

## PUCO EXHIBIT FILING

(17)

FILE

Date of Hearing: 6/12/12Case No. 11-5846-GA-SLFPUCO Case Caption: In the matter of the  
Self-Complaint of Suburban Natural  
Gas Company Concerning its  
Existing Tariff Provisions

List of exhibits being filed:

Staff 1 - Stephen Pucan  
TestimonySuburban 1 - David  
Remickton Testimony

PUCO

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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the matter of the :  
Self-Complaint of Suburban :  
Natural Gas Company : 11-5846-GA-SLF  
Concerning its Existing :  
Tariff Provisions :

- - -

PROCEEDINGS

before Mr. Scott E. Farkas, Hearing Examiner, at the  
Public Utilities Commission of Ohio, 180 East Broad  
Street, Room 11-C, Columbus, Ohio, called at  
10:00 a.m. on Tuesday, June 12, 2012.

- - -

ARMSTRONG & OKEY, INC.  
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- - -



BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

|                                |   |                         |
|--------------------------------|---|-------------------------|
| In the Matter of the Self-     | : |                         |
| Complaint of Suburban          | : | Case No. 11-5846-GA-SLF |
| Natural Gas Company            | : |                         |
| Concerning its Existing Tariff | : |                         |
| Provisions.                    | : |                         |

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**PREPARED TESTIMONY OF STEPHEN E. PUICAN  
FILED ON BEHALF OF  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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**Mike Dewine**  
Ohio Attorney General

**William L. Wright**  
Section Chief

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1 1. Q. Would you please state your name and business address?

2 A. My name is Stephen E. Puican. My business address is 180 East Broad  
3 Street, Columbus, Ohio.

4  
5 2. Q. What is your present employment?

6 A. I am currently employed as Co-Chief of the Rates & Tariffs / Energy &  
7 Water Division in the Utilities Department of the Public Utilities  
8 Commission of Ohio ("PUCO").

9  
10 3. Q. Would you outline your academic and professional qualifications?

11 A. I received a B.A. degree in Economics from Kent State University in  
12 1980 and an M.A. degree in Economics from Ohio State University in  
13 1983. I was employed by the Ohio Department of Development,  
14 Division of Energy, from May 1983 until October 1985 at which time  
15 the functions of that Division were incorporated into the PUCO. I have  
16 been employed in several positions at the PUCO since that time and  
17 have been Co-Chief of the Rates & Tariffs / Energy & Water Division  
18 since May 2005. Prior to that, I had been Chief of the Gas and Water  
19 Division since 1999. In both my current and previous positions I have  
20 been responsible for oversight of the Utilities Department's natural gas  
21 staff which includes responsibility for all GCR cases, as well as other  
22 areas relating to natural gas such as contracts, certain tariff provisions,  
23 and certain rate case issues. I have also been involved in the  
24 development and evolution of Ohio's customer choice programs. Prior  
25 to my current position I was responsible for directing Staff  
26 investigations into electric utilities' Demand-Side Management (DSM)  
27 programs and have submitted testimony in numerous proceedings  
28 relating to evaluation of DSM programs.

29

1 4. Q. What is the purpose of your testimony in this proceeding?

2 A. I am testifying to Staff's position on Suburban Natural Gas Company's  
3 (Suburban) proposal to implement a Demand-Side Management  
4 (DSM) rider to recover the costs of a new home construction program.  
5

6 5. Q. Would you describe Suburban's proposal?

7 A. Suburban proposes a rider be established to recover the costs associated  
8 with providing assistance to homebuilders to encourage them to build  
9 homes that are more efficient than what is necessary to receive federal  
10 tax credits offered for building energy-efficient homes. According to  
11 the application, such financial assistance would only be offered in those  
12 situations where such homebuilders have available to them an offer  
13 from another natural gas company to provide such assistance at the  
14 same location or proposed location. The application states this rider is  
15 necessary for Suburban to compete fairly for new home construction  
16 load where a competing natural gas utility has the ability to offer such  
17 incentives to homebuilders.  
18

19 6. Q. What is Staff's recommendation on the proposed rider?

20 A. My recommendation is that the Commission not approve the rider at  
21 this time.  
22

23 7. Q. Would you provide some background and context for your  
24 recommendation?

25 A. Yes. First of all, I would like to clarify that the competing company in  
26 question is Columbia Gas of Ohio, Inc. (Columbia) as confirmed in the  
27 testimony of Suburban witness David L. Pemberton, Jr. filed on May  
28 25, 2012. The Commission approved Columbia's initial set of DSM  
29 programs in Case No. 08-833-GA-UNC. Columbia was authorized to

1       implement those programs, subject to approval of a DSM cost recovery  
2       rider which was approved in Case No. 08-72-GA-AIR. The  
3       Commission has subsequently approved modifications to Columbia's  
4       DSM portfolio in Case Nos. 10-2480-GA-UNC and 11-5028-GA-UNC.  
5       Included in that portfolio is a New Home Solutions program that  
6       provides new home builders with training, technical assistance,  
7       marketing assistance and direct financial incentives for constructing  
8       new homes that exceed state minimum codes. This is the program that  
9       Suburban's proposed DSM program is intended to respond to.

10  
11     8. Q. Why are you recommending the Commission not approve Suburban's  
12       proposal?

13     A. Although Suburban's proposal is couched in terms of achieving parity  
14       with Columbia's program, the two situations are completely different.  
15       Columbia's new construction program was developed as part of a  
16       comprehensive portfolio of DSM programs designed to encourage  
17       customers to make cost-effective investments in energy efficiency. The  
18       portfolio was developed with input from Columbia's Demand Side  
19       Management Stakeholder Group which was formed after Columbia's  
20       rate case for the purpose of providing such input. That group supported  
21       Columbia's request for Commission approval of the DSM portfolio  
22       which included its new home construction program. Further, funding for  
23       that DSM portfolio was approved as part of a stipulation in Columbia's  
24       rate case whose signatories included the Office of the Ohio Consumer's  
25       Counsel and Ohio Partners for Affordable Energy which are also  
26       participants in the DSM Stakeholder group. The point of this discussion  
27       is that Columbia's new home construction program was designed and  
28       funded as part of a comprehensive portfolio of DSM programs approved  
29       by a stakeholder group consisting of representatives of Columbia's

1 customers. It is a diversified portfolio that is intended to be accessible to  
2 a wide number of customers.<sup>1</sup>

3  
4 In contrast, Suburban's proposed new home construction program is a  
5 stand-alone program that will be available only to a limited number of  
6 customers. The vast majority of ratepayers that will finance the program  
7 will have no ability to directly benefit from its existence. Natural gas  
8 DSM programs, in my opinion, should be considered a utility service  
9 made available to customers for their individual benefit. Customers as a  
10 whole do not necessarily derive any benefit from another customer  
11 reducing his natural gas consumption through a DSM program. This is  
12 the importance of a portfolio approach so that many customers can take  
13 advantage of this service.

14  
15 Suburban's proposed program is strictly a competitive response  
16 program. It is intended to compete with Columbia for new load. The  
17 only benefit to non-participating customers is the increased load which  
18 will result in lower rates in the event of a subsequent rate case. Viewed  
19 from this perspective, this application needs to be viewed, not as a DSM  
20 program, but as a proposal to implement a competitive response rider.  
21 To my knowledge the Commission has never before approved a rider  
22 with that intended purpose. Commission approval would thus result in  
23 the establishment of an entirely new category of rider which LDCs

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<sup>1</sup> It should be noted that both Vectren Energy Delivery of Ohio (Vectren) and Dominion East Ohio (Dominion) also have DSM programs and a corresponding rider. Both Dominion and Vectren have similar stakeholder groups that design the portfolio of programs and both had their riders approved as part of a joint stipulation in their last base rate case.

1           could potentially use to compete with one another. Although I  
2           understand the rationale behind Suburban's particular proposal in this  
3           proceeding, I believe its approval would set a bad precedent by  
4           potentially encouraging competitive response proposals by other LDCs.

5

6       9. Q. Does this complete your pre-filed testimony?

7       A. Yes, it does.



### **PROOF OF SERVICE**

I hereby certify that a true copy of the foregoing Testimony of Stephen E. Puican, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by via electronic mail upon the following parties of record, this 6th day of June, 2012.

/s/Thomas G. Lindgren

**Thomas G. Lindgren**

Assistant Attorney General

#### **Parties of Record:**

Mark S. Yurick  
Taft Stettinius & Hollister LLP  
65 East State Street, Suite 1000  
Columbus, Ohio 43215-4213

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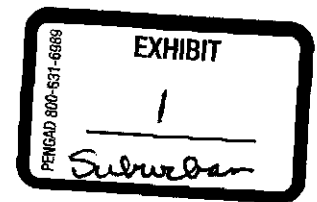
**Commission of Ohio Docketing Information System on**

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**in**

**Case No(s). 11-5846-GA-SLF**

**Summary: Testimony Prepared Testimony of Stephen E. Puican electronically filed by Mrs. Tonneta Y Scott on behalf of PUCO**



BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Self-Complaint  
of Suburban Natural Gas Company  
Concerning its Existing Tariff  
Provisions

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Case No. 11-5846-GA-SLF

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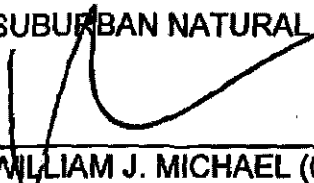
NOTICE OF FILING OF  
DIRECT TESTIMONY OF DAVID L. PEMBERTON, JR.

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Now Comes Suburban Natural Gas Company ("Suburban") and files its Direct  
Testimony of David L. Pemberton, Jr. in support of the above-referenced self-complaint  
filed on December 1, 2011.

Respectfully Submitted,

SUBURBAN NATURAL GAS COMPANY

  
\_\_\_\_\_  
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**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

|  |                       |                         |
|--|-----------------------|-------------------------|
| In the Matter of the Self-Complaint<br>of Suburban Natural Gas Company<br>Concerning its Existing Tariff<br>Provisions | )<br>)<br>)<br>)<br>) | Case No. 11-5846-GA-SLF |
|--|-----------------------|-------------------------|

**DIRECT TESTIMONY OF DAVID L. PEMBERTON, JR.**

**ON BEHALF OF  
THE SUBURBAN NATUAL GAS COMPANY**

**May 30, 2012**

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

2     A. David L. Pemberton, Jr., 2626 Lewis Center Road, Lewis Center, Ohio 43035.

3     **Q. By whom are you employed and in what capacity?**

4     A. Suburban Natural Gas Company, President, Chief Operating Officer, and  
5     Treasurer.

6     **Q. How long have you been associated with Suburban?**

7     A. Over 20 years.

8     **Q. On whose behalf are you offering testimony in this proceeding?**

9     A. Suburban Natural Gas Company.

10    **Q. Please outline your educational background and business experience.**

11    A. I graduated from Dennison University in 1983. Before joining Suburban, I was a  
12    Vice President-General Manager with Litel in the telecommunication industry. I  
13    have been with Suburban for over 20 years, the last twelve as President. As  
14    President, I am responsible for the day-to-day operations of the company.

15    **Q. Do you have any experience testifying at the Commission?**

16    A. Yes.

17    **Q. What is the purpose of your testimony in this proceeding?**

18    A. The purpose of my testimony is to support Suburban's self-complaint. I will  
19    describe why Suburban should have the ability to offer demand-side  
20    management services and why its current inability to provide such services is  
21    patently unjust, unreasonable, and inequitable to Suburban and its customers  
22    and potential customers.

23    **Q. Why is Suburban seeking authority to provide demand-side management  
24    services?**

25    A. A much larger competitor of Suburban – Columbia – has in its tariff, as reviewed  
26    and approved by the PUCO, a demand-side management rider under which,  
27    stated generally, it is able to recover costs it incurs in providing services to  
28    builders related to energy-efficient measures. At least two other natural gas  
29    companies are also able to provide demand-side management services and  
30    recoup the costs through riders based on PUCO-reviewed and approved tariffs.  
31    Suburban anticipates being approached about providing similar services, but it  
32    would be unable to provide them because it does not have a demand-side  
33    management rider in its tariff.

34    It is important that Suburban's ability to provide demand-side management

35 services be reflected in its tariff. Natural gas customers – particularly more  
36 sophisticated ones such as many homebuilders, and particularly customers that  
37 have competitive options for their natural gas service – look initially to tariffs to  
38 evaluate potential providers. After all, a tariff defines the terms on which a  
39 regulated local distribution company such as Suburban can provide natural gas  
40 service. If one provider's tariff confirms that the provider offers, for example,  
41 demand-side management services and another provider's tariff confirms that  
42 that provider does not, the one that does not likely will not even get an initial  
43 inquiry regarding providing natural gas service. This is precisely the situation  
44 Suburban is now in as compared to its much larger competitor, Columbia, as it  
45 relates to demand-side management services.

46 **Q. What effect, if any, does that have on Suburban and its customers?**

47 A. Suburban's customers, actual and potential, are unjustly deprived of a  
48 competitive option for a provider of demand-side management programs  
49 because Suburban does not currently have such a program. The market is  
50 deprived of another program that facilitates energy-efficient measures being  
51 taken in construction projects. Further, the addition of new load can increase  
52 economies of scale and moderate the need for future increases in base rates,  
53 especially for smaller utilities such as Suburban. Since Suburban does not  
54 currently have a demand-side management program, it is unable to provide  
55 services that encourage the use of energy-efficient measures in buildings and  
56 is, therefore, at a material competitive disadvantage in competing for new load –  
57 there is currently an "uneven playing field."

58 Although Suburban cannot verify that any one individual customer chose a  
59 competitor over Suburban due to Suburban not being able to provide demand-  
60 side management services, that is not surprising. As mentioned earlier,  
61 Suburban's (and all other regulated natural gas companies') initial offering, as it  
62 were, regarding the terms on which it is able to do business is reflected in its  
63 tariff. Likewise, Columbia's "initial offering" is reflected in its tariff. Even the  
64 most basic review of Suburban's and Columbia's tariffs reveal that Columbia  
65 offers demand-side management services and Suburban does not. Thus,  
66 customers for whom demand-side management services are important will not  
67 contact Suburban.

68 **Q. Can the situation be rectified?**

69 A. Yes. There is no rational basis for a much larger competitor to be allowed to  
70 offer demand-side management services and recoup the costs thereof, but not  
71 allow Suburban to do the same thing. Accordingly, Suburban proposes that it  
72 be able to offer assistance to homebuilders to encourage homebuilders to build  
73 homes that are more efficient than what is necessary to receive federal tax  
74 credits offered for building energy-efficient homes, but only where such builders  
75 have available to them an offer from another natural gas company to provide  
76 such assistance at the same location or proposed location.

77 Q. How will Suburban know what a competitor is offering?

78 A. We will ask the homebuilder to provide a copy of the competitor's DSM offer.

79 Q. How will Suburban determine what conservation measures it will fund and  
80 the maximum amount it will fund?

81 A. Suburban will determine what conservation measures it will fund consistent with  
82 its proposed tariff page and based on its business judgment. Suburban would  
83 only meet, not exceed, any assistance offered by a competitor. As far as the  
84 maximum amount Suburban would fund, Suburban would fund up to an amount  
85 to meet what the competitor is funding, not more. Needless to say, under the  
86 proposed rider, Suburban would recover only the expenses incurred in  
87 providing demand-side management services.

88 Q. Under what circumstances would Suburban seek to fund conservation  
89 measures?

90 A. As is clear from the proposed tariff page, only where a customer or potential  
91 customer already has an opportunity to utilize a competitor's demand-side  
92 management program, and then only regarding residential construction. Under  
93 the circumstances, a demand-side management rider is just and reasonable.

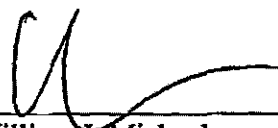
94 Q. Does this conclude your testimony?

95 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Notice of Filing of Direct Testimony of David L. Pemberton, Jr. was served upon the following as a courtesy, via U.S. Mail, postage prepaid, on this 25 day of May 2012.

Thomas G. Lindgren  
Attorney General  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, OH 43215

  
\_\_\_\_\_  
William J. Michael



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**in**

**Case No(s). 11-5846-GA-SLF**

**Summary: Testimony of David L. Pemberton, Jr. electronically filed by Ms. Brandi L. Kayser on behalf of Suburban Natural Gas Company**