file electronically when that hasn't come formally
7 in the proceeding would be equivalent to me calling
8 docketing and saying "Can I file a 40-page brief?"
9 And docketing's not aware that the Bench has
10 established a 15-page limit on the brief.

11 So going to docketing and getting their
12 authorization is meaningless because they don't have
13 the authority to do that.

14 Company also indicated that there was a
15 problem because if they had physically gone to
16 docketing with the documents at 4 minutes till 12, it
17 could be possible they could be docketed time-stamped
18 afterwards. I've taken numerous documents to
19 docketing to file them, and one copy has to be
20 time-stamped in order to meet the deadline. They had
21 three pieces of testimony. If they got there at
22 11:56, I cannot imagine any circumstances whereby
23 three documents couldn't be entered into the time
24 stamp in the four minutes that they had prior to
25 noon.

1 So physically filing would have met with
2 the deadline, would have met with the requirements;
3 the company didn't do that.

4 Finally, the company indicated that OCC
5 accepted electronic notice of depositions and having
6 accepted electronic notice of the depositions, that
7 meant that we were accepting electronic filing of
8 documents.

9 First of all, whether we accepted as OCC
10 electronic filings of notice of deposition is
11 completely different than the Commission permitting
12 electronic filing of documents in a formal docket
13 before the PUCO. So whether OCC agreed to or didn't
14 object to the notice of deposition filings is
15 irrelevant to the formal pleadings in this
16 proceeding.

17 Moreover, when it comes to depositions,
18 notices, setting those up, those are often done
19 informally, a lot of times they're done through
20 e-mails among the parties, sometimes they're even
21 done by conversations where the parties agree to
22 certain agreements regarding the availability of
23 witnesses, timing, et cetera.

24 So what we have is a comparison of apples
25 to oranges.

1 The last thing that the company raised
2 had to do with whether there was prejudice to OCC,
3 and I'm not going to sit here and say that because
4 the documents were filed 10 or 15 minutes late, OCC
5 was irreparably harmed, but that ignores the fact
6 that the harm and the prejudice occurs to the
7 integrity of the process and to the integrity of the
8 decisions that come out of the PUCO.

9 If there's a perception that the company
10 does not have to follow rules or that rules are not
11 enforced on the company but they are on other
12 parties, then I think that erodes the public
13 confidence in the decisions that come from the PUCO.
14 And for that reason and that reason alone the
15 Commission has rules, the rules should be enforced,
16 they should be enforced uniformly. In this instance
17 the company did not meet the filing deadline. All
18 three pieces of testimony should be excluded.

19 EXAMINER PIRIK: Mr. Colbert.

20 MR. COLBERT: Thank you, your Honor. We
21 filed a response to OCC's motion, I won't reiterate
22 everything in the response. I will address the
23 points raised --

24 EXAMINER PIRIK: Actually, Mr. Colbert, I
25 need you to address everything because I have not

1 seen a copy of that document. I don't know when it
2 was filed, but I have not seen it.

3 MR. COLBERT: It was filed yesterday. Do
4 we have a copy of that?

5 Didn't bring a copy of it here.

6 Your Honor --

7 EXAMINER PIRIK: If we are not served an
8 actual copy of it, then we don't know it was filed
9 until it pops up in our e-mail, and it has not popped
10 up in our e-mail, so that's just for future reference
11 so you will know. If you want us to see something in
12 a quick fashion, you need to give us a hard copy.

13 MR. COLBERT: And, your Honor, that's I
14 suppose part of the point. Given the controversy we
15 didn't file it electronically so it would pop up
16 directly, we paper filed it.

17 EXAMINER PIRIK: No, it wouldn't have
18 popped up directly even if you would have
19 electronically filed it. It has to do with a
20 docketing card issue and when they allow it to be
21 issued in the system. So that wouldn't have fixed
22 the issue.

23 MR. COLBERT: We're happy to hand-deliver
24 it to the attorney examiners as well.

25 EXAMINER PIRIK: Okay.

1 MR. COLBERT: And we'll do that. But we
2 basically made three different arguments there, and
3 Mr. Serio raised a fourth issue so I'll address that
4 first. The issue raised by Mr. Serio had to do with
5 the timing of a document filed, a memorandum contra,
6 in the rate case. There was not a finding that that
7 was filed out of time. It was filed within the time
8 limits set forth in the Ohio Administrative Code.

9 There was an order in the case for
10 expedited filing. The company believed because the
11 Commission had issued its opinion and order in I
12 believe the entry on rehearing that that expedited
13 schedule was over.

14 As I said, they filed within the time
15 limits in the Ohio Administrative Code, that is
16 within I believe the 14-day period, and the
17 Commission never did find that that pleading was out
18 of time so I don't think that's relevant to the
19 discussion here.

20 In regard to the discussion here there
21 are basically three points that the company made in
22 its memorandum contra. First, as Mr. Serio said, we
23 discussed the fact that we had called not once, but
24 twice, to check whether electronic filing was
25 available in this case. And each time the company

1 was informed that electronic filing was available.
2 We had previously filed one document as he noted, a
3 notice of deposition, no party objected to that, we
4 were not contacted by anybody in regard to that
5 filing.

6 When we checked again the morning that
7 the testimony was due, docketing checked with
8 individuals here at the Commission and called us back
9 and said that it was fine and we went ahead to
10 proceed with the electronic filing on that basis.

11 Now, regarding the timing of it, as we
12 explained in the memorandum contra, we started the
13 process to file at approximately 11:45. It took a
14 few minutes, the system takes a few minutes to get
15 everything in. Frankly, we hadn't filed multiple
16 documents before and maybe that was our fault, but
17 the electronic filing system only takes one document
18 at a time, otherwise it shows them all as one
19 document. So we were in the position of filing one
20 after the other after the other.

21 So the first one went in on the system at
22 11:56, the second one ended up going in at 12:04.
23 There was a small gap to the third one which was
24 12:21 and that was because the electronic system did
25 not accept an attachment to Mr. Reed's testimony on

1 one page. We thought it would be more convenient for
2 all the parties to have the Excel spreadsheet on one
3 page rather than broken up into two; we managed to
4 get that on one page and send that in. That was the
5 slight delay there.

6 We immediately, actually while we were
7 doing the electronic filing, tried to serve all of
8 the parties electronically which is part of -- by
9 e-mail that is, which is part of the entry that had
10 been put out in the case that we could serve by
11 e-mail so there would be no delay in anybody
12 receiving the documents.

13 Now, there were problems with that, we
14 were first -- that is we were first notified by the
15 attorneys general that they had not received some of
16 the e-mails, we looked and found that OCC had not.
17 At that point we continued to e-mail documents and we
18 arranged for hand-delivery of the documents and,
19 after being alerted that there was some confusion
20 about the electronic filings by the AGs, we
21 voluntarily filed all of the documents again by paper
22 and had them hand-delivered so that nobody would be
23 inconvenienced and everybody would have all of the
24 documents.

25 As Mr. Serio referenced, had we simply --

1 had we gone through this process and walked in at
2 11:56 or at a quarter of 12 with all of the
3 documents, regardless of the time on the time stamp
4 they all would have been timely in, whether they
5 would have been time-stamped immediately or not.

6 Now, we believe, and of course there are
7 no rules associated with electronic filing and what
8 would be timely under such a circumstance or not, but
9 we believe that all of this would and should be
10 considered timely filed so we think that we were okay
11 in that regard. We did it literally as fast as the
12 system would allow us to do it.

13 Regarding the last argument in terms of
14 prejudice, the Commission has held and there's a
15 particular case, 88-1458, I forget what the tracking
16 is but I believe ACE, but it's 88-1458 that says that
17 unless the opposing party can demonstrate prejudice,
18 that the evidence in this case and in that case
19 direct testimony comes in.

20 In that case what happened was there was
21 an applicant for a certificate of convenience and
22 necessity. There were two protesters. The
23 protesters failed to appear for a prehearing. There
24 was a motion to dismiss the protests, it was granted
25 orally without them present. Both protestants filed

1 a motion to come back in so that they could file
2 direct testimony and the Commission's order expressly
3 said over the objections of the applicant that
4 because the applicant had not shown that there was
5 any harm, that the direct testimony should come in
6 and they should have an opportunity to make their
7 case.

8 This is no difference than that. Even if
9 the Bench were to find that DEO was late in filing
10 its testimony, there has been no harm to OCC or
11 residential customers, indeed we delivered everything
12 to them in a timely manner, we delivered everything
13 to the AGs in a timely manner, all parties have an
14 opportunity to review the testimony in the documents,
15 they had time to decide whether to file their own
16 testimony or not, and they had time to prepare for
17 cross-examination.

18 Mr. Serio indicated that he wasn't
19 arguing that OCC suffered harm. Under that
20 circumstance, even if it is found that we were
21 untimely in the filing, it certainly would be more
22 prejudicial to the company to be unable to make its
23 affirmative case than harm suffered by any other
24 party including OCC and staff.

25 So in the first instance the company

1 believes that it had permission to file
2 electronically, we believe that we filed as quickly
3 as the system would allow and in a timely manner,
4 certainly within the spirit of both the agreement
5 among the parties and the entry issued by the
6 attorney examiner, and we believe even if for some
7 reason the Commission or the attorney examiner thinks
8 that we did not comply, that there was no prejudice
9 to any party and the testimony should be allowed in
10 any case.

11 So that's the sum and substance of the
12 argument. But as I said, on the prejudice issue
13 there's a case precisely on point. Thank you.

14 EXAMINER PIRIK: Thank you.

15 Does staff have anything they'd --

16 MR. REILLY: We do not, your Honor.

17 EXAMINER PIRIK: I think I've heard
18 enough, Mr. Serio, but thank you.

19 I do understand how confusing it is with
20 electronic filing being permitted in certain cases
21 and not being permitted in all cases. The Commission
22 does not have electronic filing rules that are
23 currently effective. We still have our standard
24 procedural rules, and the process is that the
25 Commission on a case-by-case basis determines what

1 cases are open for electronic filing, and to do that
2 there needs to be a waiver of the current rules that
3 are in effect.

4 This case was not one of those cases
5 where electronic filing has been authorized by the
6 Commission and we do acknowledge that, however, with
7 that being said I think there is confusion, I mean,
8 there is a list of cases on our DIS system that
9 specifically set forth the cases that this is open
10 for, but I do understand the confusion. I think, in
11 fact, our docketing division and the rest of us at
12 times believe certain cases are open for electronic
13 filing when they have not been granted a waiver yet.

14 In this situation I think a good-faith
15 effort was made by the company as soon as they became
16 aware of the situation to try to rectify it by
17 immediately filing hard copies. I also think that
18 the company attempted, pursuant to the direction in
19 the September 8th, 2009, attorney examiner entry, to
20 e-mail service the documents to all of the parties.
21 I understand there were difficulties according to
22 what Mr. Colbert just said with that situation, but I
23 don't see where a party was prejudiced and I don't
24 see where there was direct harm given to any party in
25 this case.

1 That being said, we will consider the
2 three pieces of testimony as timely filed and we will
3 deny the motion to strike.

4 MR. COLBERT: Thank you, your Honor.

5 MR. SERIO: Two questions, your Honor.
6 First of all, we have other motions to strike, do you
7 want those when each particular piece is presented?

8 EXAMINER PIRIK: Yes.

9 MR. SERIO: Okay. And then, secondly,
10 your decision then would be open for us to argue to
11 the Commission as part of briefing, correct? Or does
12 your Honor require an interlocutory appeal if we
13 chose to take it to the Commission directly?

14 EXAMINER PIRIK: If an interlocutory
15 appeal is appropriate, we'd have to look at the rules
16 to see whether or not that's an appropriate
17 interlocutory appeal and whether you want to go down
18 that road, that is definitely your choice.

19 It is not open for argument on brief.
20 Interlocutory appeal would be the appropriate
21 process.

22 MR. SERIO: Thank you, your Honor.

23 EXAMINER PIRIK: But I would look at the
24 rules and see whether or not this is an issue that is
25 an automatic certification to the Commission or

1 whether it's one that the attorney examiners would
2 have to consider.

3 MR. SERIO: Thank you, your Honor.

4 EXAMINER PIRIK: So, yes, we will take
5 motions to strike on the specific documents after the
6 witnesses are presented for cross-examination.

7 I believe we're ready to proceed with
8 witnesses unless there's anything --

9 MR. WRIGHT: Your Honor, could we go off
10 the record for one second?

11 EXAMINER PIRIK: Yes.

12 (Discussion off the record.)

13 EXAMINER PIRIK: We'll go back on the
14 record. Mr. Colbert.

15 MR. COLBERT: Yes, your Honor. At this
16 time Dominion East Ohio would call its first witness,
17 Mr. Mike Reed, to the stand.

18 EXAMINER PIRIK: Please raise your right
19 hand.

20 (Witness sworn.)

21 EXAMINER PIRIK: Please be seated.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 - - -
24
25

1 MIKE REED

2 being first duly sworn, as prescribed by law, was
3 examined and testified as follows:

4 DIRECT EXAMINATION

5 By Mr. Colbert:

6 Q. Good morning, Mr. Reed.

7 A. Good morning.

8 Q. Do you have in front of you a copy of
9 your testimony that has been marked as Dominion East
10 Ohio Exhibit 3?

11 A. Yes, I do.

12 Q. And is that the testimony that has been
13 prepared by you for this proceeding?

14 A. Yes, it is.

15 Q. And do you have any additions,
16 subtractions, or amendments to that testimony?

17 A. No, I do not.

18 MR. COLBERT: Your Honor, at this time we
19 would make Mr. Reed available for cross-examination.

20 EXAMINER PIRIK: OCC?

21 MR. SAUER: Thank you, your Honor.

22 - - -

23 CROSS-EXAMINATION

24 By Mr. Sauer:

25 Q. Morning, Mr. Reed.

1 A. Good morning.

2 Q. Can you turn to page 1 of your testimony?

3 (Discussion off the record.)

4 EXAMINER PIRIK: Mr. Sauer.

5 Q. I'll point your attention to your
6 question and answer No. 3, sir. Are you there?

7 A. Yes.

8 Q. And you state that you're "responsible
9 for the design and construction of pipeline
10 facilities, including distribution, gathering and
11 transmission facilities." Do you see that?

12 A. Yes.

13 Q. And does that responsibility include
14 design and construction for both PIR and non-PIR
15 construction activities?

16 A. Yes, it does.

17 Q. And for how long have you been -- when I
18 say "PIR," I'm talking about the company's pipeline
19 infrastructure replacement program. Is that your
20 understanding?

21 A. Yes, it is.

22 Q. How long have you been involved with the
23 design and construction for non-PIR related
24 construction activities?

25 A. I've been in my current role since May of

1 2008.

2 Q. And I believe you state the purpose of
3 your testimony on page 2 is addressing the issue of
4 incremental O&M expenses. Is that the case?

5 A. Are you referring to a specific line?

6 Q. Yes, it was your question and answer 9.
7 I'm sorry, question and answer 8 is where you talk
8 about the purpose, page 2, lines 10 through 14.

9 A. Yes.

10 Q. And is it your understanding that in this
11 case there's approximately \$1.1 million that the
12 company is trying to recover as incremental O&M
13 expenses; is that true?

14 A. Yes, it is. It is in this case.

15 Q. In this case.

16 A. Uh-huh.

17 Q. And in your testimony you've described
18 several categories of what incremental O&M expenses
19 are; is that true? Between pages, I think 4 and 7
20 you describe some of the incremental O&M expenses,
21 project management activities; is that true?

22 A. Yes, between pages 4 and 7 I describe if
23 not for the PIR program, these would not be
24 incremental expenses.

25 Q. And in addition you've identified

1 prioritization and scoping activities, the costs of
2 those are also incremental O&M expenses.

3 A. Again, are you referring to a specific
4 line?

5 Q. Question 15 on page 4.

6 A. Okay.

7 Q. And on page 5, question 16, you're
8 discussing contractor management activities, the
9 costs of those activities are part of the incremental
10 O&M expenses as well?

11 A. Yes, they are.

12 Q. And on page 6, question 17, monitoring
13 and reporting activities, the costs of those
14 activities you believe to be incremental O&M
15 expenses.

16 A. Yes, we do.

17 Q. And can you tell me within the, and let's
18 go back to the first item on page 3, the project
19 management activities. DEO incurs those types of
20 costs as part of their non-PIR construction
21 activities as well, don't they?

22 A. I'm not sure if I understand the
23 question.

24 Q. Do you incur costs of project
25 management -- do you incur project management costs

1 in non-PIR construction programs?

2 A. Yes, we do.

3 Q. And are those costs expensed as well?

4 A. Well, if you're referring to it from an
5 accounting standpoint, or you're referring to it from
6 a capitalization standpoint --

7 Q. Is there a difference?

8 A. Well, overheads are different. And
9 project management costs could be part of that. I
10 would have to refer back to Vicki perhaps to help us
11 with that. But all my testimony is based on any
12 incremental costs incurred as a direct result of the
13 PIR program.

14 Q. But you are also familiar with capital
15 projects that are non-PIR.

16 MR. COLBERT: I'm going to object at this
17 point, your Honor. Mr. Sauer has asked a number of
18 questions about non-PIR related costs. The witness
19 has now answered that that's outside the scope of his
20 testimony. His testimony deals with PIR related
21 costs only. And I am not at all certain how non-PIR
22 related costs are relevant to the case.

23 EXAMINER PIRIK: I'll overrule the
24 objection at this point. You can continue,
25 Mr. Sauer.

1 MR. SAUER: Thank you, your Honor.

2 Q. (By Mr. Sauer) Mr. Reed, I think in your
3 previous answer you said that it depends whether
4 you're talking about accounting or capitalization.
5 You were trying to distinguish between two treatments
6 for those costs?

7 A. What I was trying to distinguish is we
8 have PIR costs that are associated to O&M that are
9 associated with this testimony, but we also have
10 costs associated with project management costs
11 outside of the PIR project.

12 Q. Yes. And I guess what I'm asking you to
13 focus on are the project management costs outside of
14 the PIR program for a moment.

15 A. Uh-huh.

16 Q. As you incur those costs, are those
17 treated as an expense item for the company?

18 A. I don't know if I know the answer to
19 that.

20 Q. How do you charge your time when you're
21 involved with construction activities?

22 A. My time is charged to an O&M function.

23 Q. And would your O&M function be part of
24 the project management activity?

25 A. If I was doing it to a specific project,

1 it would, but currently my time is not charged to a
2 specific project.

3 Q. For the employees who, as you describe in
4 your answer 14, who oversee the entire construction
5 process from the planning through the design and the
6 construction including all restoration issues; do you
7 see that?

8 A. Uh-huh.

9 Q. Are you familiar with how those DEO
10 personnel charge their time?

11 A. I'm familiar with the majority of the
12 folks involved in this and how they charge their
13 time.

14 Q. And what's your understanding of how they
15 would charge their time?

16 A. Project specific would be capitalized.
17 Overtime for project management not specifically
18 charged to a specific project would be O&M.

19 Q. When you say the time, if it's associated
20 with a specific project is capitalized, what do you
21 mean by a specific project?

22 A. If a, for instance, if a project manager
23 is involved with a specific project and the activity
24 in the field, that project would most likely be
25 charged to that capital work code. In the event that

1 the project manager was involved in meetings not
2 specific to that specific project, that would fall
3 back to O&M charges.

4 Q. And if we go back to the PIR program for
5 a minute, are those projects all specific projects
6 that you would expect these type of individuals to
7 charge those specific projects if they're involved in
8 the project management activities?

9 A. I'm not sure if I followed the question.
10 Could you restate that for me?

11 MR. SAUER: Could you reread the
12 question?

13 (Record read.)

14 A. I would expect them to charge their time
15 appropriately to the project if involved with the
16 project. If not involved with the project and the
17 example would be training or something to that
18 effect, I would not expect them to charge it to that.

19 Q. But, again, based on your answer 14
20 you're talking about personnel who oversee the entire
21 construction process from planning through design and
22 construction including restoration for a specific
23 project, correct?

24 A. Yes.

25 Q. Why wouldn't time be capitalized as

1 opposed to expensed?

2 A. Well, in many cases they're doing
3 multiple projects that involve several parts of
4 different projects; as a result those would be O&M.

5 Q. But in a situation where they weren't
6 involved with multiple projects and they were
7 involved in a specific project, would their time be
8 expensed or capitalized?

9 A. It would be capitalized.

10 Q. And if they were involved in multiple PIR
11 projects, would their time be expensed or
12 capitalized?

13 A. Depends on the nature of the work they're
14 doing at the time.

15 Q. In your answer 14 beginning line 12 you
16 state that "Project management expenses are separated
17 into multiple WBS elements. Specifically,
18 'PIR.2.IRP.' refers to labor and related vehicle
19 costs associated with project management for work on
20 long duration, or 'major' projects, which together
21 involved \$36.6 million or approximately 41 percent of
22 DEO's recent filing."

23 Do you see that?

24 A. Yes, sir.

25 Q. Now, is the 36.6 million you're speaking

1 to, is that part of the incremental O&M that you're
2 trying to recover as incremental O&M expense?

3 A. No, it is not.

4 Q. Okay. What is that 36.6 million
5 referring to?

6 A. 36.6 is referring to the increase in our
7 capital expenditures as a result of the incremental
8 PIR projects.

9 Q. And as part of the -- do you know what
10 part of the 1.1 million incremental O&M expenses that
11 are proposed to be recovered in this case relate to
12 project management activities?

13 A. I assume we have the attachment, the
14 detail to the back.

15 Q. Is that attached to your testimony?

16 A. Yes, it is.

17 MR. SAUER: I don't have that attachment.

18 Q. If I understand -- can you kind of walk
19 me through your PIR O&M incremental costs for
20 2008-2009 reporting as a revised 8/14/09 date on it.
21 What is this document, sir?

22 A. This document refers to the incremental
23 O&M expenses of approximately 1.1 million in which
24 the company requested, this is broken down by
25 categories on your left between contractor labor,

1 internal labor, and vehicle expenses. Those labor
2 charges in those categories are assigned to specific
3 WBS elements which is within our SAP system. The
4 total hours, total costs involved calculated out
5 provide the specifics as it relates to the different
6 categories.

7 Q. And what do you mean by WBS category?

8 A. WBS refers to a work basis system, it's a
9 specific category to accumulate all charges and costs
10 to a specific group, in essence an activity code.

11 Q. And the very first WBS related to
12 contract labor --

13 A. Yes, sir.

14 Q. -- what's the situation that a contractor
15 would be involved in a PIR project that would result
16 in their costs being expensed as opposed to
17 capitalized?

18 A. Again, I could point to my testimony.
19 Specifically this involves 4 additional contract
20 laborers out of the total of 30 that we have that
21 were brought on specifically to help us with the
22 incremental O&M and the PIR program, that enables
23 them to not only prepare documentation including
24 drawings and valuable information for scoping of
25 projects, but also to update our GIS system at the

1 back end of the project and any of our compliance
2 systems.

3 That code represents those four
4 individuals and their time that falls to the O&M
5 categories.

6 Q. Do you have a comparable WBS category
7 that would be for similar contract labor for non-PIR
8 projects?

9 A. Yes, we do. We would.

10 Q. And those WBS costs that would be charged
11 to that particular WBS number would also be expensed?

12 A. Yes. You're referring to the current
13 labor that was not brought on specific from the
14 program. Those charges are not reflected in this
15 spreadsheet.

16 Q. Let me make sure I understood your
17 answer. We're talking about a non-PIR project.

18 A. Yes.

19 Q. Correct?

20 A. Uh-huh.

21 Q. And the situation where there is a
22 contractor who would charge a WBS comparable to the
23 OHADMT.PIR WBS, and those costs would also be
24 expensed.

25 A. Yes, they would.

1 Q. There are, I believe there are about
2 eight WBS components under the labor category, and I
3 believe you said that's internal company labor?

4 A. Yes, I did.

5 Q. And, again, those are -- are those WBS
6 categories that have comparable WBS accounts for
7 non-PIR projects?

8 A. Yes, they would.

9 Q. So the PIR.1.ADMT has a comparable WBS
10 account for non-PIR projects.

11 A. Yes, they would.

12 Q. And the costs charged to that WBS account
13 would be expensed as opposed to capitalized.

14 A. Again, these costs only reflect
15 incremental expenses with O&M due to PIR. Any other
16 costs, O&M expenses not charged to PIR, would be in
17 the appropriate categories throughout the company.

18 Q. Do you consider, for example, the
19 PIR.1.ADMT WBS account, is the comparable account in
20 a non-PIR project, is that collecting incremental O&M
21 costs?

22 A. I don't know if I follow your question.
23 If you're asking if there is an associated account to
24 the ADMT account that is collecting nonincremental or
25 incremental O&M to PIR, the answer is no. There's no

1 other account associated with incremental O&M that is
2 not reflected here and, therefore, there's no other
3 costs.

4 Q. And the company's not collecting
5 incremental O&M for non-PIR projects for any reason.

6 A. I don't know if I could answer that
7 specifically.

8 MR. SAUER: May I have a second, your
9 Honor?

10 EXAMINER PIRIK: Yes.

11 MR. SAUER: I have no further questions,
12 your Honor.

13 EXAMINER PIRIK: Mr. Wright.

14 MR. WRIGHT: Yes, thank you, your Honor.

15 - - -

16 CROSS-EXAMINATION

17 By Mr. Wright:

18 Q. Good morning, Mr. Reed.

19 A. Good morning.

20 Q. I just have a couple questions here for
21 you. If I could, turn to page 3, please, of your
22 testimony. Are you there?

23 A. Page 3, yes.

24 Q. Okay. The answer beginning on line 1
25 there, you reference parties' agreement and

1 Commission approval. Do you see that?

2 A. Yes, I do.

3 Q. Would I be correct you're referring to
4 the, by parties' agreement are you referring to the
5 stipulation that was approved as part of the prior
6 rate case?

7 A. What I'm referring to here is, I'd have
8 to -- I don't know the specific number, but I'm
9 referring to the Commission agreement that was
10 reached post our filing.

11 Q. The stipulation. Is that the stipulation
12 and recommendation?

13 A. I'm not sure if that's the stipulation
14 and recommendation or it's in the final filing. So
15 I'd have to get clarification on that.

16 Q. Well, you go on to say Commission
17 approval which I took to mean the Commission order
18 approving the stipulation.

19 A. I see. Okay.

20 Q. Okay. Now, you of course are aware that
21 recovery of incremental O&M expenses is being
22 disputed in this case.

23 A. Yes, I'm aware of that.

24 Q. And by -- you're not an attorney, are
25 you?

1 A. No.

2 Q. So obviously your understanding of the
3 parties' agreement or the Commission's order is based
4 upon your laymen's reading of those documents and
5 nothing more, correct?

6 A. That's true.

7 Q. Okay. Now, also on page 3, down at line
8 14, you talk about "the sheer magnitude of the PIR
9 program has required," you go on. Do you see that?

10 A. Uh-huh.

11 Q. The size or magnitude, if you will, of
12 the PIR program, that is -- the level and timing of
13 PIR expenditures is controlled by Dominion East Ohio;
14 is that correct?

15 A. Yes, it is.

16 Q. Projects can be added or scaled back at
17 the discretion of Dominion East Ohio, correct?

18 A. Yes, they can.

19 Q. Okay. Now, I want to be clear. I want
20 to make sure I'm clear on something here. As we're
21 using this term "incremental expense," is it your
22 testimony that expenses are incremental because they
23 relate to the PIR activities. And again, PIR, you
24 understand that is the pipeline infrastructure
25 replacement program?

1 A. Yes, sir.

2 Q. Your answer is yes to my question?

3 A. Yes.

4 Q. Okay. On page 4 of your testimony, sir,
5 the sentence begins I believe on line 13 and I'd like
6 to -- go ahead and start reading the sentence there
7 if you'd like. I'd like to direct your attention to
8 actually line 15. Tell me when you've read the
9 sentence, if you would, please.

10 A. Uh-huh.

11 Q. You used the term in quotes there "major
12 projects," do you see that?

13 A. Yes.

14 Q. Would I be correct that your use of that
15 term refers to transmission or higher-pressure line
16 projects; would that be fair?

17 A. No, that would be not true.

18 Q. Okay. Please tell me what you mean by
19 major projects.

20 A. Sure. Major is an internal term that we
21 use that qualifies projects of long duration or large
22 expense. A major project could include a residential
23 distribution system which could be non-regulated
24 pounds of pressure or low pressure and a major
25 project could include indeed a transmission system

1 that you just referenced. So major is internal to
2 us, it is not specific to size, pressure or distinct
3 application of a pipeline.

4 Q. Are you aware of whether or not the
5 company, Dominion, has in any prior data response or
6 inquiry of the staff referred -- used the term "major
7 project" to refer to transmission or higher-pressure
8 projects? Would that surprise you?

9 A. It would not surprise me.

10 Q. You state here in your testimony, do you
11 not, that major projects accounts for 41 percent of
12 DEO's filing; is that right?

13 A. That's true.

14 Q. Would the balance of that be primarily
15 distribution related?

16 A. I couldn't answer that without
17 specifically seeing. It could be related to
18 distribution, but it could also include smaller
19 projects of transmission in nature.

20 Q. You wouldn't have, as you sit here today
21 I guess, any approximate breakdown of what the
22 remaining 59 percent of that would be between small
23 transmission and distribution, for example?

24 A. It wouldn't be fair to answer that
25 without the proper documentation in front of me, but

1 I would have to --

2 Q. Do you have those documents?

3 A. Not with me.

4 Q. Are you saying you don't have them at the
5 witness stand or you don't have them on the premises
6 today?

7 A. I don't have them at the witness stand in
8 front of me.

9 Q. Would that be difficult for you to obtain
10 those documents and give me -- I'm not looking for
11 the dollar, I'm looking for just general magnitude.

12 A. Sure.

13 Q. And if you can give me general magnitude
14 without reference to the documents, that's fine.

15 A. I would, you know, in terms of magnitude,
16 and certainly we could look to see if that's
17 something we could gather, we have not gathered it
18 already, but beyond major projects there would be
19 minor projects or public authority relocation
20 projects, the bulk I would assume would be public
21 authority or minor projects of short duration,
22 typically that could be done in a week to two weeks
23 involving, again, incremental spending and also
24 capital costs.

25 Q. So I may have misheard you. The minor

1 category, you used the term minor category as opposed
2 to major, includes what again?

3 A. Again, minor categories and major are
4 capitalized. O&M expenses associated with both major
5 and minor would also be included because of
6 incremental work. Projects of short duration would
7 be considered minor. We'd have projects that include
8 public authority or relocation for third parties,
9 those would be included as well.

10 MR. WRIGHT: Okay. I don't believe I
11 have any other questions. Thank you.

12 EXAMINER PIRIK: Redirect, Mr. Colbert?

13 MR. COLBERT: Your Honor, could we take
14 just a five-minute break, please?

15 EXAMINER PIRIK: I want to be sure that
16 we try to get through as many witnesses as we can, so
17 we'll stay here and we'll wait for you to confer but
18 we'll take a few minutes.

19 MR. COLBERT: Thank you very much.

20 (Recess taken.)

21 EXAMINER PIRIK: Mr. Colbert.

22 MR. COLBERT: Thank you, your Honor.

23 - - -
24
25

REDIRECT EXAMINATION

By Mr. Colbert:

Q. Mr. Reed, do you remember questions from Mr. Sauer talking about the company tracking and accounting for various PIR costs?

A. Yes, I do.

Q. Does the company track and account for PIR project management costs separately?

A. Yes.

Q. And Dominion East Ohio distinguished PIR related costs from non-PIR related costs?

A. Yes.

Q. Could the company have increased the same level of incurred project management O&M expense if it were not for the PIR program?

A. Could you repeat that?

Q. Sure. Would the company have incurred the same level of project management O&M expense if it were not for the PIR program?

A. No, we wouldn't.

Q. Do you remember some questions from counsel for staff, Mr. Wright, regarding information concerning major and minor projects?

A. Yes, I do.

Q. And has the company provided a breakdown

1 of the types of investments, major and minor, to
2 staff as part of the staff data requests?

3 A. Yes, we have.

4 MR. COLBERT: Thank you. That's all I
5 have, your Honor.

6 EXAMINER PIRIK: Thank you.

7 Mr. Sauer, do you have any recross?

8 MR. SAUER: No, your Honor.

9 EXAMINER PIRIK: Mr. Wright?

10 - - -

11 RECROSS-EXAMINATION

12 By Mr. Wright:

13 Q. Were you responsible for that data
14 response that was provided to the staff, sir?

15 A. No. Someone on my staff perhaps provided
16 it up through --

17 Q. But that would have come through your
18 office; is that right?

19 A. It may have come through my office or
20 another office within the organization.

21 Q. Do you know whether or not that data
22 response listed projects as major and minor?

23 A. Yes, it does.

24 Q. Using those -- I'm sorry, do you know
25 whether or not it used those designations?

1 A. Sure. We provided a breakdown.

2 Q. Okay. And without -- do you know whether
3 or not there was any further explanation as to what
4 those meant on that data response?

5 A. We had provided information, again, with
6 respect to majors, minors, public authorities, as
7 requested.

8 MR. WRIGHT: That's fine. Thank you.
9 Nothing else.

10 EXAMINER PIRIK: Thank you, Mr. Wright.

11 MR. COLBERT: Nothing further, your
12 Honor.

13 EXAMINER PIRIK: Well, with regard to the
14 exhibit.

15 MR. COLBERT: Well, with regard to the
16 exhibit we would move that the exhibit be accepted
17 into evidence and marked, well, it's already been
18 marked as DEO Exhibit 3.

19 EXAMINER PIRIK: Yes, I will allow it to
20 be marked as DEO Exhibit 3. Are there objections to
21 this exhibit?

22 MR. SERIO: It's Mr. Sauer's witness but
23 this relates to the initial motion to strike so if
24 it's all right with you, I was going to address it.

25 OCC relied on the electronic copy we got,

1 and the attachment was not on the electronic copy
2 that we received. And evidently the same holds for
3 the copy that counsel for the staff didn't get. So
4 to the extent that there was the question of
5 prejudice, we relied on the electronic copy we got,
6 it did not have an attachment, just another reason
7 why we think that it should have been stricken, your
8 Honor.

9 MR. COLBERT: Your Honor, in regard to
10 the attachment, that was the document that I referred
11 to that wouldn't originally go through in one page.
12 It did go through, it went through -- we had to put
13 it through as a separate document from Mr. Reed's
14 testimony. And of course it was hand-delivered to
15 all of the parties. And it also got docketed in the
16 paper version.

17 Now, I have not checked to see what
18 happened with the electronic version, but it was
19 delivered to everybody that day. And, in fact, well,
20 it was delivered to everybody that day, and it was
21 filed both electronically and by paper.

22 EXAMINER PIRIK: Let me just say that I
23 do understand that you just received a copy of it,
24 and to the extent that you need additional time in
25 order to review it, I will visit that at the

1 conclusion of the direct testimony. You will perhaps
2 have time to look at it over lunch. If you need
3 additional time, you need to ask me at that time.

4 I don't want anyone to not have
5 sufficient time to look at this. So we will continue
6 to discuss this issue. I will allow -- are there any
7 other objections, I guess I should say, with regard
8 to this other than what Mr. Serio mentioned?

9 MR. WRIGHT: Well, Mr. Serio's
10 representation was accurate. It's my belief that the
11 hand-delivered copy that I received, and I actually
12 followed the gentleman in who was delivering it that
13 day, does not appear to include the exhibit that
14 we're talking about.

15 MR. COLBERT: The hand-delivered, I can
16 confirm, has it because it's on the Commission's
17 docketing site attached to the hand-delivered
18 version.

19 MR. WRIGHT: Well, what I believe was the
20 hand-delivered copy I got doesn't -- I'm just saying,
21 Paul, it includes the sheet that says the foregoing
22 was electronically filed, but it does not include the
23 exhibit itself. For what that's worth.

24 EXAMINER PIRIK: Okay.

25 MR. WRIGHT: I don't have an explanation.

1 MR. COLBERT: That, I don't --

2 EXAMINER PIRIK: I would ask that OCC and
3 the staff look at the attachment over the lunch break
4 that we're not taking right now, but when we do take
5 it, that you look at it and you let the Bench know if
6 you need additional time to review the document. We
7 will consider providing you with additional time and
8 we'll deal with it at that point in time. I want to
9 be sure everyone has a sufficient amount of time to
10 review the information that is being admitted into
11 the record.

12 That being said, we will admit DEO
13 Exhibit 3 with the attachment into the record.

14 (EXHIBIT ADMITTED INTO EVIDENCE.)

15 EXAMINER PIRIK: Thank you very much.

16 MR. COLBERT: Thank you, your Honor.

17 EXAMINER PIRIK: Mr. Colbert.

18 MR. GARBER: Your Honor, DEO does have
19 one other witness. If we wanted to proceed to direct
20 prior to lunch, we can do that.

21 EXAMINER PIRIK: Yes, I would like to do
22 that.

23 MR. GARBER: At this time the company
24 calls Mr. Hall.

25 EXAMINER PIRIK: Would you please raise

1 your right hand.

2 (Witness sworn.)

3 EXAMINER PIRIK: Please be seated.

4 - - -

5 ERIC HALL

6 being first duly sworn, as prescribed by law, was
7 examined and testified as follows:

8 DIRECT EXAMINATION

9 By Mr. Garber:

10 Q. Grant Garber on behalf of the company.
11 Mr. Hall, please introduce yourself.

12 A. My name is Eric Hall, I work for East
13 Ohio.

14 Q. Did you prepare prefiled written direct
15 testimony in this case?

16 A. Yes.

17 Q. And you have in front of you a document
18 that's marked as DEO Exhibit 4. Is that a copy of
19 your testimony?

20 A. Yes.

21 Q. Do you have any amendments to that
22 testimony?

23 A. Yes.

24 Q. Please tell us what they are.

25 A. On line 20 of the testimony --

1 Q. What page are you?

2 A. I'm sorry. It's not numbered. After the
3 introduction, the question regards question No. 4
4 "Have you previously testified before the
5 Commission," I answered "no," and upon further
6 reflection I did recall another case I testified in
7 some 15 years ago. There was one other case where I
8 testified before the Commission.

9 Q. Can you tell us just very briefly what
10 that case was about?

11 A. It was a case involving a dispute between
12 East Ohio and Brainard Gas which is another gas
13 company, it was a pipeline safety dispute where
14 Brainard Gas was considered by the utility commission
15 to have done some improper installation of facilities
16 and East Ohio and Brainard were involved in some
17 disputes over customers, we were fighting over
18 customers, Brainard was taking customers from East
19 Ohio, and there was a legal proceeding involving that
20 case and I testified in that case.

21 Q. Mr. Hall, do you have any other
22 amendments to your testimony?

23 A. Yes. On page 4 at line 3, I had
24 submitted some data to support a portion of the claim
25 that I was making regarding increase in leak repairs

1 and what I had hoped was that the data that I had
2 submitted would be put into a box and made into a
3 table; that didn't happen. I put a note there on the
4 side at the end of line 3, it says "Help me make a
5 table here." The data that's presented here on lines
6 5 and 6 is factually correct and it's the data I
7 wanted to present, all I wanted was to have a box
8 drawn around it; that didn't happen.

9 Q. So what's the amendment you want to make
10 in particular?

11 A. The amendment I would like to make is to
12 strike the words in parentheses on line 3 that say
13 "Help me make a table here."

14 Q. Thank you.

15 Do you have any further amendments?

16 A. No.

17 Q. And subject to those amendments if I
18 asked you today all the questions that appear in your
19 prefiled testimony, would your answers be the same?

20 A. Yes.

21 MR. GARBER: At this time, your Honor, we
22 tender the witness for cross-examination.

23 EXAMINER PIRIK: OCC.

24 MR. SERIO: Thank you, your Honor.

25 - - -

CROSS-EXAMINATION

By Mr. Serio:

Q. Good morning, Mr. Hall.

A. Good morning.

Q. I want to make sure that I have the right document here. Your direct testimony consists of seven numbered pages and 17 questions and answers, correct?

A. Yes.

Q. And there's no charts or attachments to your testimony; is that correct?

A. That's correct.

Q. Okay. Are you generally familiar with proceedings last summer in the Dominion East Ohio rate case and initial requests for the PIR?

A. Generally familiar, I would not describe that as my level of familiarity. I would say I was aware.

Q. You were aware, okay. The information on page 4, on lines 5 and 6, show actual O&M leak repairs, correct?

A. Yes.

Q. And you indicate there that the numbers increased in '08 and that you expect it to continue to increase in '09 and be larger than the number in

1 '09; is that correct?

2 A. Yes.

3 Q. Now, when the company actually began
4 replacing pipe, did the company focus on replacing
5 the pipe that was the most in need of repair because
6 it was leaking the most, or what did the company
7 focus on in deciding which projects to attack first?

8 A. I think the best way to answer that
9 question would be to look back in the testimony that
10 the company filed at the time. My understanding of
11 our initial attempts were we were looking at some of
12 the larger projects that could have the biggest
13 safety impact meaning we were focusing initially on
14 some of our higher pressure transmission lines or
15 gathering lines in the very initial phases of the
16 program.

17 Q. Do you know who Mr. McNutt is?

18 A. I do.

19 Q. And are you familiar that he was a
20 witness in the proceeding --

21 A. I am.

22 Q. -- last year? And do you recall that as
23 part of his testimony, he indicated that regardless
24 of the PIR program, his opinion that the Dominion
25 East Ohio pipeline system was safe as of the date

1 that we had the hearing?

2 A. I do not recall that specifically.

3 Q. Do you recall that he indicated in his
4 opinion the system would be safe "tomorrow" is the
5 word that we used at the time, even if the Commission
6 did not approve the PIR program?

7 MR. COLBERT: Objection, your Honor. In
8 the two consecutive questions counsel for OCC is
9 essentially testifying to hearsay of what another
10 witness said in the other case, and this witness has
11 already answered that he's unaware of the specifics
12 of that testimony.

13 MR. SERIO: Your Honor, the answer three
14 questions ago he said you'd have to refer back to the
15 testimony in that case. That's what I'm doing. I'm
16 referring back to the testimony that he referred to
17 in his answer, so just trying to see what he does and
18 doesn't recall.

19 EXAMINER PIRIK: I'm going to overrule
20 the objection, but before we go any further with this
21 line of questioning I want to clarify, because this
22 is one of the areas that I'm concerned about.

23 Mr. McNutt's testimony is referred to in
24 other testimony that has been filed in this
25 proceeding, and on line 7 of page 4 of this witness's

1 testimony he, and perhaps this is where Mr. Serio is
2 continuing his questioning of, but it refers to
3 testimony, at some place, figure 11, page 23, from a
4 Black & Veatch report and there is nothing, no one's
5 asked to mark an exhibit that references those items
6 or, you know, I think what we had agreed to was that
7 other than the transcript, which I will consider
8 administrative notice of in the distribution rate
9 case in 08-829 -- 07-829 and 08-169, any piece of
10 testimony or document is going to be marked as an
11 exhibit.

12 So before we go further I want to be sure
13 we're clear what testimony are we referring to on
14 line 7 and what's going on with Mr. McNutt's
15 testimony as far as getting that in the record.
16 Because it is referred to in another piece of
17 testimony here.

18 MR. WRIGHT: Your Honor, if I may, and
19 maybe this will help, I hope it will, in light of the
20 discussion at the outset we had copies made of
21 Mr. McNutt's testimony. I would be happy to allow
22 OCC to have these copies and mark them as an exhibit
23 if they would choose to. If that's -- is that
24 consistent with what we're --

25 MR. COLBERT: We have no objection.

1 MR. WRIGHT: -- trying to do here?

2 EXAMINER PIRIK: Yes.

3 MR. WRIGHT: Then that will save us
4 having to do that later.

5 EXAMINER PIRIK: Can we go off the record
6 for just a minute while you're passing those out.

7 (Discussion off the record.)

8 EXAMINER PIRIK: We'll go back on the
9 record. For ease of reference, when we are
10 discussing or a party is referencing or the Bench is
11 referencing filings that were made in both 07-829 and
12 08-169, they, rather than refer to the case number,
13 will be permitted to refer to it as the DEO
14 distribution rate case and that will be referencing
15 documents that were in both of those cases.

16 If there's a need for distinction, then
17 the parties will need to distinguish which case the
18 document was actually filed in and a specific date so
19 that the record is clear exactly what document we're
20 talking about, and then those documents need to be
21 brought forth. But henceforth when saying "DEO
22 distribution rate case," that is what we are
23 discussing is both of those cases, consolidated.

24 Now, Mr. Serio.

25 MR. SERIO: Thank you. Can I approach,

1 your Honor?

2 EXAMINER PIRIK: Yes.

3 Q. (By Mr. Serio) I'm handing you a
4 multiple-page document, 16 pages long, and it's
5 entitled Direct Testimony of Tim C. McNutt on Behalf
6 of Dominion East Ohio, and it's got a series of case
7 numbers on it beginning with 07-829-GA-AIR. Do you
8 have that document?

9 A. Yes, you've given it to me.

10 MR. SERIO: And I'd like to mark it for
11 purposes of identification as OCC Exhibit 1 and this
12 was DEO Exhibit 10.0 in the Dominion East Ohio rate
13 case.

14 EXAMINER PIRIK: That document is so
15 marked.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 Q. Would you agree with me that this is the
18 Mr. McNutt that I asked you about earlier in my
19 cross-examination?

20 A. Yes.

21 Q. And on page 4, line 7 of your testimony
22 you indicate "As DEO pointed out in PIR application
23 testimony." Is this the testimony you're referring
24 to?

25 A. The testimony that I'm referring to was

1 the Black & Veatch report that I specifically mention
2 on line 8.

3 Q. So you were not referring to any company
4 witness testimony?

5 A. I was referring to the Black & Veatch
6 report, page 23, figure 11, which I know was
7 submitted by the company during this process. I
8 don't know who submitted it.

9 Q. Now, I had asked you previously if you
10 were familiar with Mr. McNutt's testimony regarding
11 safety of the Dominion pipeline infrastructure absent
12 the Commission approving the PIR process. Do you
13 recall that question?

14 A. Yes.

15 Q. Now, do you recall from the proceeding,
16 the rate case proceeding last year, do you recall any
17 of Mr. McNutt's testimony regarding his view on how
18 safe the distribution system was at the time?

19 A. I was not present when Mr. McNutt made
20 his testimony. I do not recall it.

21 Q. Now, it's your testimony that the repairs
22 that East Ohio is undertaking is based on maintaining
23 safety first; is that correct?

24 A. The repairs that East Ohio is undertaking
25 are based on the leaks that we find.

1 MR. WRIGHT: Excuse me, sir, can you keep
2 your voice up a little bit, you trail off a little
3 bit at the end.

4 THE WITNESS: All right.

5 Q. The prioritization of the work the
6 company is doing under the PIR, you can't do all the
7 jobs at once, correct?

8 A. That's correct.

9 Q. You have to prioritize.

10 A. That's correct.

11 Q. And in prioritizing different jobs, does
12 the company look at the pipe that is leaking the
13 most? Does the company look at a job by replacing it
14 they could save the most money? What is the criteria
15 that you understand the company uses to decide which
16 job to do first?

17 A. The company has a prioritization process
18 which is performed over in the design and engineering
19 function. I don't work in that organization. My
20 group is responsible for finding leaks and fixing
21 leaks. So if we find a pipeline that is leaking that
22 we believe needs to be replaced, we will submit it
23 for consideration in that process and there is a
24 multi-step process that is gone through to help
25 prioritize which project gets done next. I am not

1 intimately familiar with that process.

2 I know that leakage is one of the factors
3 that are considered.

4 Q. So generally speaking the more leaks a
5 particular pipeline has, the more reason you would
6 have to place it higher in the list of prioritization
7 to be replaced.

8 A. It would influence the priority.

9 Q. And it's your testimony that it would
10 influence the priority because of implications for
11 safety.

12 A. Whenever a leak is found on a pipeline we
13 have to classify it in terms of its severity. And so
14 the rate at which or speed with which we repair it is
15 based on that leak classification.

16 Q. So it would be safe to say that the leak
17 classifications that might result in some kind of
18 explosion would be the ones that you would repair
19 most immediately, correct?

20 A. Yes.

21 Q. And any leaks that you would characterize
22 as a very slow leak that would not carry the same
23 risk of explosion would be those that would get a
24 lower prioritization, correct?

25 A. Leaks that we determine to be less likely

1 to be a hazard would get a lower leak classification
2 and would have a longer repair time frame.

3 Q. Now, generally speaking, the more leaks
4 on a particular pipe, that would increase the
5 probability that you might have a higher
6 prioritization due to the potential risk for
7 explosion, correct?

8 MR. GARBBER: Objection. I believe this
9 question is calling for testimony that's beyond the
10 scope of the stated expertise of this witness. This
11 witness says he doesn't work in the group that does
12 the prioritization. His group finds leaks and fixes
13 them and I think that we should limit questions and
14 testimony to that framework.

15 EXAMINER PIRIK: Mr. Serio.

16 MR. SERIO: The witness has talked about
17 prioritization for safety reasons. I'm trying to
18 explore what he means by "safety" as it relates to
19 leakage. To the extent that he's testifying that --
20 he's demonstrated an understanding of low
21 prioritization versus the high prioritization, it
22 seems to me it's within his area of expertise to
23 explain how the leaks and the leak rate affect safety
24 and how that affects his understanding of where it
25 falls in the prioritization.

1 I understand he doesn't make those final
2 decisions. I'm asking him generally if he agrees
3 that the increased number of leaks would cause him to
4 prioritize it higher.

5 EXAMINER PIRIK: Okay, overruled.

6 A. I'm sorry, is there -- I don't recall the
7 question.

8 Q. Let me rephrase the question.

9 A. Yes.

10 Q. To the extent that generally there's more
11 leaks on a particular pipeline --

12 A. Yes.

13 Q. -- would that lead you to believe then
14 that it would increase the likelihood that it would
15 be a leak that would require higher prioritization?

16 A. If there are more leaks on a segment of
17 pipeline, I believe it will push it higher up on the
18 priority list. Whatever leaks are on that pipeline
19 are going to be classified the same way regardless of
20 where it is on the priority list. So if we find a
21 class 1 leak which we believe to be an emergency, we
22 will fix it immediately.

23 Q. So for pipes that are not a class 1 leak,
24 if there were more leaks on that particular pipe,
25 that would tend to raise its prioritization.

1 A. As opposed to one that had fewer leaks,
2 yes.

3 Q. Yes.

4 A. Or similar classification, yes.

5 Q. Now, on line 13, page 4 of your testimony
6 you indicate "the initial focus of the PIR has been
7 on larger diameter bare steel transmission pipeline."
8 Do you see that?

9 A. Uh-huh.

10 Q. Is it your understanding that the larger
11 diameter bare steel transmission pipe is the pipe
12 that had the higher designation as far as being
13 needed to be replaced for safety compared to the
14 other pipeline that needed to be replaced on the
15 system?

16 A. What we were looking at was the
17 consequence of failure of a transmission line would
18 be higher than the consequence of failure on a
19 distribution line and so we prioritized it first.

20 Q. So you prioritized the transmission lines
21 generally over the distribution lines, correct?

22 A. Initially.

23 Q. But the majority of the leaks are on the
24 distribution line, correct?

25 A. Yes.

1 Q. And to the extent that you are able to
2 replace pipe that's distribution pipe first, that
3 would result in lower costs for having to repair
4 pipe, correct?

5 A. I don't understand the question. I'm
6 sorry.

7 Q. Let me reask it. To the extent that you
8 have a piece of distribution pipe and that's got more
9 leaks on it than a piece of transmission pipe --

10 A. Yes.

11 Q. -- if you replaced the transmission pipe
12 first and the distribution pipe second, you might
13 have to spend more money repairing the distribution
14 line until you can get around to replacing it,
15 correct?

16 A. Possibly.

17 Q. Now, if you were to replace the
18 distribution line first, you could avoid the costs of
19 repairing that you would incur up until the time that
20 you did replace it if you put it in a lower
21 prioritization, correct?

22 A. I'm sorry, state that again, please.

23 Q. Okay. I have a piece of distribution
24 pipe --

25 A. Yes.

1 Q. -- that's got a large number of leaks on
2 it.

3 A. A leak.

4 Q. Up until the time that you replace it,
5 you might need to repair those leaks, correct?

6 A. I might.

7 Q. To the extent that you have to repair
8 those leaks, that would cause you to incur costs to
9 repair those leaks, correct?

10 A. Yes.

11 Q. Now, if you chose to replace that pipe
12 first, then instead of having to incur all those
13 costs to repair the pipe, you could have avoided
14 them, correct?

15 A. You could avoid them and simply replace
16 the pipe, yes.

17 Q. So to the extent that you have expenses
18 for repairing distribution pipe, that could be
19 affected by the prioritization of transmission pipe
20 first and distribution second, correct?

21 A. Yes.

22 Q. And the company is the one that made the
23 decision to do the transmission line first and the
24 distribution line second, correct?

25 A. That was done in conjunction with

1 discussions with staff.

2 Q. But the company made the final decision,
3 correct?

4 A. Yeah.

5 Q. To the best of your knowledge.

6 A. To the best of my knowledge.

7 Q. Now, to the extent that you would have
8 taken year 1 of the PIR program and repaired or
9 replaced, I'm sorry, replaced distribution pipe
10 first, we could have seen a larger potential savings
11 on pipeline repair activities, correct?

12 A. I don't know that I would agree with
13 that. If you look at my testimony, I commented on an
14 increase in O&M expenses. What I've seen in the
15 last -- since we started the program is a change in
16 our focus. In pre-PIR days when we found a piece of
17 pipe that we thought needed to be replaced, we would
18 go in and replace only that pipe that was leaking.
19 We would not extend that pipe repair beyond to pipe
20 that was not leaking. That was the way -- it was a
21 reactive, if you will, pipe replacement program.

22 Now we've moved to a proactive pipe
23 placement program so if we identify that same segment
24 of leaking pipe where we may have a few leaks here,
25 but when we submit it to the PIR team and they take a

1 look at it and they say, "Okay, the bare steel main
2 actually ends three blocks down the road this way and
3 three blocks down the road that way and while that
4 line may not be leaking now, if this segment is
5 leaking, the pieces next to it are likely to be
6 leaking soon," what we will do is then prioritize
7 that entire for replacement rather than just the
8 piece that's leaking.

9 So the change has been that while we're
10 doing that work, while we're making that
11 prioritization, I may have to go in and do some O&M
12 leak repairs on those leaks that I would not have
13 otherwise done in the past but that I am doing now,
14 and that's why I think the implementation of the PIR
15 program has actually caused us to repair more leaks,
16 which you can see we have done, and increased our O&M
17 expense in the near term.

18 Q. To your knowledge, did the company
19 anticipate or expect that to be the case when they
20 proposed the PIR program?

21 A. I do not know.

22 Q. You are aware that the company, when it
23 proposed the PIR program, indicated that they
24 anticipated that there would be savings as a
25 result --

1 A. Yes.

2 Q. -- of the PIR program.

3 On page 5 of your testimony you talk
4 about the corrosion remediation category.

5 A. Yes.

6 Q. And you indicate that you do not
7 attribute these savings to the PIR program from the
8 corrosion remediation expense decrease. Do you see
9 that?

10 A. Yes.

11 Q. If you don't consider that PIR related
12 savings, why did the company propose that as one of
13 the four cost savings categories?

14 A. The company proposed that there would be
15 savings in the corrosion remediation area on
16 ineffectively coated pipe installed before 1971 as
17 that pipe was identified and removed. The company
18 did not reference corrosion activities in total, that
19 piece that we talked about was a very small subset of
20 all the pipe we have and we did point out that there
21 would be corrosion savings there. What ended up in
22 the final order was an allocation of all corrosion
23 expenses which -- that's a different set of assets
24 than we referenced in our testimony.

25 Q. Okay. My question --

1 EXAMINER PIRIK: I'm sorry, that we
2 referenced in our testimony. Again, we're talking
3 about the DEO rate case; is that the road we're going
4 down? And when you mentioned the Commission order,
5 you mentioned the order in the DEO rate case; is that
6 correct?

7 THE WITNESS: I'm referring to the
8 company's filing in the PIR program, and I apologize,
9 I don't know the filing numbers.

10 EXAMINER PIRIK: That's fine. That
11 clarifies it. It's 08-169.

12 THE WITNESS: Okay.

13 EXAMINER PIRIK: That's the application.
14 And then you said, the last word you said was
15 testimony, right, as you -- I thought you said as
16 reflected in your testimony. You kind of drifted
17 off.

18 MR. SERIO: "In our testimony" I think is
19 what he said.

20 EXAMINER PIRIK: Yes.

21 THE WITNESS: I was referring to the
22 filing application and I may have used the word
23 "testimony," I apologize, I'm an expert in --

24 EXAMINER PIRIK: You're talking about the
25 applications.

1 THE WITNESS: I was talking about our
2 application for the PIR reimbursement program.

3 EXAMINER PIRIK: Thank you for clarifying
4 that.

5 Mr. Colbert or Mr. Garber.

6 MR. GARBER: I guess we just need to
7 clarify whether it was the application in 09-458 or
8 08-169 for the particular charge or for the program
9 itself. I mean there is still that ambiguity.

10 THE WITNESS: I could show you the
11 language, I can't remember which document it's in.

12 EXAMINER PIRIK: Let's go off the record
13 for a minute.

14 (Discussion off the record.)

15 EXAMINER PIRIK: We'll go back on the
16 record. Mr. Serio.

17 MR. SERIO: Thank you.

18 Q. (By Mr. Serio) You just gave an answer
19 and you referenced some testimony. Were you
20 referencing the company's PIR application in the
21 08-169 docket?

22 A. Yes.

23 MR. SERIO: Okay. And for purposes of
24 identification, your Honor, I think the company is
25 going to offer that as a DEO Exhibit 13.

1 Q. So you were referring to DEO Exhibit 13
2 when you said "testimony" in your answer.

3 A. That's what I meant.

4 Q. Now, you talked about this pipeline
5 that's installed before and after 1970.

6 A. Right.

7 Q. The pipe that's installed after 1970,
8 you're going to still have to continue to do
9 corrosion monitoring activities for that pipe,
10 correct?

11 A. If it's made of steel, yes.

12 Q. And is there a possibility that your
13 corrosion monitoring costs for that pipe could
14 increase in the future?

15 A. Well, as the system grows, as there's new
16 construction, if we add new pipe, obviously there's
17 going to be additional corrosion expenses for that.
18 The pipe that was installed, the steel pipe installed
19 after 1971 is not the pipe that is being replaced
20 under the PIR program. It's a different set of pipe.

21 Q. You're not installing any more steel
22 pipe, correct?

23 A. We do from time to time install steel
24 pipe.

25 Q. But the steel pipe you install now is

1 treated for corrosion protection, correct?

2 A. It must be under the code; yes.

3 Q. Okay. So the company offered corrosion
4 mediation as one aspect to measure savings, correct?

5 A. We suggested there would be savings on
6 corrosion activities on ineffectively coated pipe
7 installed before 1971. That's what we said.

8 Q. Okay. So any pipe installed after 1971
9 where you might experience an increase in corrosion
10 remediation, those costs would not be reflected
11 against the savings in that category, would they?

12 A. I don't know the answer to that. I
13 mean -- I think they are included in our initial
14 filing, let's put it that way. All of those
15 expenses, were they on -- all of our corrosion
16 expenses in total were included in our filing for the
17 PIR baseline.

18 Q. So you don't know if the company offered
19 corrosion monitoring as one of the four categories to
20 measure savings knowing that the corrosion monitoring
21 costs might increase in the future.

22 A. What we stated is that there would be
23 savings on a specific class of pipe, and that's where
24 we said the savings would occur, and I believe that
25 is the truth.

1 Q. But you don't know if corrosion
2 monitoring costs won't, in fact, increase as a result
3 of the need to continue to monitor the bare steel
4 pipe in the future, correct?

5 A. Our corrosion monitoring costs may
6 increase in the future because we will need to --
7 when you look at corrosion monitoring costs in total,
8 we have to monitor all pipe that was installed after
9 1971. That is a requirement.

10 Q. So in order for there to be a savings
11 with this anticipated increase in corrosion
12 monitoring in the future, we'd have to see a
13 significantly greater increase in the other corrosion
14 related costs in order to get the savings that was
15 anticipated, correct?

16 A. In order for there to be a savings in
17 corrosion expenses in total, the corrosion expenses
18 on ineffectively coated pipe, the savings there would
19 have to be more than increased corrosion expenses in
20 other areas.

21 Q. And, in fact, the way the company is
22 proposing to look at savings is not to look at any
23 one of the four individual categories, but to net
24 them together, correct?

25 A. That is correct.

1 Q. So it's possible that we could get
2 savings in three of the four categories, but see the
3 anticipated cost increases that you expect in
4 corrosion monitoring in the future and that could
5 offset all the other savings, correct?

6 A. It's theoretically possible.

7 Q. Can you guarantee it won't happen?

8 A. No.

9 Q. So then it's possible.

10 A. It's possible.

11 Q. On page 6 of your testimony, your answer
12 16, you list a number of factors there, O&M expenses
13 included are influenced by many factors.

14 A. That's right.

15 Q. Are any of these factors items that
16 occurred since the implementation of the PIR program
17 or did these factors influence the company's thinking
18 even prior to the implementation of the PIR program?

19 A. I'm not sure I understand the question.

20 Q. Let me break it down this way. So talk
21 about improvements in technology and process
22 management.

23 A. Yes.

24 Q. That could have driven cost savings
25 before you implemented the PIR as well as after,

1 correct?

2 A. Yes.

3 Q. So with that in mind is there any factors
4 listed here that are factors after the PIR that
5 weren't also factors prior to the PIR?

6 A. No. All of the factors that I list here
7 are things that were impacting us before the PIR and
8 will continue to impact us during the PIR.

9 Q. And, in fact, whatever impact they had
10 prior, it's probably the same impact in the future,
11 correct?

12 A. I don't know that. Technology increases
13 change things rapidly. I can't speak to or speculate
14 about how that will impact our business.

15 Q. Now, do you know if the company initially
16 projected savings as a result of the first year of
17 the PIR program?

18 A. No, I don't know.

19 Q. But it's your testimony that in the
20 initial year of the program the company has
21 experienced increases in cost categories, correct?

22 A. In some of the cost categories, yes.

23 Q. Now, on page 7 of your testimony you
24 indicate ultimately DEO expects each category to
25 experience cost reductions. Ultimately. Year two?

1 Year ten? Year 25?

2 A. I don't know.

3 Q. Is there a witness in this case that
4 would be able to tell me when?

5 A. Not that I'm aware of.

6 Q. And when you say "ultimately," there's no
7 particular point in time that you're referring to,
8 correct?

9 A. No.

10 Q. So as you testify it's possible that we
11 might not see savings till year 25.

12 A. I don't know when we will see savings.

13 Q. And on line 2 when you talk about cost
14 reductions, that's what you mean with regard to
15 savings, correct?

16 A. Line 2 of page 7?

17 Q. Yes.

18 A. Yes. As compared to the baseline, yes.

19 Q. Now, on line 6, page 7 of your testimony,
20 you state "DEO should not be penalized for its
21 voluntary inclusion of such savings."

22 My question to you is should ratepayers
23 be penalized from DEO not including such cost
24 savings?

25 A. I don't understand the question.

1 Q. If the company doesn't include those
2 savings --

3 A. Right.

4 Q. -- would it be appropriate then to
5 penalize customers for not recognizing those cost
6 savings?

7 A. I think what the company is saying is we
8 want to include a cost comparison of costs in the
9 categories identified. And we think that some of
10 those categories are going to increase at least in
11 the near term and that those increases are going to
12 be due completely to the implementation of the PIR
13 program.

14 As we replace pipe, if we replace bare
15 steel pipe, most of that pipe will be replaced with
16 plastic, some we'll replace with steel. New steel
17 pipe requires new test points so that was the
18 whole -- the point of my testimony was we've actually
19 gotten more test points now for corrosion monitoring
20 and therefore more potential future remediation than
21 we had before we started.

22 And so what we're saying is if you're
23 going to look at all the savings, you also have to
24 look at the ways in which the PIR program may have
25 influenced those costs to go up and that that is the

1 appropriate way to look at these expenses.

2 Q. And what you're saying is the company
3 should not be penalized because they've included a
4 category of cost savings, correct?

5 A. What this references was this issue of
6 corrosion correction expense which was not
7 specifically referred to in the order. I believe the
8 order referenced corrosion monitoring. And it's a
9 question we weren't -- we believed the corrosion
10 process includes two steps, one is monitoring the
11 test points that you have out there, and then when
12 you find test points that don't meet the criterion as
13 specified in the code, you have to take correction
14 activity to make sure they do meet the requirements
15 of the code.

16 Q. When you say "code," what were you
17 referring to?

18 A. The pipeline safety code, 49 CFR.

19 Q. Is that Department of Transportation?

20 A. Yes.

21 Q. United States Department of
22 Transportation?

23 A. 42 CFR part 192.

24 Q. So my question to you was you're saying
25 the company shouldn't be penalized. My question then

1 is, is it your testimony that customers should be
2 penalized by the company not including that cost
3 category?

4 MR. GARBER: Objection. Asked and
5 answered.

6 EXAMINER PIRIK: Objection overruled.

7 A. I don't think we're penalizing the
8 customers.

9 Q. So in your opinion not recognizing those
10 savings would not be penalizing customers.

11 A. In my opinion the appropriate way to
12 recognize savings is to look at the costs in their
13 entirety.

14 Q. So if in its entirety costs went up,
15 there would be no cost savings, then; is that
16 correct? That's the way you would suggest we look at
17 it?

18 A. If all of the cost categories went up,
19 there would be no savings. I don't think that we
20 would then increase the PIR but -- I don't think it
21 would go negative, if you will.

22 Q. Now, if that was to occur, then, we
23 wouldn't achieve the savings that you think
24 ultimately we would expect to see in the PIR program,
25 correct?

1 A. The biggest thing that's going to drive
2 savings in this program over the long-term is
3 reduction of incidents of leaks. That's really where
4 the money is because as you replace bare steel pipe,
5 most of the leaks that we see are on bare steel pipe,
6 as you replace bare steel pipe and you have less and
7 less and less of it in your system, you're going to
8 experience fewer incidents of leaks, as we get to
9 that point there will be savings.

10 Q. If most of the savings are in reducing
11 incidents of leaks, why is not that the priority to
12 replace that pipe first?

13 A. We looked at, as I talked about earlier,
14 we looked at the consequence of failure for
15 transmission lines being higher and so we started
16 there. We are already beginning to replace
17 distribution pipe under the program as well and I
18 expect that we will be replacing more distribution
19 pipe in the coming year than we did this year under
20 the program.

21 Q. Can you --

22 MR. WRIGHT: Excuse me, Joe. Can I have
23 the last response read back, please?

24 EXAMINER PIRIK: Yes.

25 (Record read.)

1 MR. WRIGHT: Thank you.

2 MR. SERIO: Can I approach, your Honor?

3 EXAMINER PIRIK: Yes.

4 Q. You previously referenced what had been
5 marked as DEO Exhibit 13 which is the application in
6 the 08-169 proceeding. I'm showing you that. Can
7 you show me where in that document it indicates that
8 transmission pipe needs to be replaced first because
9 there's the greater risk of failure of the
10 transmission pipe?

11 A. I don't know that this document says
12 that.

13 Q. Do you know if there's any document that
14 the company has entered into the record in this
15 proceeding that shows or quantifies the increased
16 risk of failure to the transmission line versus the
17 distribution line?

18 A. I don't know if we have submitted such a
19 document or not.

20 MR. SERIO: Thank you. That's all I
21 have, your Honor.

22 MR. WRIGHT: I'm sorry, Joe, can I just
23 hear the last question and answer again, please?

24 MR. SERIO: Sure.

25 (Record read.)

1 MR. WRIGHT: Thank you.

2 EXAMINER PIRIK: We'll go off the record.

3 (Discussion off the record.)

4 EXAMINER PIRIK: We'll go back on the
5 record. Mr. Wright.

6 MR. WRIGHT: Thank you.

7 - - -

8 CROSS-EXAMINATION

9 By Mr. Wright:

10 Q. Good afternoon, Mr. Hall. How are you?

11 A. It is afternoon. Thank you, I'm good.

12 Q. Just the last line of questioning that
13 you were engaging in with Mr. Serio -- well, strike
14 that.

15 It's your testimony that as you sit here
16 today -- strike that.

17 It's your belief that the possibility for
18 savings that could be achieved under the PIR is a
19 longer-term proposition; is that fair?

20 A. Yes.

21 Q. And I believe you just testified, did you
22 not, that, and I quote, "where the money is is
23 repairing distribution leaks"; is that correct?

24 A. I said where the money is, I believe I
25 testified was in repairing leaks.

1 Q. You did not indicate "distribution."

2 A. I don't recall if I used the word
3 distribution in the response or not.

4 Q. All right. Your testimony identifies,
5 does it not, a greater incidence of distribution
6 leaks than DEO has been repairing; is that correct?

7 A. The number of leaks that we have repaired
8 has increased over the last several years; that's
9 what my testimony says.

10 Q. And, for example, the portion of your
11 testimony that was not boxed on page 4 --

12 A. Yes.

13 Q. -- you don't provide any break, do you,
14 in your testimony about -- the breakdown of those
15 leaks as between transmission or distribution?

16 A. I do not provide that breakdown.

17 Q. Did you not think that was important?

18 A. No.

19 Q. Okay. What we have established from your
20 testimony is for prioritization purposes, first of
21 all there's a process you go through and that's
22 outside your bailiwick, right?

23 A. Yes.

24 Q. Is that what you testified --

25 A. We will submit jobs into that process.

1 Q. Okay. But the actual decisions, you pass
2 it on and the process works.

3 A. That's right.

4 Q. And you're not part of the process.

5 A. That's right.

6 Q. Okay. Now, your testimony does indicate,
7 though, does it not, that the initial focus has been
8 on transmission related projects, bare steel.

9 A. Yes.

10 Q. Okay. And as you sit here today, it's
11 your testimony you're requesting that the Commission
12 consider the possibility of savings and also
13 balancing that against the expense categories, the
14 levels of expenses which in most cases I believe
15 you've testified you believe are going to continue at
16 least in the near term to increase?

17 A. What I testified is that they went up
18 comparing the first period to the baseline period,
19 and I offered explanations as to why.

20 Q. And is it your expectation that that is
21 going to continue in the near term?

22 A. I don't know.

23 Q. Actually, it could go up or down
24 depending on how DEO manages the program, could it
25 not, that's going to reflect the level of activity

1 that DEO engages in under the PIR, correct?

2 A. The level of pipeline replacement will
3 influence, in other words, how quickly we replace
4 bare steel pipe will influence how quickly leaks go
5 down on bare steel pipe.

6 Q. Just as a focus on distribution pipe and
7 leaks on that pipe would have the same impact, right?
8 That tends to reduce costs associated with leakage on
9 distribution lines, right? I'm not trying to be
10 tricky with, I'm --

11 A. No, and I think what we did was we tried
12 to look at more than just the cost impact. We tried
13 to look at the consequence of failure and that was
14 the reason we moved to the transmission step first.

15 But your question is yeah, if you want to
16 drive leaks down faster, should you focus on
17 distribution pipe? The answer is yes.

18 Q. Thank you.

19 Mr. Serio asked you a question, I want to
20 make sure I understand this. On page 7 of your
21 testimony, and I believe in another -- on page 3 you
22 also used the term "ultimately." You say on page 3
23 "Management of project on a prioritized basis will
24 ultimately lead to lowest total cost to customers."
25 Now, when you used the term prioritized basis, you're

1 suggesting under the current priority system DEO has
2 in place, correct, for purposes of PIR.

3 A. I'm sorry, can you direct me to the
4 language you're referencing specifically?

5 Q. I'm sorry. I'm on page 3, line 16. The
6 sentence begins on line 15. The term "prioritized
7 basis," do you see that?

8 A. Yes.

9 Q. And I assume what you're saying there is
10 continuing under the current thinking, DEO thinking,
11 in terms of identifying and prioritizing projects,
12 that there will ultimately be a lower total cost; is
13 that a fair reading of the sentence?

14 A. That's a fair reading. I will tell you
15 that I think our prioritization process is going to
16 continue to be refined and improved, but yes.

17 Q. The process -- okay, that's fair. But
18 again, that's a process you're not intimately
19 familiar with or really a part of.

20 A. That's correct.

21 Q. Now, the term "ultimately," and again it
22 was used here and I believe at the end of your
23 testimony, you have testified, have you not, that you
24 don't know, you don't have a particular time frame
25 over the course of the 25-year, 20-year period,

1 whatever it may be, as to when these lower costs may
2 begin to be flowed back in terms of savings to
3 customers. Is that fair?

4 A. Actually, we -- if you looked at what we
5 filed, we submitted savings in the year 1 of the
6 program. We submitted some 80-some thousand dollars
7 of savings.

8 Q. Well, you used the term "ultimately
9 lead," again, on page 3.

10 A. Right.

11 Q. And I believe those savings related to
12 corrosion remediation, did they not?

13 A. I believe on page 3 I'm discussing
14 savings specifically as they relate to leak repair.

15 Q. That's correct. And my question to you
16 was the savings that you just referenced a moment ago
17 in your response, that related to the 85,000 plus
18 whatever it might have been, in that ballpark, that
19 related to corrosion remediation activities; is that
20 right?

21 A. That's where that savings was generated
22 from was corrosion remediation, yes.

23 Q. But, again, you're saying any sort of --
24 well, strike that.

25 I think I'm about done. Your testimony,

1 again, just before we leave this thing, that the
2 initial focus was on the larger diameter bare steel
3 lines; is that right?

4 A. Yes.

5 Q. Those would be projects that would tend
6 to be larger and of a longer duration; is that right?

7 A. Probably.

8 Q. Okay. So those would probably fit within
9 the definition of major projects as Mr. Reed used
10 that term. Would that be fair?

11 A. I don't know.

12 Q. You were sitting here when he testified,
13 weren't you?

14 A. I was.

15 Q. You just don't recall what he said.

16 A. I recall what he said. What I'm saying
17 is the prioritization of major versus minor is
18 something that is done in the design and construction
19 group and I --

20 Q. Okay. All right. So you're saying
21 that's outside your bailiwick.

22 A. Yes.

23 Q. You're familiar with those labels,
24 those -- internally, I assume.

25 A. I am.

1 Q. On page 5 of your testimony, sir, line 3.

2 A. Yes.

3 Q. You have a sentence there that says "Some
4 of the bare steel may actually be replaced with other
5 steel pipe." Do you see that?

6 A. Yes.

7 Q. I assume that would be because of
8 pressure and volume considerations --

9 A. Right.

10 Q. -- principally.

11 A. You can't use plastic pipes when your
12 pressures get over a certain threshold. You have to
13 use steel.

14 Q. Would your use of the word "some" there,
15 this is because some of the bare steel pipe, would
16 that tend to -- the word "some" refer to a relatively
17 small percentage of the replacements?

18 A. I'll be honest, I don't know the
19 percentage. I've used the word "some" because I
20 thought it was the best word.

21 Q. Some as opposed to all, is that what
22 you're saying?

23 A. Yes, some as opposed to all.

24 Q. Okay.

25 MR. WRIGHT: One moment, your Honor.

1 That's all we have. Thank you very much.

2 THE WITNESS: Thank you.

3 EXAMINER PIRIK: Go off the record.

4 (Discussion off the record.)

5 EXAMINER PIRIK: We'll go back on. We'll
6 break for lunch until 1:25.

7 (At 12:31 p.m., a lunch recess was taken
8 until 1:25 p.m.)

9 - - -

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 Friday Afternoon Session,
2 October 16, 2009.

3 - - -

4 EXAMINER PIRIK: We'll go back on the
5 record. Mr. Garber.

6 MR. GARBER: Thank you, your Honor.
7 Brief redirect.

8 - - -

9 REDIRECT EXAMINATION

10 By Mr. Garber:

11 Q. Mr. Hall, on cross-examination there was
12 a lot of discussion about a term prioritization.

13 A. Yes.

14 Q. Do you recall that discussion?

15 A. Yes.

16 Q. And when you used the word prioritization
17 or prioritize, what did you mean by that?

18 A. My function within the company is to
19 prioritize leaks for repair based on the severity of
20 the leak and then ensure that those repairs are
21 completed in priority order. I was not referring to
22 prioritization of pipeline replacement projects
23 within the PIR. That function is done in another
24 location.

25 Q. I'm sorry, first of all, I might have to

1 ask you to raise your voice just a little bit.

2 A. I'm sorry. I apologize.

3 Q. Secondly, why were you not referring to
4 the prioritization of actual PIR projects?

5 A. That's just not part of my day-to-day
6 job.

7 Q. Mr. Hall, there was also discussion on
8 cross-examination about leak repair savings. Does
9 the company expect there to be leak repair savings
10 during the course of the PIR program?

11 A. Yes, we do.

12 Q. And why does the company expect that?

13 MR. WRIGHT: Excuse me, your Honor, could
14 I ask for a clarification on the question? When
15 you're saying "during the term of the program," are
16 you talking about the five-year term as approved or
17 the longer term as you proposed it?

18 MR. GARBER: The longer term.

19 MR. WRIGHT: Thank you.

20 Q. With that clarification, Mr. Hall, why
21 does the company expect there to be --

22 A. We do expect that there will be leak
23 repair savings that will accrue as a result of
24 reduction in leaks which is directly attributable to
25 the PIR program.

1 Q. And does the company anticipate that at
2 some point during the program leak repair savings
3 will exceed any increases in corrosion activity
4 expense?

5 A. We think that the savings in leak repairs
6 will dramatically increase -- or, be dramatically
7 more than any increases that might occur in the
8 corrosion monitoring area.

9 Q. Why is that?

10 A. Well, the corrosion monitoring expenses
11 are, when you look at the total list of PIR expenses,
12 the corrosion monitoring piece is really a very small
13 portion of it, a million or less. Leak repair
14 expense is the overwhelming majority of it; it's
15 10 million or more of the total of 18 million that
16 we've identified. So that's where, as I said
17 earlier, that's where the money is in this program.

18 Q. Do you believe that expenses and savings
19 in the O&M baseline categories during the first year
20 of the program will be indicative of expenses or
21 costs and savings in future years of the program?

22 A. No, I do not. There were some certain
23 things that were done in the first year of the
24 program as we got it up and running that will not be
25 done or will be different in subsequent years that

1 will cause those expenses to increase in the later
2 years of the program.

3 MR. SERIO: I'm sorry, I didn't hear the
4 last word, did you say "increase" or "decrease"?

5 THE WITNESS: I'm sorry, I meant to say
6 would cause the savings to increase in the later
7 years of the program is what I meant to say.

8 Q. Mr. Hall, on cross-examination there was
9 also some discussion about why the company began its
10 PIR related work on transmission pipe.

11 A. Yes.

12 Q. I believe you said it was because of the
13 consequence of failure. Do you recall saying that?

14 A. Yes.

15 Q. And can you explain what you meant by the
16 term "consequence of failure"?

17 A. When I talk about consequence of failure
18 on a transmission pipeline, I'm talking really about
19 two different things. Our transmission pipelines
20 bring large volumes of gas to distribution centers,
21 to cities or what have you, so if there's a
22 transmission line failure, it can impact a large
23 number of customers in terms of a supply outage.

24 Second risk that you can have with a
25 transmission line failure that's different from a

1 distribution line failure is because you have higher
2 pressures and higher volumes of gas, if you have a
3 failure on a transmission line, there's more energy
4 released with the potential for a larger impact
5 damage, loss of life.

6 Q. To your knowledge, did the company ever
7 submit to PUCO staff a list or an indication of the
8 order in which it would undertake certain projects
9 prior to the implementation of the PIR program?

10 A. We did submit to the PUCO staff a list of
11 proposed projects as we were beginning our PIR
12 replacement efforts.

13 Q. And do you know when that took place?

14 A. I was in attendance at a meeting in
15 November of last year where that list was submitted.

16 MR. GARBBER: May I approach the witness?

17 EXAMINER PIRIK: Yes.

18 Q. Mr. Hall, I've just placed in front of
19 you what we're going to designate as DEO Exhibit 14.
20 Do you recognize this document?

21 A. Yes.

22 Q. What is it?

23 A. This is an excerpt from the presentation
24 that Dominion and Dominion representatives made, I
25 believe it was, it might have even been in this very

1 room, to the Public Utilities Commission at a meeting
2 on November 14th of 2008 where we discussed how we
3 were going to put together our pipeline
4 infrastructure replacement program.

5 Q. Was this the meeting at which you said
6 you were in attendance?

7 A. I was in attendance at this meeting.

8 Q. Can you turn to the second page of the
9 packet that I just handed you.

10 EXAMINER PIRIK: Before we go any further
11 I just want to be sure that we clarify. Was it the
12 Commissioners or was it the staff?

13 THE WITNESS: It was the staff.

14 EXAMINER PIRIK: The staff.

15 THE WITNESS: Yes.

16 EXAMINER PIRIK: Okay. Thank you.

17 Q. (By Mr. Garber) Was OCC in attendance at
18 this meeting?

19 A. I believe there were representatives from
20 OCC at this meeting.

21 Q. If you look at the second page, can you
22 tell me what the title is "Short and Long-term
23 Prioritization Strategy"?

24 A. Yes, I'm looking at that page.

25 Q. Can you tell us what this means? What is

1 this talking about?

2 A. What we're discussing with staff in
3 November of 2008 was what we were going to be doing
4 in terms of prioritizing projects for replacement
5 both near term and long-term. So we were discussing
6 with staff the fact that our prioritization process
7 would change over time and that our short-term
8 process was going to be to focus on review of our
9 remaining bare transmission lines, which is what I
10 testified to earlier today, so we made sure that the
11 Commission knew that that was our early focus of the
12 program.

13 Q. And to your knowledge did anyone, either
14 on Commission staff or the OCC representatives in
15 attendance, did anyone object to this proposal?

16 A. No.

17 MR. SERIO: I'm going to object to that,
18 your Honor. He's not in a position to know if OCC or
19 staff objected to it. That would be for OCC or staff
20 representatives.

21 MR. GARBER: Your Honor, if I may be
22 heard.

23 EXAMINER PIRIK: I'm sorry. Just to
24 clarify, then, for the record, I will overrule the
25 objection but I think it does need to be clear.

1 THE WITNESS: Okay.

2 EXAMINER PIRIK: I think if it was
3 phrased such as at the meeting did you hear any
4 objection to.

5 THE WITNESS: I did not hear anybody at
6 the meeting express an opinion that this was an
7 inappropriate way to prioritize work.

8 EXAMINER PIRIK: However, you wouldn't be
9 aware of whether there was an objection outside of
10 the context of that meeting.

11 THE WITNESS: That is correct. I would
12 not be aware of that.

13 EXAMINER PIRIK: Okay. I think that
14 clarifies the record.

15 Mr. Garber.

16 Q. (By Mr. Garber) Mr. Hall, why are there
17 more leaks on distribution pipe as opposed to
18 transmission pipe?

19 A. In the aggregate?

20 Q. Yes.

21 A. Well, I think it's -- if you look at our
22 piping, the overwhelming majority of our pipe is
23 distribution pipe. We're a distribution gas company,
24 so the vast majority of our piping is distribution
25 piping as opposed to transmission.

1 Q. And as far as you know, does the
2 Commission's staff or is the Commission's pipeline
3 safety staff aware of DEO's leak repair process?

4 A. The pipeline safety staff of the Public
5 Utility Commission audits our leak repair process
6 every year at all of our physical locations that
7 perform leak repair.

8 MR. GARBER: That's all the redirect I
9 have, your Honor.

10 EXAMINER PIRIK: Thank you.

11 Mr. Serio.

12 MR. SERIO: Thank you.

13 - - -

14 REXCROSS-EXAMINATION

15 By Mr. Serio:

16 Q. You just answered some questions about
17 prioritization --

18 A. Yes.

19 Q. -- and you indicated you're not part of
20 the prioritization for the PIR program.

21 A. That is correct.

22 Q. Do you ever provide input to the PIR
23 prioritization folks?

24 A. My group will provide suggestions for
25 pipelines that we believe need to be replaced due to

1 leakage.

2 Q. Do they ever -- does the PIR
3 prioritization group ever ask you specific questions,
4 or do they just ask for your recommendations in
5 general?

6 A. I'm not sure what you mean by a specific
7 question in that context.

8 Q. When they ask for your input --

9 A. Yes.

10 Q. -- do they have specific questions
11 regarding your input or do they just say "What do you
12 recommend and why?"

13 A. They will ask us to look at the jobs that
14 we are presenting and indicate which of them may have
15 more leaks or less leaks, so they'll try to make sure
16 that they understand all of the facts about the jobs
17 that we're presenting so that they can be prioritized
18 appropriately using the company's prioritization
19 tool.

20 Q. Okay. Now, you indicated that over the
21 longer term you expect leak repair, correct?

22 A. Yes.

23 Q. And over the longer term, in your mind,
24 was more than just the five-year period that the
25 current PIR program has been approved for, correct?

1 A. I don't know if there will be savings on
2 leak repairs within the five-year period or not. But
3 I do expect that it will occur and that those savings
4 will be substantial.

5 Q. Do you know if when the company did its
6 initial application in the 08-169 PIR proceeding,
7 they indicated that the company did not anticipate
8 any leak repair savings in the first five years of
9 the program?

10 A. I'm not aware that we said that or did
11 not say it. I do not know.

12 Q. Do you still have with you the direct
13 testimony of Mr. McNutt which I --

14 A. No.

15 Q. -- marked for identification as OCC
16 Exhibit 1?

17 A. No.

18 Q. Do you know what you did with it? Do you
19 have it available?

20 MR. GARBBER: May I approach, your Honor?

21 THE WITNESS: I have a feeling I'm going
22 to get it.

23 Thank you.

24 Q. Can you turn to page 14 of that
25 testimony, question No. 42. If you could read the

1 question and answer that's presented in 42 and then
2 my question to you as you're reading it, is there
3 anywhere in this that you see that there is a
4 limitation of the savings that they would only be
5 achieved in the long-term and not in the short-term.

6 EXAMINER PIRIK: Mr. Serio, I know you're
7 asking him to read the answer, but it's a rather
8 lengthy answer.

9 MR. SERIO: He doesn't have to read it
10 out loud, I meant to himself.

11 A. Okay.

12 EXAMINER PIRIK: Okay.

13 MR. SERIO: I'm sorry, I just wanted him
14 to have the question in mind as he's reading it to
15 himself.

16 EXAMINER PIRIK: I wanted to be certain.

17 A. Okay, I've read the question -- I'm
18 sorry, I've read the answer to the question. Would
19 you repeat for me --

20 Q. My question to you was did you see
21 anything in that answer that would lead you to -- did
22 you see anything in the answer that would indicate
23 that the savings that Mr. McNutt was talking about
24 would be limited to the period beyond five years?

25 A. I don't see in the answer to this

1 question where Mr. McNutt discusses how quickly the
2 O&M savings will occur in any way. It doesn't
3 address that.

4 Q. Now, it's your understanding that the PIR
5 program's only been approved for five years, correct?

6 A. Yes, that is my understanding.

7 Q. And it is possible that the Commission
8 could make a determination not to extend the PIR
9 program beyond five years, correct?

10 A. I don't know that.

11 Q. If, in fact, the Commission did not
12 extend the program and we didn't see any savings in
13 the first five years as you indicated was possible,
14 then we'd end up in a situation where we saw no
15 savings; isn't that possible?

16 MR. GARBBER: Objection, your Honor, this
17 witness has already indicated he can't certainly
18 predict what the Commission's activity is going to be
19 with respect to this question. This isn't his area
20 of expertise with respect to his testimony in this
21 case in any event and, therefore, I ask that this
22 question be stricken because it's outside this
23 witness's expertise.

24 EXAMINER PIRIK: Objection overruled.

25 A. I don't believe that I indicated that

1 there was no possibility of savings in five years. I
2 don't agree with your statement of fact.

3 Q. Okay. I believe on redirect you were
4 asked if you anticipated leak repair savings in the
5 short-term, in five years. And you indicated that
6 you only anticipated them over the longer term. So
7 now are you saying that you anticipate savings in the
8 short-term on leak repair?

9 A. Let me be clear. I don't know how
10 quickly savings will begin to show in the leak repair
11 category because that will be dependent upon the rate
12 at which we replace pipe which I do not control.

13 Q. Now, on redirect you talk about
14 consequences of failure of transmission line, and I
15 think you indicated that the company has
16 significantly more distribution line than
17 transmission.

18 A. Yes.

19 Q. The transmission line that DEO has, what
20 does that pipeline do? Is it transmitting -- does it
21 transmit gas from other pipelines to DEO
22 distribution, or is it transmission from, well Ohio
23 gas production to the DEO distribution system?

24 A. We have transmission lines that move gas
25 from interstate delivery points and bring it onto our

1 system, it may go into our storage facilities or it
2 may be going to pressure regulating stations where
3 pressures are reduced and it then is distributed into
4 lower pressure distribution systems, all those things
5 are true.

6 We do have places within our transmission
7 system where we do accept deliveries of local
8 production into our system. We also have separate
9 gathering systems which are designed for the purpose
10 of gathering local production.

11 Q. Now, the distribution -- I'm sorry, the
12 transmission system that the company has, because
13 that's a higher pressure system, that's subject to
14 greater scrutiny by the United States Department of
15 Transportation pipeline safety rules, correct?

16 A. I don't know if I would agree with the
17 term "greater." There are separate sections of the
18 code that apply to transmission that do not apply to
19 distribution.

20 Q. To the extent that there are sections of
21 the United States Department of Transportation safety
22 rules that apply to transmission that do not apply to
23 distribution, does that mean that the company has to
24 engage in more systematic review or monitoring of the
25 transmission system rather than the distribution

1 system?

2 A. There are integrity assessments required
3 on certain portions of our transmission system that
4 are not required on distribution pipe.

5 Q. Okay. Now let's turn to what's marked as
6 DEO Exhibit 14, the two-page handout from the PUCO
7 meeting on the 14th.

8 A. Yes.

9 MR. SERIO: First of all, your Honor, it
10 indicates in the bottom left-hand corner of page 4
11 that this is privileged and confidential. I assume
12 since the company introduced this they're waiving any
13 confidentiality that's listed on the document.

14 MR. GARBER: Yes, your Honor.

15 EXAMINER PIRIK: Thank you.

16 Q. Secondly, is there anywhere in this
17 document that this is marked as a draft versus a
18 finished report or presentation?

19 A. I'm looking at the document. The pages
20 that I have are not marked draft.

21 Q. To the best of your knowledge, did any of
22 the pages of this document indicate that this was a
23 draft document?

24 A. I don't recall that.

25 Q. When the presentation was made to the

1 PUCO staff, did the company indicate that this was a
2 draft document and that the company was willing to
3 make changes, or did the company present this as this
4 is what we're going to do?

5 A. My recollection of the presentation was
6 that we were proposing this as the way we wanted to
7 go about establishing our PIR program and we were
8 seeking feedback and would be willing to make changes
9 based on appropriate feedback. That was the purpose
10 of the meeting.

11 Q. But you don't know if the document
12 indicates that or not, do you? The complete
13 document.

14 A. I can't reference the complete document
15 because I'm not looking at it.

16 Q. To your knowledge, at the meeting on the
17 14th of November was there any additional information
18 in the document DEO Exhibit 14 that broke down the
19 potential for leak repair savings as a result of the
20 way that the company was prioritizing the replacement
21 strategy?

22 A. Not that I recall. But like I said, I
23 don't have the entire document in front of me.

24 Q. Now, to the extent that the company has
25 already replaced some transmission lines, would you

1 classify them as gathering pipelines from other
2 interstate pipelines or would they be pipelines to
3 and from storage?

4 A. The transmission pipe that we've replaced
5 would be classified as transmission pipe, not as
6 gathering pipe. When I mentioned gathering pipe,
7 what I was saying is we have a separate
8 classification of pipe that is also called gathering,
9 I was trying to differentiate it from transmission.
10 Some of the distribution piping may have gone to
11 storage, some may not.

12 Q. Generally speaking, gathering pipe is a
13 smaller diameter pipe than either distribution or
14 transmission; isn't that correct?

15 A. It can be. It depends on the volume of
16 gas you're trying to gather and the pressures at
17 which you're trying to operate the system. Those are
18 the things that determine the size of the pipe.

19 Q. Is there any production in the Dominion
20 East Ohio service territory that warrants or
21 justifies large diameter gathering pipe?

22 A. I would say that in general our gathering
23 pipe is smaller than our transmission pipe.

24 MR. SERIO: Thank you, your Honor, that's
25 all I have.

1 EXAMINER PIRIK: Mr. Wright?

2 MR. WRIGHT: Thank you, your Honor, just
3 a question or two.

4 - - -

5 RECROSS-EXAMINATION

6 By Mr. Wright:

7 Q. I want to go back. Mr. Serio just went
8 through a litany of questions with you on this
9 Exhibit No. 14.

10 A. Yes.

11 Q. Fair to say that Dominion called this
12 meeting; it was intended to be informational for
13 those in attendance, both the staff and the OCC? Is
14 that fair?

15 A. I'm not aware of who called the meeting
16 but its intent was clearly an exchange of
17 information.

18 Q. Did you conduct the meeting?

19 A. Did I conduct it? No, I attended it.

20 Q. Okay. You attended it. And I believe
21 you've already testified, have you not, that this did
22 not represent a final plan, this represented
23 Dominion's thinking at that time and subject to
24 change from whatever input might be obtained at that
25 meeting or later; did it not?

1 A. Yes.

2 Q. Was that not your testimony?

3 A. Yes, I believe I said that.

4 Q. Okay. So you're not suggesting, are you,
5 that a presentation that was intended to be
6 informational that didn't even constitute a final
7 plan, that that somehow was binding on the Commission
8 staff or even the OCC for that matter in terms of
9 recommendations that they might make in reaction to
10 Dominion's subsequently filed PIR application?

11 A. I would expect that if the Commission or
12 the OCC had strong disagreements with the way we were
13 proposing to go about the program, that this
14 presentation would have caused them to share those
15 objections with us.

16 Q. Do you know whether or not they even
17 received this prior to walking in the door to the
18 meeting?

19 A. I don't know if it was given out before
20 or whether they saw it for the first time at the
21 meeting.

22 Q. Okay.

23 MR. WRIGHT: That's all the questions I
24 have. Thank you.

25 EXAMINER PIRIK: Thank you. Mr. Garber.

1 MR. GARBER: Yes, your Honor, at this
2 time we would offer for admission DEO Exhibit 4 which
3 is the direct testimony of Mr. Hall.

4 EXAMINER PIRIK: Again, I'm going to come
5 back to that document and I'm going to reference page
6 4. What are we doing with regard to the Black &
7 Veatch report?

8 MR. GARBER: We can mark that now, your
9 Honor, as DEO Exhibit 15.

10 EXAMINER PIRIK: Yes.

11 MR. WRIGHT: I'm sorry, your Honor, can I
12 inquire about the use of the Black & Veatch report?
13 I guess I'm still not real clear other than the
14 reference in the testimony.

15 EXAMINER PIRIK: I understand. It's
16 referenced in the testimony, we need to have it
17 marked. They don't have to move it now because they
18 haven't presented it, apparently they're going to
19 present it at a later time also.

20 At the point in time where they move it,
21 then I will ask for objections to that document. But
22 my understanding was previously that they're not
23 going to move it at this time.

24 MR. WRIGHT: Okay.

25 EXAMINER PIRIK: Even though it's

1 referenced in here.

2 MR. WRIGHT: My understanding has always
3 been that this witness is not sponsoring that
4 document per se.

5 MR. COLBERT: Correct.

6 MR. WRIGHT: Okay.

7 MR. SERIO: Your Honor, I did have one
8 clarification for you. If that was presented and it
9 was not accepted into the record, would that mean
10 that the reference in this testimony would also be
11 rejected, then, or do you require us to make that
12 motion at this point in time?

13 EXAMINER PIRIK: I think once we mark it
14 if they don't move it in the record, I think it's
15 open to motions to strike, if they have no intentions
16 of this witness being allowed to rely on that
17 document, then I think it's subject to being stricken
18 on the record, but I will -- it's the company's call
19 as to whether they're going to move it at this time
20 or what they're going to do.

21 MR. GARBER: May I approach the court
22 reporter with the exhibit?

23 EXAMINER PIRIK: Yes.

24 MR. GARBER: Do your Honors want copies
25 now?

1 EXAMINER PIRIK: Yes.

2 MR. GARBER: I would note on our copy of
3 this document it's handwritten from a prior copy of
4 DEO 11, but just to clarify, this in this proceeding
5 will be DEO 15.

6 EXAMINER PIRIK: The document will be so
7 marked.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 EXAMINER PIRIK: I am going to --
10 typically parties ask for documents to be marked at
11 the beginning once it's presented. These weren't
12 actually requested to be marked, but at this time I
13 will mark DEO Exhibit 4 as the testimony of Eric
14 Hall, DEO Exhibit 13 as the application in 08-169,
15 DEO 14 as the presentation to the staff of the
16 Commission on November 14th, 2008. So those will be
17 marked.

18 (EXHIBITS MARKED FOR IDENTIFICATION.)

19 EXAMINER PIRIK: So at this point in time
20 we have four documents, DEO 4, DEO 13, DEO 14, DEO
21 15.

22 MR. COLBERT: And DEO 3, your Honor,
23 which had been admitted.

24 EXAMINER PIRIK: No, I'm just talking
25 about this witness.

1 MR. COLBERT: Okay. I'm sorry.

2 EXAMINER PIRIK: I'm organize.

3 MR. COLBERT: I'm sorry.

4 EXAMINER PIRIK: So with regard to those
5 four exhibits, so far you've only moved 4 but I
6 believe --

7 MR. GARBER: Right, I was going to start
8 with 4 and then we also are going to offer DEO 14.

9 EXAMINER PIRIK: Okay. Are there
10 objections to DEO 4, in light of the fact that they
11 don't intend on moving DEO 15 at this time?

12 MR. SERIO: Your Honor, I would object to
13 line 7 and 8 beginning "As DEO" ending "in the period
14 after Veatch report." This witness has no reference
15 back to the Black & Veatch report which in and of
16 itself constitutes hearsay, the authors of the report
17 aren't scheduled to be a witness before the
18 Commission to my knowledge.

19 Your Honor, I don't have the specific
20 cites here, but you may recall from the rate case
21 there was a number of documents that OCC attempted to
22 put into the record with regard to their expert
23 witness on the impact of low-income -- straight fixed
24 variable rate design on low income and one of the
25 reports that OCC has attempted to bring into the

1 record the company objected to on the grounds that it
2 was hearsay. And I would propose to go back and
3 check the transcript and I would make every argument
4 that the company made against the report that OCC
5 wanted to apply equally to the Black & Veatch report
6 inasmuch as it's complete hearsay without the author
7 of the report here to testify on behalf.

8 And for the record, your Honor, I believe
9 in the rate case the objection was sustained and the
10 document that OCC wanted to put into the record was
11 rejected and not allowed into the record on the
12 grounds that it was hearsay.

13 EXAMINER PIRIK: Mr. Garber.

14 MR. GARBER: Yes. First of all, I think
15 the only thing we are discussing here is, first it's
16 the parenthetical reference, right, on page 4? Did
17 you mention part of line 7 as well?

18 MR. SERIO: Well, the sentence "As DEO
19 pointed out" through the end of that sentence and
20 then the -- see figure 11, page 23. I believe the
21 sentence and the reference to Black & Veatch all
22 would be stricken.

23 MR. GARBER: Your Honor, I think it's
24 correct that unless DEO 15 is at some point offered
25 successfully into evidence, that those two portions

1 of that sentence would have to be stricken and I'd
2 just ask, your Honor, first of all, I think we could
3 get a ruling on DEO 4 as to all but, I'm just
4 suggesting, and then if not, that your Honor hold in
5 abeyance ruling on the admission of this until
6 subsequently the company is able to offer it into
7 evidence.

8 EXAMINER PIRIK: That is what I will do,
9 I will hold it in abeyance and you can re-move it at
10 a later time once the decision about the
11 admissibility of this document is actually ruled on.
12 That makes sense, that's a good proposal.

13 MR. GARBER: Just to clarify, your Honor,
14 if the Black & Veatch report ultimately is not
15 accepted into evidence, then we'd be talking about
16 striking the two portions of Mr. Hall's testimony and
17 then the rest would be admitted; is that right?

18 EXAMINER PIRIK: I don't know, I haven't
19 taken objection on the rest of the document yet, so
20 I'll take those when we actually decide on that
21 exhibit.

22 MR. WRIGHT: Your Honor, if I may be
23 heard briefly on this, I think Mr. Serio makes some
24 good points with which I agree, but in any event the
25 only reference in the witness's, Mr. Hall's,

1 testimony to this document is to figure 11. So that
2 certainly would not be a reason to bring in the
3 entire document that we've been given. Figure 11
4 appears to be the only thing he's relying on and
5 trying to use here in testimony.

6 I think for other reasons it's
7 problematic for him to do that, but at a minimum the
8 entire document I don't believe should come in.

9 EXAMINER PIRIK: I do understand, first
10 of all, we don't have the entire document. There's
11 quite a few pages that are missing.

12 MR. WRIGHT: Well, what have we been
13 handed?

14 MR. GARBER: You're talking about the
15 Black & Veatch report.

16 EXAMINER PIRIK: Yes.

17 MR. GARBER: First of all, this is the
18 whole document.

19 EXAMINER PIRIK: No, it's not, it goes
20 from page 23 to page 32 in my document.

21 MR. WRIGHT: Mine goes to 41.

22 MR. GARBER: I think the pages might be
23 numbered and slightly out of order, but I believe all
24 the pages are there. That's a copying error. If you
25 go past 35, it starts back at 24 again.

1 EXAMINER PIRIK: Okay. And I do
2 understand your request, Mr. Wright.

3 MR. WRIGHT: Thank you.

4 EXAMINER PIRIK: And actually that ties
5 in very nicely with the Exhibit 14. My biggest
6 concern about bringing partial documents on the
7 record is just that, we have partial documents on the
8 record and we don't have anything to read the context
9 for it. So I prefer to have the full document. So I
10 don't have a problem once we determine whether or not
11 this document is appropriate, which apparently is
12 going to happen at a later time, having the full
13 document, but then with regard to DEO 14 we need the
14 full document.

15 MR. GARBER: DEO has that, your Honor, we
16 just didn't have sufficient copies. If there was an
17 objection based on completeness, we can provide that
18 and we will provide that.

19 EXAMINER PIRIK: Well, we're going to be
20 reconvening on Monday anyway, be sure the court
21 reporter and the rest of us have full copies on
22 Monday, then I think that would be appropriate.

23 MR. GARBER: Yes, your Honor.

24 EXAMINER PIRIK: Now where are we, I'm
25 sorry, I just want to be sure I know where we are.

1 We're holding 14 in abeyance and the Black & Veatch
2 report is not being moved at this time. So now with
3 regard to DEO Exhibit 13 and 14, are those intended
4 to go at a later time?

5 MR. GARBER: Your Honor, I believe 14 was
6 subject to providing the complete copy which we can
7 do on Monday, so if you want to hold off on that and
8 then wait for a ruling until we have a complete copy
9 of 14.

10 EXAMINER PIRIK: And everyone can look at
11 it. We can wait until then. And then 13 was
12 something you were going to do at another time also?

13 MR. GARBER: 13 was the 08-169
14 application which I believe OCC used so I can't speak
15 for that.

16 MR. SERIO: I just marked it for
17 identification.

18 MR. GARBER: I don't think there is going
19 to be any objection to a document that was filed in
20 the case.

21 EXAMINER PIRIK: But when it was
22 initiated, OCC pointed out the fact that it was
23 referred to as DEO 13 because that was part of the
24 documents that you all had intended on marking as
25 exhibits. So they through ease of trying to get it

1 in referred to it as that. If you have no intention
2 of entering that as an exhibit, then we'll go back to
3 OCC and they can call it an OCC exhibit but I just
4 need to know --

5 MR. GARBER: We do have an intention of
6 marking that, your Honor.

7 EXAMINER PIRIK: And you don't have to
8 move it at this time. Again, we can move it at a
9 later time after Ms. Friscic, at the conclusion of
10 your direct, I'm fine with that, I just wanted to be
11 sure we covered all the bases here. Does that work
12 for every one?

13 MR. GARBER: Yes, your Honor.

14 EXAMINER PIRIK: Essentially all the
15 exhibits will wait until Ms. Friscic testifies.

16 MR. SERIO: Your Honor, the only comment
17 I would make, to the extent Exhibit 14 is more
18 complete we may not have this witness at that time
19 and if there's anything in it that would indicate it
20 was less than that, that it wasn't a final document,
21 that's the only concern I would have. Other than
22 that, I don't have any problem with waiting till we
23 get the full document.

24 EXAMINER PIRIK: Well, we're going to
25 take a break here in a few minutes anyway. If you

1 have one copy of it, if you can at least show it to
2 the parties, they may not have time to review it at
3 this point in time, but this is just a point I want
4 to be sure everyone understands, unless there is a
5 huge voluminous document that is already in another
6 docket that we can take notice of, if it's a
7 reasonable length like these are, I need the whole
8 document in the record, otherwise we don't have any
9 context and it's hard for parties to cross-examine on
10 documents that are only part of the document.

11 So that's just my responsibility to make
12 sure the record's clean and clear so that when I sit
13 down to write an order, I'm not looking at something
14 that's not a full document. So that's just kind of
15 for the future that's where I go with that.

16 MR. GARBER: Your Honor, we will allow
17 the parties to examine that here when we take a
18 break.

19 EXAMINER PIRIK: Excellent. Thank you.
20 So that takes care of the DEO exhibits, we will wait
21 until after Miss Friscic.

22 MR. GARBER: If I may, at one point on
23 the record about the Black & Veatch report, I know
24 the parties before we started agreed that documents
25 that were filed in the rate case, that there wouldn't

1 be any objection to that, and I just want to note for
2 the record that the Black & Veatch report was filed
3 in the rate case.

4 MR. REILLY: If we could just for
5 clarity, was it filed in the rate case or presented
6 as an exhibit to testimony?

7 MR. GARBER: It was filed in the case,
8 I'm not sure if it was an exhibit to testimony.

9 EXAMINER PIRIK: Perhaps someone could
10 check that for us.

11 MR. COLBERT: We'll check that, your
12 Honor.

13 (Discussion off the record.)

14 EXAMINER PIRIK: OCC Exhibit 1, which is
15 the direct testimony of Mr. McNutt.

16 MR. SAUER: Yes. We would move for the
17 admission of OCC Exhibit No. 1.

18 EXAMINER PIRIK: Are there any
19 objections?

20 MR. GARBER: No, your Honor.

21 EXAMINER PIRIK: Hearing none, OCC
22 Exhibit 1 shall be admitted into the record.

23 (EXHIBIT ADMITTED INTO EVIDENCE.)

24 EXAMINER PIRIK: We'll take at least a
25 15-minute break, let's say we're coming back at 2:30

1 and hope we come back at 2:30, I have a conference
2 call, so we'll come back as soon as we can.

3 MR. COLBERT: Thank you, your Honor.

4 THE WITNESS: I'm excused?

5 EXAMINER PIRIK: You are excused, thank
6 you very much.

7 (Recess taken.)

8 EXAMINER PIRIK: We'll go back on the
9 record. Company.

10 MR. COLBERT: Yes, your Honor, at this
11 time the company would call Vicki H. Friscic.

12 EXAMINER PIRIK: Raise your right hand.

13 (Witness sworn.)

14 EXAMINER PIRIK: Please be seated.

15 (EXHIBITS MARKED FOR IDENTIFICATION.)

16 - - -

17 VICKI H. FRISCIC

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

20 DIRECT EXAMINATION

21 By Mr. Colbert:

22 Q. Good afternoon, Ms. Friscic.

23 A. Good afternoon.

24 Q. Do you have in front of you a document
25 marked as DEO Exhibit 1 that is your direct testimony

1 in this case?

2 A. Yes, I do.

3 Q. And do you have a document in front of
4 you marked as DEO Exhibit 2 that is your supplemental
5 direct testimony --

6 A. Yes.

7 Q. -- in this case? And were these pieces
8 of testimony prepared by you and/or under your
9 supervision?

10 A. Yes, they were.

11 Q. And as regards DEO Exhibit No. 2, do you
12 have any additions, deletions, or amendments to that
13 document?

14 A. I do have some changes.

15 MR. COLBERT: Your Honor, if I may, to
16 make it easier for the parties we've redlined that
17 exhibit, there aren't many changes but so those can
18 follow I'll pass it along.

19 MR. WRIGHT: Exhibit 1 or 2.

20 MR. COLBERT: Exhibit 2, the
21 supplemental.

22 Q. Ms. Friscic, could you please go through
23 the amendments to Exhibit 2?

24 A. Yes.

25 Q. Thank you.

1 A. On page 6 in the paragraph marked A11 at
2 the top of the page we have revised the numbers in
3 that paragraph to reflect the testimony of
4 Mr. Soliman. On line 3 the number 452,195 has been
5 changed to 460,131. On line 5 the number 2,510,364
6 has been changed to 3,980,603. And on line 7 the
7 number 360,649 has been changed to 390,686.

8 On line 20 of the same page the term
9 "massed assets" has been changed to "blanket work
10 orders."

11 And on page 13, line 17, at the very end
12 of that sentence the words "PIR cost recovery charge"
13 should be stricken.

14 MR. REILLY: I'm sorry, is that page 7?
15 Oh, page 13.

16 THE WITNESS: Page 13, line 17.

17 MR. REILLY: Thank you.

18 Q. With those amendments is this a true and
19 final copy of your testimony marked as DEO Exhibit 2?

20 A. Yes, it is.

21 MR. COLBERT: Your Honor, with that
22 Ms. Friscic is available for cross-examination.

23 EXAMINER PIRIK: OCC?

24 MR. SAUER: Thank you, your Honor. First
25 of all, we have a couple of motions to strike. Page

1 2, the answer --

2 MR. COLBERT: Of which document?

3 MR. SAUER: Supplemental, supplemental
4 testimony.

5 MR. WRIGHT: These all relate to the
6 supplemental?

7 MR. SAUER: Yes, it does.

8 Ms. Friscic addresses a comment in OCC's
9 comments that were filed on October 2nd. On
10 October 15th we withdrew one of our comments and her
11 testimony addresses a comment which has been
12 withdrawn.

13 EXAMINER PIRIK: Mr. Sauer, as you're
14 going through and you're specifically making your
15 motions, if you could refer to the page and then the
16 specific line numbers and where it starts and where
17 it ends.

18 MR. SAUER: Page 2, answer 5 [sic] is
19 where it's located, and specifically line 4 --

20 MR. COLBERT: Where on line 4, Larry, are
21 you starting?

22 MR. SAUER: "But that the Office of
23 Consumers' Counsel," through line 15, the period.

24 EXAMINER PIRIK: You said line 13?

25 MR. SAUER: Line 15, the very end of that

1 answer.

2 EXAMINER PIRIK: Okay.

3 MR. SAUER: And in addition to that, on
4 page 10 --

5 MR. COLBERT: Your Honor, may we address
6 one at a time?

7 EXAMINER PIRIK: Yes. I'm still
8 confused. You're starting with line 4 beginning with
9 the word "but" through line 15 and the words "the OCC
10 saw black," is that correct?

11 MR. SAUER: Actually, the entire answer
12 could be stricken but to the extent it addresses our
13 comment, the answer kind of begins at the point of
14 where it starts saying but the OCC's comments.

15 EXAMINER PIRIK: Okay. So essentially --

16 MR. SAUER: It's the entire substance of
17 the answer.

18 EXAMINER PIRIK: -- the entire answer.

19 MR. SAUER: Yes.

20 EXAMINER PIRIK: Entire answer 5, lines 3
21 through 15. And, Mr. Colbert, I'm going to hear all
22 of these and, or at least get them all written down,
23 I want him to go through each one and then we'll
24 address them each individually.

25 MR. COLBERT: Fair enough. Thank you.

1 MR. SAUER: And they all refer to
2 locations in the testimony that refer to a comment
3 that's been withdrawn, it's the same.

4 EXAMINER PIRIK: Okay.

5 MR. SAUER: Page 10, lines 7 through 10
6 beginning with the word "the" --

7 EXAMINER PIRIK: I'm sorry, you have to
8 wait until we get there.

9 MR. SAUER: I'm sorry.

10 EXAMINER PIRIK: Page 10 beginning with
11 the word on line 7.

12 MR. SAUER: Near the end of that line,
13 "the," through the end of line 10.

14 And then page 16, questions and answers
15 31, 32, and 33 all address comment 4 which was
16 withdrawn.

17 EXAMINER PIRIK: Lines 3 through 18?

18 MR. SAUER: Lines 3 through 18, correct.

19 EXAMINER PIRIK: Okay. Does that
20 complete it?

21 MR. SAUER: Yes, those were the portions
22 of the testimony we think should be stricken.

23 Mr. Colbert.

24 MR. COLBERT: Thank you, your Honor.
25 Your Honor, I'm sorry, I've got to get back to the

1 first one. Thank you.

2 First, generally the basis of their
3 objection as I understand it is that OCC withdrew a
4 comment from the record. The comment that they
5 withdrew is the request that DEO not be able to
6 recover costs, I believe \$70,500, related to a
7 subscription for Envista software related to the PIR
8 program. That \$70,500 represents a small fraction of
9 the over \$1 million of the incremental O&M expense
10 that is one of the major issues at odds in this case.

11 The point that Ms. Friscic is making in
12 her testimony is simply that the understanding of the
13 staff is drawn into question by OCC, who was a major
14 participant in this case, failing to make the same
15 objection to incremental O&M expenses.

16 That point is even stronger with the
17 withdrawal of their comment, that is OCC has no
18 comments now suggesting that any incremental O&M
19 expenses raised in this case by DEO should be
20 withdrawn at all. So the point that Ms. Friscic is
21 making remains valid, is valid, and there's no basis
22 to strike it.

23 OCC still had an opportunity and, in
24 fact, did file comments in this case. OCC had an
25 opportunity to file and sponsor direct testimony in

1 this case and has chosen not to do so. And OCC will
2 have an opportunity to cross-examine Ms. Friscic on
3 not only the issue of the Envista subscription but
4 also on the incremental O&M expenses which are part
5 of her testimony.

6 So we think that there's no evidentiary
7 basis to exclude any of the three areas raised by
8 Mr. Sauer. We think that the point that Ms. Friscic
9 is making in her testimony remains valid and we think
10 that OCC has every opportunity still to make their
11 case and to cross-examine her.

12 If the Bench feels that some of it should
13 be stricken, it should be narrowed in scope
14 significantly. There is a very small portion of this
15 that touches upon the expenses associated with the
16 Envista subscription at all. For example, on page 2
17 starting at line 6 and going to line 7 it says "While
18 OCC did recommend a minor adjustment to the
19 incremental O&M expense amount," that is the only
20 portion of the testimony on that page that goes
21 toward the objection that OCC has withdrawn and that
22 is the basis of their motion.

23 So while we think all of the testimony is
24 valid and should remain, if the object is to rid the
25 testimony of discussion about the Envista software,

1 the material that should be stricken should be much
2 narrower in scope.

3 MR. WRIGHT: Your Honor.

4 EXAMINER PIRIK: Yes.

5 MR. WRIGHT: If I may.

6 EXAMINER PIRIK: I was going to go back
7 to Mr. Sauer first. I was going to call on you next.

8 MR. WRIGHT: I'm sorry.

9 EXAMINER PIRIK: Mr. Sauer.

10 MR. SAUER: I guess our position is, your
11 Honor, that when we filed our comments, we filed them
12 stating they were preliminary and that it's our
13 position that the party speaks through what's on the
14 record, what they put on the record, not what they
15 might have or could have and we've, in this case,
16 modified what we're putting on the record and
17 Ms. Friscic shouldn't be in a position to speak for
18 what our position is through her testimony based on
19 modifications that were made to our comments.

20 EXAMINER PIRIK: Mr. Wright.

21 MR. WRIGHT: Well, just to build on what
22 Mr. Sauer just said, at best it's highly unusual that
23 the actions of one party would be used to somehow
24 impugn another party's position. That's not been --
25 I haven't seen that in my experience, quite frankly.

1 But in any event, and I think this goes
2 more to Mr. Sauer's point, the comments here arise
3 from a reading of the stipulation and why the staff
4 might have signed the stipulation and its
5 interpretation may differ very significantly from any
6 other signatory party that signed the stipulation,
7 including the OCC.

8 So I think to try to jump inside the
9 OCC's head is entirely -- as to why they did what
10 they did, either why they signed the stipulation or
11 why they withdrew their comment here is difficult if
12 not impossible for the witness to do, and I would
13 submit of little or no probative value in any event.

14 MR. COLBERT: If I may make --

15 EXAMINER PIRIK: Mr. Colbert.

16 MR. COLBERT: -- one more just brief
17 point. OCC has not withdrawn its comments. Both
18 Mr. Sauer and Mr. Wright indicated that they still
19 retained comments. Those comments are part of the
20 record and they are something that needs to be
21 addressed. And Ms. Friscic has addressed them in her
22 testimony.

23 It would not be fair for Ms. Friscic's
24 testimony to be stricken regarding OCC's comments
25 while OCC's comments remain on the record.

1 MR. WRIGHT: I apologize. I had
2 understood that the comment had been withdrawn. Am I
3 in error on that?

4 MR. SAUER: We filed a withdrawal of the
5 comment on the 15th of October.

6 MR. COLBERT: Of one small comment.

7 MR. SAUER: Of one comment.

8 MR. COLBERT: Not of all of their
9 comments.

10 MR. WRIGHT: But the bulk of my objection
11 to what they're trying to do has nothing to do with
12 that, I would just note that, in any event.

13 EXAMINER PIRIK: I do understand the
14 motion to strike as far as the fact OCC has withdrawn
15 the comments, or at least that one comment in
16 particular.

17 Part of my frustration with the exhibits
18 in this case has been that I believe that
19 appropriately the application as well as the comments
20 should have been submitted or at least offered as
21 exhibits at the very beginning of the hearing, and I
22 was surprised that the parties did not do that and
23 we're proceeding through the process without those
24 things already being marked as exhibits. Not that I
25 expect them to be moved into admission at this point

1 in time, but I was surprised that they weren't at
2 least marked up front as exhibits.

3 So that being said, I have every
4 intention of having the OCC comments and the staff
5 comments as well as the filing to withdraw that one
6 comment submitted as exhibits on the record at some
7 point in the proceeding whether I ask for them or
8 whether someone else moves them into the record.

9 MR. WRIGHT: That was our intention.

10 EXAMINER PIRIK: And I have no intention
11 of striking OCC comments in their entirety and I
12 think the request to withdraw will speak for itself
13 and it will be -- it will clarify the record as to
14 what OCC's issues really are and what their
15 recommendations are. And then the rest of it will be
16 done by cross-examination.

17 I do understand your proposal with regard
18 to the segments of Ms. Friscic's testimony, however,
19 I think the Commission, you know, I think at issue is
20 the question of the stipulation itself, but more
21 importantly in my mind the Commission's order and
22 what they actually approved.

23 So I think the Commission will be able to
24 make their own determination and put appropriate
25 weight the testimony as it's presented, and the

1 proposals and the comments, and they will rule
2 accordingly in their order. So at this time I'm
3 going to deny the motions to strike in their
4 entirety.

5 MR. COLBERT: Your Honor, if it is
6 helpful, in the notebooks that we passed out the
7 comments of staff and OCC are marked as DEO Exhibit 5
8 and 6.

9 EXAMINER PIRIK: Actually they haven't
10 been marked yet, but if you're asking that they be
11 marked, we will mark them as DEO Exhibit 5 and DEO
12 Exhibit 6.

13 MR. COLBERT: I was suggesting that that
14 might be appropriate.

15 EXAMINER PIRIK: And then we're also
16 going to need the filing, I don't recall the date
17 that it was filed, but the filing for the withdrawal.

18 MR. SAUER: That was on the 15th, your
19 Honor. And we have copies of our comments and the
20 withdrawal of the one comment that we're prepared to
21 enter as exhibits.

22 EXAMINER PIRIK: Can we go off the record
23 for just a minute.

24 (Discussion off the record.)

25 EXAMINER PIRIK: We'll go back on the

1 record. At this time I'm going to call upon
2 Mr. Colbert to walk us through the documents that he
3 so nicely or Dominion has so nicely prepared for us
4 in the way of exhibits and we're going to mark
5 exhibits for future reference.

6 MR. COLBERT: Your Honor, based on the
7 discussion off the record -- Steve, I think --

8 MR. REILLY: 1 through 4 is what we need.
9 We don't have 1 through 4.

10 MR. COLBERT: I'm sorry?

11 MR. REILLY: We don't have Exhibits 1
12 through 4.

13 EXAMINER PIRIK: We'll go off the record.

14 (Discussion off the record.)

15 (EXHIBITS MARKED FOR IDENTIFICATION.)

16 EXAMINER PIRIK: We'll go back on the
17 record. I'm going to go through a list of exhibits
18 that we've gone through to designate the exhibit
19 numbers and at the conclusion of my list parties will
20 correct me if I've misspoken about a description or
21 an exhibit number.

22 Staff Exhibit 1 is the October 2nd, 2009,
23 comments and recommendations submitted by staff in
24 09-458.

25 OCC Exhibit 2 is the October 2nd, 2009,

1 comments filed in this docket, 09-458, by the Office
2 of Consumers' Counsel.

3 OCC Exhibit 3 is the, I'm sorry, the date
4 of that again?

5 MR. SAUER: October 15th. It's the
6 withdrawal.

7 EXAMINER PIRIK: October 15th withdrawal
8 of one of OCC's comments filed in 09-458.

9 DEO Exhibit 5 is the August 28th, 2009,
10 application filed in 09-458.

11 DEO Exhibit 6 is the May 29th notice of
12 intent filed in this case, 09-458.

13 DEO No. No. 7 is the stipulation and
14 recommendation filed on August 22nd, 2008, in case
15 number 08-169.

16 Staff Exhibit No. 2 is the July 12th,
17 2008, report filed by the staff in case number
18 08-169.

19 Staff Exhibit 3 is the May 23rd, 2008,
20 report filed by the staff in the DEO distribution
21 rate case.

22 DEO Exhibit 8 is the May 23rd, 2008, Blue
23 Ridge Consulting Services Report filed in the DEO
24 distribution rate case.

25 And I believe that concludes all the ones

1 we premarked. Any corrections? Okay. Henceforth
2 we'll refer to those exhibits by their exhibit
3 numbers.

4 Mr. Colbert, had we concluded with going
5 forward?

6 MR. COLBERT: We had, your Honor. We
7 offered Ms. Friscic for cross-examination.

8 EXAMINER PIRIK: Mr. Sauer.

9 MR. SAUER: Thank you, your Honor.

10 - - -

11 CROSS-EXAMINATION

12 By Mr. Sauer:

13 Q. Ms. Friscic, if you would turn to page 2
14 of your testimony --

15 EXAMINER PIRIK: Are we talking the
16 supplemental or the --

17 MR. SAUER: The supplemental, yes.

18 Q. And in your answer No. 5 there was some
19 discussion of OCC's comments; do you see that?

20 A. Yes, I do see that.

21 Q. And your understanding of OCC's comments
22 is speculation, is it not?

23 A. It is DEO's view of OCC's comments and
24 what they mean.

25 Q. And no one from OCC has told you that was

1 their position.

2 A. Correct.

3 Q. And if you would turn to page 10 of your
4 testimony, lines 7 to 10. Are you there?

5 A. I am.

6 Q. In there you are making a comment about
7 OCC's comments, are you not?

8 A. I am. It's DEO's view that OCC's failure
9 to recommend the exclusion of incremental O&M can be
10 interpreted as support for inclusion of the O&M.

11 Q. And no one from OCC has told you that was
12 their position, have they?

13 A. That's correct.

14 Q. And if you would turn to page 16 of your
15 testimony, your question and answer 31 through 33.

16 A. Yes.

17 Q. You're addressing OCC comment No. 4 in
18 there, are you not?

19 A. I am.

20 Q. And your answer 33 is a statement
21 regarding whether or not the Envista expenses should
22 have been included in incremental O&M; is that the
23 issue?

24 A. That's true. In the answer to 33 we're
25 stating our support for why Envista subscription

1 service should, in fact, be included in incremental
2 O&M. Since it's incremental, it would not have been
3 incurred but for the PIR program.

4 Q. And you're basing that on a statement
5 that was in OCC's comment, correct?

6 A. I am.

7 Q. And no one from OCC has told you that was
8 their position, have they?

9 A. Well, I would like to correct. I am
10 basing our view that that cost should be included in
11 incremental O&M based on DEO's support for that
12 dollar amount.

13 Q. Whether the dollar amount is included --
14 let me strike that.

15 The recovery of that dollar amount is
16 what's in dispute, correct?

17 A. DEO doesn't view that as being in
18 dispute.

19 Q. You've stated that OCC has agreed to the
20 recovery of incremental expenses as part of the
21 stipulation underlying the PIR cost recovery charge,
22 the last statement in lines 16 through 18.

23 A. That's correct.

24 Q. And no one from OCC has said that to you,
25 have they?

1 A. Correct, no one from OCC has said that,
2 however, DEO has anticipated and has presented to
3 staff and OCC from the beginning that we would be
4 including incremental O&M and, therefore, we believe
5 that the stipulation in the DEO distribution rate
6 case allows the inclusion of incremental O&M for that
7 reason.

8 Q. If you can turn back to page 2 again,
9 lines 20 to 23.

10 A. Yes.

11 Q. And in that portion of your testimony you
12 state that each company has unique issues that it is
13 addressing in its infrastructure replacement program
14 and each company presumably negotiated in good faith
15 with staff and other parties regarding the resolution
16 of those issues. Do you see that?

17 A. I do.

18 Q. When you say "each company," are you
19 referring to DEO, Duke, and Columbia? Are those the
20 companies?

21 A. I'm referring, yes, to the other gas LDCs
22 in the state which have some form of main line
23 replacement program. DEO has gotten the distinct
24 impression that staff is trying to use a
25 cookie-cutter approach to approving these cases when,

1 in fact, different situations, different facts in
2 each case have been separately ruled on and,
3 therefore, we believe our case should be viewed
4 separately from the other cases which have already
5 been before the Commission.

6 MR. WRIGHT: Your Honor, I would move to
7 strike everything after the very early part of the
8 answer. The question put to the witness was are the
9 other companies that you're referring to there Duke,
10 Dominion, and Columbia.

11 MR. COLBERT: Your Honor.

12 MR. WRIGHT: The answer rambled on beyond
13 what was asked.

14 EXAMINER PIRIK: I agree. If you could
15 just stick with the -- I'm going to deny the motion
16 to strike but if you could just stick with the answer
17 and then if your counsel wishes to follow on
18 redirect, he can ask you more questions at that
19 point.

20 THE WITNESS: Okay. Thank you.

21 Q. DEO is a local distribution natural gas
22 company, is it not?

23 A. That's correct.

24 Q. As is Duke and Columbia.

25 A. Yes.

1 Q. And through the PIR DEO is seeking
2 recovery or authority to recover costs associated
3 with its pipeline infrastructure replacement program
4 pursuant to Revised Code 4929.11; is that correct?

5 A. I'm not sure of the reference to the
6 Revised Code section.

7 Q. You're seeking recovery through
8 alternative regulation.

9 A. That's correct.

10 Q. And as Duke and Columbia have done.

11 A. I can't speak to Duke and Columbia's
12 programs in that regard.

13 Q. You're -- DEO is seeking authority to
14 replace your aging infrastructure in an accelerated
15 manner?

16 A. Yes.

17 Q. As is Duke and Columbia.

18 A. I assume so.

19 Q. In your testimony at page 2 you said each
20 company has unique issues addressing their
21 infrastructure replacement program. Do you see that?

22 A. Yes.

23 Q. So either you know they have these unique
24 issues or you don't know that, correct?

25 A. I know that we have looked at the

1 provisions of the other cases, not in detail. The
2 point that I'm making here is that DEO requests that
3 our case be made on the merits of our case and not on
4 what has happened in the other cases.

5 Q. Well, you aren't suggesting that the
6 Commission has decided the other cases on something
7 other than the merits, right?

8 A. The merits of those particular cases
9 rather than ours.

10 Q. And is it true that DEO is seeking
11 approval to replace -- the cost of the replacement
12 for certain, you know, bare steel, cast iron, wrought
13 iron, copper lines?

14 A. That is true.

15 Q. Similar to what Duke and Columbia are
16 asking for.

17 EXAMINER PIRIK: Did you say yes?

18 A. I am not familiar with the details of
19 their cases to that extent of what they're replacing
20 specifically.

21 Q. What is it that you think their pipeline
22 infrastructure programs are intended to replace?

23 A. Well, my understanding is that their
24 programs are to, similar to DEO's, replace bare steel
25 and other aging infrastructure; however, the details

1 of cost recovery may be different between those cases
2 and ours and we're merely stating that we would like
3 for our case to be evaluated on its own and not
4 necessarily fit into any particular mold that may
5 have been established in the other cases.

6 Q. When the company filed their application,
7 did they ask for the Commission to approve a program
8 that was similar to what the Duke's AMRP program was?

9 A. I'd have to refer back to that document.

10 Q. Do you have that?

11 A. I do. And which document are you
12 referring to, Mr. Sauer?

13 Q. The company's application, I believe it
14 was the February 22nd application.

15 EXAMINER PIRIK: DEO Exhibit 13?

16 MR. SAUER: I believe so.

17 EXAMINER PIRIK: Is that what you're
18 referring to?

19 MR. SAUER: I believe that's correct.

20 Q. I believe if you look at page 3, there
21 aren't line numbers but paragraph No. 6.

22 A. Yes, in paragraph 6 I see it.

23 Q. Isn't it true that in your application
24 you're referencing the fact that the Commission has
25 supported a similar program at Duke?

1 A. Yes, that's correct.

2 Q. And is there anything within this
3 paragraph that says that DEO's recovery should be
4 somehow different than the recovery that the
5 Commission has allowed for Duke?

6 A. Later in our application we do describe
7 what we believe our recovery should be without regard
8 to Duke.

9 Q. But the question is directing you to
10 paragraph 6 where you have discussed the program that
11 the Commission has approved for Duke. Is there
12 anything there where you're asking for some different
13 treatment?

14 A. In paragraph 6 we're stating that the
15 Commission has supported a similar mains replacement
16 program for Duke, we're not discussing cost recovery
17 in that paragraph. Later in our application we do
18 detail what DEO is requesting with regard to cost
19 recovery.

20 MR. WRIGHT: I'm sorry, excuse me.
21 What's the page, the reference again?

22 MR. SAUER: Page 3 of the
23 February 22nd application.

24 MR. WRIGHT: All right.

25 MR. SAUER: Company Exhibit 13.

1 MR. WRIGHT: Thank you.

2 Q. (By Mr. Sauer) If you're not discussing
3 cost recovery here, in what ways did you want the
4 Commission to provide DEO with a program similar to
5 Duke?

6 A. I believe you asked me about paragraph 6
7 and whether or not we're asking for cost recovery.
8 What I stated was that paragraph 6 addresses that the
9 Commission has supported a similar mains replacement
10 program for Duke, and we don't mention cost recovery
11 in that paragraph.

12 Q. And my question is, in what way are you
13 asking the Commission for a similar program to Duke?

14 A. We're merely stating in this application
15 we're asking for a mains -- an accelerated mains
16 replacement program and pointing out that the
17 Commission did, in fact, support a similar program
18 for Duke.

19 Q. And it's your understanding that the Duke
20 AMR program does not provide them with the
21 opportunity to recover incremental O&M expenses; is
22 that correct?

23 A. There are incremental O&M expenses in the
24 Duke case is my understanding.

25 Q. Is there something in particular you can

1 point to that indicates the Duke program allows for
2 the recovery of incremental O&M expenses?

3 A. I don't have anything like that in front
4 of me.

5 MR. COLBERT: Your Honor, may we go off
6 the record for a moment?

7 EXAMINER PIRIK: Yes.

8 (Discussion off the record.)

9 EXAMINER PIRIK: We can go back on the
10 record. Mr. Sauer.

11 Q. Furthermore, the DEO program has also
12 asked for curb-to-meter line replacement as well as
13 main-to-curb line replacements, has it not?

14 A. That's correct.

15 Q. And those are similar requests the Duke
16 and Columbia programs have as well, right?

17 A. I'm not familiar with those provisions of
18 the Duke and Columbia applications.

19 Q. But as you go through and replace main
20 lines, it makes -- apparently makes sense
21 economically to replace the lines from the main line
22 that's being replaced to the curb; does it not?

23 A. That's certainly DEO's view in our
24 application, yes.

25 Q. Do you have any reason to believe it

1 would be a somewhat different position for Columbia
2 or Duke?

3 A. No.

4 Q. Has the Commission implemented a
5 procedural schedule for DEO's PIR program that's very
6 similar to the Columbia and Duke programs?

7 A. I don't know what their procedural
8 schedules are or were.

9 EXAMINER PIRIK: Mr. Sauer, could you
10 just clarify for me, you say has the Commission
11 implemented a procedural schedule. Are you referring
12 to the Commission's order in the distribution rate
13 case?

14 MR. SAUER: I think there's a systematic
15 process that the Commission's going through for these
16 PIR programs and Dominion has a program that they
17 file their notice and there's a process in place --
18 is there not -- where you file your notice, file your
19 application, there are comments that are filed, you
20 have to address those comments and then if they can't
21 resolve them, there's a hearing, is that --

22 EXAMINER PIRIK: So you are referring to
23 the stipulation and the Commission's order in the
24 distribution rate case.

25 MR. SAUER: Yes.

1 EXAMINER PIRIK: Thank you.

2 Q. That was the procedure I was asking you.

3 Is that DEO's procedure as you understand it?

4 A. Could you ask the question again, please?

5 Q. Is there a procedure for the DEO PIR
6 program in which the program is required to file a
7 notice of application and then follow that with an
8 application and then interested parties may file
9 comments, the company is to address those comments,
10 and then if they can't resolve the comments, there
11 will be a hearing?

12 A. Correct. True. In DEO's case that's the
13 schedule.

14 Q. And for DEO that's the process that will
15 take place for the next five years, correct?

16 A. Correct.

17 Q. And that will take place between
18 typically June and November for DEO?

19 A. For DEO our schedule is that we will do a
20 notice of intent filing in May with an application in
21 August of each year --

22 Q. And do you --

23 A. -- in the PIR case.

24 Q. And Duke and Columbia have similar
25 requirements for programs.

1 A. I don't know.

2 Q. Do you have any reason to believe that
3 they're any different?

4 A. No.

5 Q. At a 50,000-foot level the infrastructure
6 replacement programs have a cookie-cutter look to
7 them; do they not?

8 A. I think there are similarities in that
9 what we're trying to accomplish is basically the same
10 thing. However, again, I state that DEO has merely
11 made the comparison to say we have a main line
12 replacement program that we've proposed, we pointed
13 out that the Commission supported a similar program
14 for Duke, we've asked for, regardless of what was
15 asked for by the other companies, we in our original
16 application in the DEO distribution rate case laid
17 out the cost recovery that we would like to seek, and
18 that proceeding resulted in a stipulation in that
19 distribution rate case. And in accordance with that
20 process we now have filed an application to establish
21 a rate, an adjustment to the rate that we started
22 with as zero.

23 Q. And in that answer was there something
24 that would point to the uniqueness of the DEO program
25 that differentiates itself from the Dominion -- I'm

1 sorry, the Duke and Columbia programs?

2 A. I believe that each company has made its
3 own request with regard to cost recovery in their
4 respective case.

5 Q. Is one of the things that -- strike that.
6 I've got a couple questions I'd like to
7 ask that kind of predate the PIR program. To your
8 knowledge, did DEO have a capital forecasting group
9 in place?

10 A. DEO, I don't know whether it's DEO or
11 Dominion, there is a financial planning group, I'm
12 really not very well aware of what the capital
13 forecasting process is.

14 Q. Is there a -- are you part of the
15 accounting function --

16 A. No. I'm in the regulatory function.

17 Q. Regulatory. And within the accounting
18 group do you know is there a budgeting section?

19 A. I believe the budgeting function at
20 Dominion is a separate group from accounting.

21 Q. When you're talking budgeting, O&M
22 budgeting, or are you talking capital budgeting?

23 A. I'm talking overall plan for the group.
24 Now, certainly costs in our budgets would be done by
25 each individual cost center manager and then, I

1 believe there's a group that would roll that all up.
2 So I don't really know the details of the function of
3 the planning group at East Ohio or Dominion.

4 Q. In terms of the incremental O&M expenses
5 that Dominion is proposing to recover in this case,
6 are you familiar with the cost components that
7 they're trying to recover, for example, labor or
8 contract labor?

9 A. Yes, I am generally.

10 Q. What are those components?

11 A. In incremental O&M DEO has proposed to
12 recover contractor costs, those contractors were used
13 primarily to update the GIS system for the PIR
14 project changes.

15 Q. I'm sorry, did you say the GIS system?

16 A. Yeah.

17 Q. I'm not sure what that is.

18 A. GIS is the mapping system. I know I've
19 heard what it stands for, but I'm not sure what that
20 is. But it is our mapping system. So my
21 understanding is the contractors were used to update
22 DEO's system of maps for the changes that have
23 occurred as a result of the PIR program, and we had
24 incremental contractors come onboard to handle that
25 for us, specifically with regard to the PIR program.

1 Incremental O&M expense also includes
2 internal labor and associated vehicle costs for
3 certain employees, some of the functions of those
4 employees include project management, data
5 preparation, project scoping and prioritization.

6 And then we also requested recovery of
7 the subscription costs and training for the Envista
8 web-based service, and that is a service that we
9 subscribe to specifically for the PIR program and
10 that would enable us to enter our construction
11 projects and then municipalities or other
12 governmental entities which would also subscribe
13 separately could see where we have planned
14 construction going on. It would be a way to
15 coordinate projects with other entities.

16 Q. So the components that you've just
17 described, and I don't know if you have Mr. Reed's
18 DEO Exhibit 3, he had an attachment to his testimony
19 that I think lays out the components you just
20 discussed, the contract labor and labor, the vehicle
21 expense, and the Envista subscription fees. Is
22 that --

23 A. I don't have that in front of me but I am
24 familiar with that attachment, yes, I've seen that.

25 Q. And those are the components that you

1 were discussing.

2 A. Yes.

3 MR. SAUER: May I approach the witness,
4 your Honor?

5 EXAMINER PIRIK: Yes.

6 MR. SAUER: I have a document I'd like to
7 mark as OCC Exhibit 4.

8 EXAMINER PIRIK: The document will be so
9 marked.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 Q. Ms. Friscic, I've handed you a document
12 that has a cover page. It says "Title
13 18--Conservation of Power and Water Resources,
14 Chapter 1--Federal Energy Regulatory Commission,
15 Department of Energy, Part 201--Uniform System of
16 Accounts Prescribed for Natural Gas Companies Subject
17 to the Provisions of the Natural Gas Act." Are you
18 familiar with the document and the excerpt pages that
19 follow?

20 A. Generally familiar, yes.

21 Q. In fact, you cited to some of these pages
22 in your testimony; did you not?

23 A. I did.

24 Q. And for the record can you explain what
25 the Uniform System of Accounts Part 201, what this

1 is?

2 A. Part 201, as it says, prescribes a
3 uniform system of accounts, lays out some guidance to
4 utility companies in accounting and other matters for
5 utility business.

6 Q. And, again, on page 6 of your testimony,
7 lines 11 through 13, it looks like is where you cite
8 this document and section 11 I think is --

9 EXAMINER PIRIK: You're referring to DEO
10 Exhibit 2, supplemental testimony?

11 MR. SAUER: Supplemental testimony, yes,
12 your Honor.

13 Q. Page 6. Do you see that?

14 A. Yes, I do see that.

15 Q. And those pages are attached here, are
16 they not?

17 A. I'm still trying to determine whether the
18 one that I cited is, in fact, here.

19 Q. Yeah, section 11 begins on page 619 and
20 you refer to part B which is on page 620, correct?

21 A. I see it. Yes. Yes, that's the section
22 I cited. So of the document that you handed me, page
23 619 at the very bottom --

24 Q. Yes.

25 A. -- starts section 11 where it's talking

1 about work order and property records system
2 required, that is the section that I cited in my
3 testimony.

4 Q. And you cited this section because you
5 were discussing the issue that had to do with whether
6 or not certain projects that were included in DEO's
7 application should have been included because they
8 were either beyond the date certain or they were a
9 blanket order that didn't have a specific date; is
10 that correct?

11 A. That's correct. I'm specifically citing
12 subpart B of the passage that we just mentioned that
13 talks about how the utility shall keep its work order
14 system, and it specifically says that work orders
15 covering jobs of short duration may be cleared
16 monthly. And I referenced that because that is the
17 accounting that's followed for certain of DEO's
18 plant.

19 Q. And the closing of the -- the monthly
20 closing that you're referring to there in your
21 testimony has nothing to do with placing the plant
22 facilities in service, does it?

23 A. That's correct.

24 Q. A little further on in your testimony
25 there, I'm looking at I think specifically lines 21

1 to 23 on page 6 of the supplemental testimony, you
2 state that "DEO has utilized that approach for some
3 time predating the date certain in its last rate
4 case, Case No. 07-829-GA-AIR." Do you see that?

5 A. Yes, I do.

6 Q. And then on the next page, 7, lines 2 to
7 5, you state that the "Staff's recommended
8 disallowance is thus inconsistent with the
9 FERC-approved accounting methodology employed in the
10 traditional ratemaking process" Do you see that?

11 A. Yes, I see that.

12 Q. Isn't it true that when the company files
13 a rate case, it does so with the intention of not
14 filing another rate case for a number of years?

15 A. That's not necessarily true.

16 Q. Is it true that before your last rate
17 case, 07-829-GA-AIR, it had been approximately 14
18 years since the company filed its last rate case?

19 A. That's correct.

20 Q. Can you think of any other situation in
21 which DEO has filed a rate case and then subsequently
22 followed it up with another rate case within a year?

23 A. Not in recent history. My understanding
24 is that the company had numerous back-to-back rate
25 cases in the early-'80s.

1 Q. Isn't it true that DEO anticipates annual
2 filings in the PIR cases?

3 A. That is true.

4 Q. And would you agree that through the PIR
5 program there's an opportunity for the company to
6 reduce the regulatory lag that would otherwise be
7 experienced under traditional ratemaking?

8 A. If the appropriate cost recovery is
9 approved in our case, it should result in a reduced
10 regulatory lag with regard to DEO recovering costs
11 associated with implementing this accelerated
12 program.

13 Q. Doesn't the PIR program provide the
14 company with incentive to push its contractors to get
15 the projects completed and in service by the date
16 certain each year?

17 A. I'm not -- could you repeat the question,
18 please? I'm not sure what the question is.

19 Q. Would you agree that the PIR program
20 provides the company with an incentive to push its
21 contractors to get the projects completed and in
22 service by the date certain each year?

23 A. In theory that may be the case, but I
24 really can't speak to what the company might do with
25 its contractors. I'm not in the operations area.

1 Q. Isn't the completion of the projects and
2 the placing of the facilities in service ultimately
3 within the company's control?

4 A. Within the company's control? Yes.

5 Q. Can you please turn to page 3 of your
6 testimony, lines 13 to 15.

7 EXAMINER PIRIK: Again, DEO Exhibit 2?

8 MR. SAUER: Yes.

9 A. I'm there.

10 Q. It states that "Staff Recommendation No.
11 1 would require DEO to amortize deferred depreciation
12 expense incurred on new editions during the PIR
13 program year over the useful lives of the PIR assets,
14 approximately 50 years." Do you see that?

15 A. I do.

16 Q. And isn't it true that DEO is replacing
17 facilities that were installed before 1909 or a
18 hundred years ago?

19 A. While it's true that DEO is replacing
20 some very old pipeline, the lives for depreciation
21 purposes of the pipelines is roughly 50 years. So in
22 terms of depreciation expense, the lives of the
23 assets are 50 years.

24 Q. But, again, they're replacing facilities
25 that are much older than 50 years.

1 A. They are, but those facilities were
2 depreciated over the lives of the assets.

3 Q. Is it true that at the end of the
4 company's proposed PIR program, 99 percent of the
5 pipelines to be replaced will be at least 75 years
6 old?

7 A. I don't know whether that's a fact.

8 Q. I think if you turn to the PIR
9 application, February 22nd, DEO Exhibit 13, page 3.

10 A. Yes, we do make that statement in the
11 first line of page 3.

12 Q. And isn't it true that DEO is replacing
13 bare steel and cast iron, wrought iron, and copper
14 lines with plastic lines?

15 A. Not in all cases. Where plastic can be
16 used it's my understanding it is being used; however,
17 based on some higher pressures in some of the lines
18 my understanding is that we have to use steel to
19 replace those higher-pressure lines.

20 Q. Is it DEO's expectation that the plastic
21 lines will have a longer life expectancy than the
22 pipelines that are being replaced that are not
23 plastic?

24 A. I don't know whether for depreciation
25 purposes that is true or not.

1 Q. For the life of the assets themselves,
2 though, do you anticipate they'll be in the ground
3 longer than -- and used and useful longer than the
4 facilities that are being replaced?

5 A. My understanding is that plastic pipeline
6 lasts a long time. That's not my area of expertise.

7 Q. Is the bare steel that you're putting in
8 the ground better than the bare steel that's being
9 replaced?

10 A. We're not putting bare steel in the pipe
11 now, any steel, my understanding is that any steel
12 we're putting in now is coated steel.

13 Q. And is that coated steel better than the
14 coated steel or bare steel that's being replaced?

15 A. Yes.

16 Q. And would be expected to last longer than
17 the pipe that's in the ground that's not coated?

18 A. That's an operational detail that I'm not
19 sure I can address.

20 Q. Could you turn to page 8. I guess before
21 we leave that point, you wouldn't expect the
22 facilities going into the ground to last a shorter
23 period of time than what's being replaced, would you?

24 MR. COLBERT: Objection, your Honor.
25 He's asked a number of questions operational that the

1 witness has already said she doesn't know and are
2 beyond the discussion in her testimony.

3 EXAMINER PIRIK: I'll overrule the
4 objection. You can answer if you can, if not, you
5 will respond appropriately.

6 A. I would say that the new pipeline being
7 put in as a result of the PIR program would last at
8 least as long as the old pipeline. Again, however,
9 I'm not an expert on the pipelines themselves.

10 Q. Thank you. And again, if you can turn to
11 page 12.

12 EXAMINER PIRIK: DEO Exhibit 2?

13 MR. SAUER: I'm sorry. Yeah,
14 supplemental. Page 8. I'm sorry, it was page 8,
15 lines 9 through 12.

16 Q. In that --

17 A. Mr. Sauer, would you please repeat what
18 you would like for me to look at here?

19 Q. Yeah, I'm sorry, page 8.

20 A. Okay.

21 Q. Lines 9 through 12.

22 A. Okay. Thank you.

23 Q. And in there you're discussing the
24 decline in residential customers of over 30,000 --
25 35,000. Do you see that?

1 A. Correct. Yes, I see that.

2 Q. And do you know over what period of time
3 these 35,000 customers have left the DEO system?

4 A. As it states on line 10, since
5 December 31, 2007, which was the end of the test year
6 in the DEO distribution rate case, we've seen a
7 decline in residential customer counts of 35,000
8 customers.

9 Q. And since December 31, 2007, up till what
10 point?

11 A. Up to a recent date, and the exact date
12 I'm not sure of.

13 Q. Do you know if these were low-income
14 customers?

15 A. I think we're just speaking of
16 residential customers in the aggregate.

17 Q. Do you know if they were low-use
18 customers?

19 A. I do not know.

20 Q. Do you know if these customers have only
21 left the system during the nonheating season and
22 would be anticipated to return during the winter
23 heating season?

24 A. I don't know that.

25 Q. Do you know if they have left the system

1 because of the high customer charge as a result of
2 the straight fixed variable rate design?

3 MR. COLBERT: Objection, your Honor, it
4 is not the rate case, again.

5 EXAMINER PIRIK: Objection sustained.

6 Q. Could you turn to page 13, question and
7 answer 23.

8 MR. WRIGHT: I'm sorry, what question?

9 MR. SAUER: Yeah, let me check that. It
10 is in the supplemental testimony, page 13, question
11 and answer 21, not 23.

12 A. Yes, I'm there.

13 Q. And you were asked a question "If DEO had
14 not voluntarily included corrosion remediation in the
15 calculation of baseline O&M savings would there be
16 any savings for customers?" And your answer to that
17 question was no, correct?

18 A. That's correct. With regard to where we
19 are for this cost recovery application.

20 Q. And didn't DEO in its application cite to
21 the Duke program and the \$8-1/2 million in O&M
22 savings to date credited through the rider AMRP and
23 state in its application that DEO also anticipates
24 significant benefits from reduced incidents of leak
25 repair expenses and like Duke will credit savings in

1 avoided O&M costs to consumers?

2 MR. COLBERT: Your Honor, could counsel
3 specify where he's reading from so we can all look?

4 MR. SAUER: It's in, I think DEO Exhibit
5 13, yeah, the February 22nd application.

6 MR. COLBERT: At?

7 MR. SAUER: Paragraph 6, again.

8 Q. Do you see that?

9 A. Yes, I'm reading it right now.

10 Yes, I've read that now.

11 Q. And if there are no savings, then the
12 program is not achieving a promised result then, is
13 it?

14 A. It is. We included \$85,000 of savings in
15 the specified cost categories plus corrosion
16 remediation which we voluntarily added. Our program
17 has begun to show some savings and we expect that
18 that will continue and grow as our program gets
19 further along.

20 Q. And can you say whether or not these
21 savings will materialize within the five years that
22 the program has been preapproved at this point?

23 A. I'm not sure when they will materialize.

24 Q. And if there would be no savings in the
25 five years the program's preapproved, then are

1 customers receiving the significant benefits from the
2 PIR program that were touted?

3 A. I definitely think so. The customers are
4 getting the benefit of an improved system for
5 pipelines, for DEO, and so safety and reliability
6 will be enhanced and so the customers benefit from
7 that.

8 Q. But their benefits would be limited to
9 those benefits you just mentioned. There's no
10 benefits as a result of savings from the program.

11 A. Correct. There's no benefit from savings
12 until such savings materialize, and we did include
13 savings in this application.

14 Q. And would you agree that the company had
15 an obligation to provide safe and reliable service
16 even without the PIR program?

17 A. Yes, I agree that we had that obligation.
18 What we're doing now is a proactive approach for
19 ensuring that safety and reliability go forward by
20 replacing our old bare steel pipe and other aging
21 infrastructure on an accelerated basis.

22 Q. So they're getting a benefit that they
23 were going to get anyway without the PIR program,
24 it's not an added benefit, it's just a benefit.

25 A. It is a benefit.

1 MR. SAUER: Can I have a few minutes,
2 your Honor? I may be just about finished.

3 EXAMINER PIRIK: Yes.

4 (Discussion off the record.)

5 EXAMINER PIRIK: Mr. Sauer.

6 MR. SAUER: Can we mark this as OCC
7 Exhibit 5.

8 EXAMINER PIRIK: The document is so
9 marked.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 Q. Ms. Friscic, I've handed you a document
12 that is marked as -- the cover page is OCC request to
13 produce No. 23 and then there's a two-page attachment
14 from DEO. Do you see that?

15 A. Yes, I do.

16 Q. Are you familiar with this document?

17 A. Yes, I am.

18 Q. Did you prepare the response or supervise
19 the response?

20 A. I did not prepare the response, however,
21 I reviewed it before it was submitted to OCC.

22 Q. Thank you.

23 And the only reason I'm bringing this up,
24 because it addresses a change that you made in your
25 testimony and, for clarification, if some of the

1 adjustments that the staff recommends are accepted or
2 if they're rejected, then numbers shift around, and
3 that's all I'm trying to get across is that what you
4 started with was a \$390,000 number in your
5 supplemental testimony on page 6 that you've
6 changed -- you've changed to that 390,000 number, it
7 agrees with this; is that right?

8 A. It does agree with this, yes.

9 Q. And within DEO's response there are --
10 the last item has an asterisk here; do you see that?

11 A. Yes.

12 Q. And that has a -- what does the asterisk
13 represent?

14 A. The asterisk represents that information
15 is not yet available and this goes to the blanket
16 work order process that East Ohio uses to account for
17 certain of its plant additions. And because of that
18 system certain of this information is not available,
19 so we've just acknowledged that in the document.

20 Q. And the \$21,000 cost that's there, that
21 is a result of several projects or a blanket of
22 projects, accumulated.

23 A. It may be. I'm not certain of the
24 composition of that 21,000.

25 Q. And those projects -- project or projects

1 were not in service as of date certain June 30th,
2 2009, correct?

3 A. Correct. As a result of the mass or the
4 blanket work order process, yes.

5 Q. And then right above the asterisk there
6 are about eight projects beginning right under the
7 June 30th date, July 1st, 2009, date through the
8 August 17th, 2009, date, that are also projects that
9 were not in service as of June 30th, 2009, correct?

10 A. That's correct.

11 Q. And so the first projects we were talking
12 about that were the asterisked project or projects
13 could just have easily have been included in the
14 3,980,603 number, correct? Those are also blanket
15 projects that were not in service.

16 A. Could you repeat the question, please?

17 Q. Yes. The last item with the asterisk you
18 said represents a blanket of projects that were not
19 in service as of June 30th, 2009.

20 A. Yes.

21 Q. And those would be comparable projects to
22 what you describe on line 5 of your supplemental
23 testimony, the 3,980,603; those are associated with
24 projects that are still in construction or
25 preliminary design.

1 A. They would be comparable, but they are
2 not also included in that number.

3 Q. Right. I understand.

4 A. Okay. The ones that have an in-service
5 date after June 30th or the asterisk would be
6 comparable.

7 Q. And similarly, the seven or eight
8 projects that range from July 1st, 2009, through
9 August 17th, 2009, are similar projects to the
10 projects that are described on line 3 of page 6 of
11 your testimony. And, again, they aren't included in
12 the same place, but they are projects that could just
13 as easily have been classified there as opposed to
14 here.

15 A. Which specific projects are you talking
16 about which could just as easily have been classified
17 in those other numbers?

18 Q. The seven or eight projects that fall
19 under the June 30th, 2009, between July 1st, 2009,
20 and August 17th, 2009, those are projects that have
21 in-service dates after date certain.

22 A. That's true, yes.

23 Q. And that's the same as the projects that
24 total the 460,131 on line 3, those are also projects
25 that were placed in service after June 30th, 2009.

1 A. Yes.

2 MR. SAUER: I think that's all I have.

3 EXAMINER PIRIK: Thank you.

4 Staff?

5 MR. WRIGHT: Yes, thank you, your Honor.

6 As we previously requested and I believe there was no
7 objection stated, Mr. Reilly and I will be
8 bifurcating. Mr. Reilly will be asking questions
9 relative to staff recommendations 1 through 3, myself
10 4 and 5.

11 EXAMINER PIRIK: Okay.

12 MR. WRIGHT: And I believe I've been
13 designated to go first.

14 EXAMINER PIRIK: Just as a remainder, we
15 are going to conclude at 4:30 so I'm not telling you
16 you have to be done by then, I'm saying if you're
17 continuing and you're on a line of questioning, if
18 you could let me know when would be a good time to
19 break, that would be appropriate.

20 MR. WRIGHT: Okay. I don't think my
21 piece is going to be very long. I'll try to keep it
22 that way.

23 - - -

24

25

CROSS-EXAMINATION

By Mr. Wright:

Q. Good late afternoon, Ms. Friscic.

A. Good afternoon.

Q. By trade you're an accountant, not an attorney, correct?

A. Correct.

Q. So any reference in the staff report or, excuse me, in your testimony, the various editorial references you make as to what the stipulation means, what the Commission order approving the stipulation in the prior rate case means, any of that, that is your interpretation of the words on the page, correct?

A. That is correct.

Q. Okay. Now, one area of significant disagreement that the staff and the company have is over whether or not incremental O&M should be included; is that correct?

A. Correct.

Q. And you would, I believe your testimony indicates, does it not, that -- it's your position I guess I should say that the issue of O&M is actually addressed in the stipulation and the prior staff report, staff report from the prior rate case, our

1 disagreement is with -- your disagreement is with the
2 staff's characterization of what that means. Is that
3 fair? That wasn't asked very well, but if you
4 understand the question.

5 A. Well, would you mind repeating the
6 question, please?

7 Q. I will try.

8 The disagreement between the company and
9 the staff on this incremental O&M issue is the topic
10 we're discussing. Your testimony -- you have a
11 different reading, a different interpretation, of
12 what the prior stipulation approved and what the
13 prior Staff Report said with regard to that issue
14 than the staff does; is that fair? Is that generally
15 the genesis of the issue or the core of the issue?

16 A. We believe -- DEO believes that that
17 issue is clear. My understanding is that staff does
18 not agree with our position.

19 Q. And it's your position as representing
20 the company that it's clear from how the staff
21 addressed the issue in the prior staff report and
22 then what was ultimately approved by the Commission
23 in the prior rate case; is that right?

24 A. That is right.

25 Q. All right. Your testimony at pages --

1 the bottom of page 2 and the top of page 3 about you
2 reference, although I think you generally indicated
3 that the general premise of all the LDC
4 infrastructure programs is basically the same, they
5 serve the same overriding purpose, you're indicating,
6 are you not, that -- well, you stated that each
7 should stand on its own merits.

8 A. I did state that, yes.

9 Q. I believe you used that term.

10 A. Yes, I did.

11 Q. You're not suggesting, however, are you,
12 that you believe the Commission is limited to or
13 should ignore -- necessarily ignore the programs for
14 any of the other LDCs? Is that what your testimony
15 is?

16 A. My testimony is merely that we've made
17 some very specific requests for cost recovery that we
18 want to be evaluated based on the support that we're
19 providing for that, and whether or not that is
20 reasonable and appropriate in our circumstances.

21 Q. So in your opinion the Commission should,
22 it would be your recommendation that the Commission
23 really look at your case in a vacuum and pay no
24 attention to either of the other cases, any of the
25 other issues in those other cases and how they may

1 have been treated; is that fair?

2 A. Well, I can't say what the Commission
3 should or shouldn't do. We've merely asked that our
4 cost recovery proposals be given appropriate
5 consideration.

6 Q. So you didn't intend that as a limitation
7 upon the Commission per se.

8 A. I did not.

9 Q. All right.

10 EXAMINER PIRIK: Again, Mr. Wright, when
11 you're referring to page numbers, you are referring
12 to DEO Exhibit 2.

13 MR. WRIGHT: All questions will be
14 referring to DEO Exhibit 2, the supplemental
15 testimony of the witness.

16 EXAMINER PIRIK: Thank you.

17 MR. WRIGHT: Yes. Thank you.

18 I'm eliminating some things, so bear with
19 me, please.

20 EXAMINER PIRIK: You're fine.

21 Q. Page 13 of DEO Exhibit 2, again, your
22 supplemental testimony, at line 14 you're discussing
23 in this answer some amount of savings; are you not?
24 Page 13.

25 A. Yes.

1 Q. And let me direct your attention to line
2 14, the sentence that begins "The 5,543,000 of
3 savings."

4 A. Yes.

5 Q. You indicate that that recommendation by
6 the staff does not take into account the fact that
7 the PIR program has not yet had the effect of
8 reducing O&M expense related to leak detection
9 repair. That is what your sentence says, basically.

10 A. Yes.

11 Q. And corrosion monitoring.

12 A. And corrosion monitoring.

13 Q. Okay. Inasmuch as we have not been able
14 to establish within any time frame whether there will
15 be savings or if there are savings, of what magnitude
16 those savings may be, that could be your testimony
17 next year, couldn't it?

18 A. It's possible. DEO has already stated
19 that we fully believe that there will be savings as
20 our program progresses and we in good faith have
21 agreed to give those savings, when they occur, back
22 to customers; however, we view these categories
23 specified in the stipulation in DEO's distribution
24 base rate case in the aggregate.

25 Q. When you say give them back, that's the

1 deal, isn't it? The deal requires you to give them
2 back, doesn't it?

3 A. That is the deal.

4 Q. As an offset to the regulatory asset.

5 A. That is correct. In the aggregate.

6 Q. Okay.

7 MR. WRIGHT: Give me one more minute.

8 I'm going to turn it over to Mr. Reilly
9 now.

10 EXAMINER PIRIK: Mr. Reilly.

11 MR. REILLY: Thank you, your Honor.

12 - - -

13 CROSS-EXAMINATION (Continued)

14 By Mr. Reilly:

15 Q. Good afternoon, Ms. Friscic.

16 A. Good afternoon, Mr. Reilly.

17 Q. I would like to talk to you a little bit
18 about the company accounts in rate proceedings, all
19 right?

20 A. Okay.

21 Q. As I think Mr. Wright pointed out, you're
22 an accountant by background.

23 A. I am.

24 Q. And you've been in the company's
25 accounting department for a while, I believe you ran

1 the tax and, I forget what your testimony said, the
2 tax and accounting section for a while.

3 A. Tax and accounting services. When I
4 first started with the company.

5 Q. And now you're running the rate -- the
6 regulatory section.

7 A. That's true.

8 Q. All right. Isn't it true that the
9 company accounts -- amounts in the company accounts
10 are not necessarily determinative of the amounts used
11 for those accounts in rate proceedings?

12 A. I don't understand the question.

13 Q. In rate proceedings do the amounts that
14 are contained in company accounts get adjusted
15 sometimes?

16 A. Sometimes.

17 Q. So that different amounts are used in the
18 computation of rates than appear in the company
19 accounts sometimes.

20 MR. COLBERT: Objection.

21 A. Sometimes.

22 MR. COLBERT: Your Honor, excuse me. Can
23 you specify, please, which accounts you're talking
24 about. Otherwise the question is ambiguous. Are you
25 talking about the company's natural accounts or the

1 FERC accounts, for example?

2 Q. I'm talking about any of the company's
3 accounts. I'm talking about any of the company's
4 accounts, that they are not -- the amounts appearing
5 in the company accounts are not necessarily
6 determinative of the amounts used in ratemaking or
7 rate proceedings, correct?

8 A. In a base rate case there are adjustments
9 required to certain of the company's amounts.

10 Q. And it is your position that in a
11 different type of rate proceeding adjustments could
12 not be made to company accounts?

13 A. I don't believe I've said that.

14 Q. Okay. You have seen adjustments -- let
15 me back up a second.

16 You've been involved in rate proceedings
17 before.

18 A. In DEO's case, yes.

19 Q. Yes. I meant DEO's case. And in those
20 rate proceedings -- in some of those rate proceedings
21 you saw adjustments made to the amounts appearing on
22 the company's books of account, true?

23 A. True.

24 Q. Thank you.

25 And those adjusted amounts would have

1 been the amounts used to calculate the company's
2 ultimate rates, correct?

3 A. Where we have either been required to
4 make adjustments or have agreed to adjustments, those
5 adjustments would, in fact, affect the ultimate rate.

6 Q. Right. In fact, there were adjustments
7 that the company agreed to in your last rate
8 proceeding; isn't that correct?

9 A. That is correct.

10 Q. Thank you.

11 If I could turn your attention to page 6
12 of your testimony, supplemental testimony. I'm
13 sorry, your supplemental testimony Exhibit 2,
14 Dominion Exhibit 2.

15 A. Yes, I'm there.

16 Q. And in the answer to question 13 you're
17 quoting part of a FERC system of accounts rule,
18 correct?

19 A. Correct.

20 Q. Okay. And I'd like to direct your
21 attention to lines 16 and 17 -- excuse me. Yes,
22 lines 16 and 17, the last word on 16 into 17, it says
23 "Work orders covering jobs of short duration may be
24 cleared monthly." Do you see that?

25 A. I do.

1 Q. As far as you know, is that part of the
2 rule, I realize it speaks for itself, but is that
3 statement part of the rule?

4 A. Well, I'm not sure that these are rules
5 as much as they are guidance for utility companies to
6 use and we have consistently followed this guidance
7 with regard to our plant accounts.

8 Q. Fine, guidance. Whichever it is. What
9 I'm really interested in, do you understand the word
10 "may" as used in that sentence to provide the
11 utility, in this case Dominion, with an option, with
12 the option?

13 A. I do understand the word "may."

14 Q. So you understand that the rule does
15 not -- or the guidance does not demand that Dominion
16 do anything. It provides Dominion with options,
17 correct?

18 A. Correct.

19 Q. Thank you.

20 I'd like to direct your attention to page
21 7 of Dominion Exhibit 2, line 1. The fifth word in
22 that line is "that," do you see that?

23 A. What are you referencing?

24 Q. The word "that" in line 1 of page 7 of
25 Dominion Exhibit 2, I believe it's the fifth word on

1 the line.

2 A. On line 1?

3 Q. Yes.

4 A. Page --

5 Q. Does your line 1 begin with "proceeding"?

6 A. No, it does not.

7 Q. Ah. Hold on.

8 A. I'm looking at --

9 MR. SERIO: Can we go off the record,
10 your Honor?

11 (Discussion off the record.)

12 EXAMINER PIRIK: We can go back on the
13 record.

14 Q. Ms. Friscic, if you will take a look at
15 Dominion Exhibit 2, page 7, line 2, what I want to
16 talk to you about is what "that" in that line refers
17 to. It's the seventh word in. What I'm trying to
18 understand is what is referenced with that word.

19 EXAMINER PIRIK: Can we go off the record
20 for a minute.

21 (Discussion off the record.)

22 EXAMINER PIRIK: We'll go back on the
23 record. Just to clarify for all future references,
24 we are talking about the -- and earlier in
25 Ms. Friscic's testimony there was a redline version

1 presented to parties for the purpose of understanding
2 any corrections that she had made to her testimony
3 that had been filed on October 9th, 2009. The
4 version that we are all referring to and that will be
5 cited to is the version that was filed on
6 October 9th, 2009, and that is, in fact, DEO Exhibit
7 2.

8 The only purpose of the redline version
9 was so that we would all understand the corrections
10 that Ms. Friscic was providing, and that's
11 appreciated because that does make it easier.

12 With that understanding between all the
13 parties we have decided that we're going to adjourn
14 for the day and we will reconvene Monday morning at
15 9 a.m. here in 11-F.

16 MR. REILLY: Thank you, your Honor.

17 EXAMINER PIRIK: Adjourned.

18 (Thereupon, the hearing was adjourned at
19 4:28 p.m.)

20 - - -

1 CERTIFICATE

2 I do hereby certify that the foregoing is
3 a true and correct transcript of the proceedings
4 taken by me in this matter on Friday, October 16,
5 2009, and carefully compared with my original
6 stenographic notes.

7
8 Maria DiPaolo Jones, Registered
9 Diplomat Reporter and CRR and
10 Notary Public in and for the
State of Ohio.

11 My commission expires June 19, 2011.

12 (MDJ-3460)

13 - - -
14
15
16
17
18
19
20
21
22
23
24
25

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

10/19/2009 8:10:47 AM

in

Case No(s). 09-0458-GA-UNC

Summary: Transcript Dominion East Ohio 10/16/09 electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Jones, Maria DiPaolo Mrs. and Gibson, Karen Sue Mrs.