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BEFORE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :
Application to Modify, :
in accordance with :
Section 4929.08, Revised :
Code, the Exemption : Case No. 12-2637-GA-EXM
Granted Columbia Gas of :
Ohio, Inc. in Case :
No. 08-1344-GA-EXM. :

-- --

PROCEEDINGS

before Ms. Christine M.T. Pirik, Hearing Examiner, at
the Public Utilities Commission of Ohio, 180 East
Broad Street, Room 11-A, Columbus, Ohio, called at
9:00 a.m. on Thursday, December 6, 2012.

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VOLUME III

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ARMSTRONG & OKEY, INC.
222 East Town Street, 2nd Floor
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On behalf of the staff of the Public
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1 Thursday Morning Session,
2 December 6, 2012.

3 - - -

4 EXAMINER PIRIK: We'll go on the record.
5 This is day three of the hearing in Case
6 No. 12-2637-GA-EXM. I think we have one appearance
7 that we need to clarify on the record.

8 Mr. Royer.

9 MR. ROYER: Thank you, your Honor. On
10 behalf of Dominion Retail, Barth Royer of Bell &
11 Royer Co., LPA, 33 South Grant Avenue, Columbus,
12 Ohio, 43215. Mr. White entered my appearance on
13 behalf of IGS on Monday, I believe, but through a
14 misunderstanding apparently he did not enter my
15 appearance at that time for Dominion Retail and I am
16 also appearing on their behalf.

17 EXAMINER PIRIK: Thank you. So your
18 representation is for both IGS and Dominion.

19 MR. ROYER: Correct.

20 EXAMINER PIRIK: Mr. White is just for
21 IGS.

22 MR. ROYER: I'm IGS and Dominion Retail.

23 EXAMINER PIRIK: Thank you for clarifying
24 the record.

25 MR. STINSON: Thank you. At this time

1 Hess would call its first witness, Randy Magnani.

2 If I could approach, your Honor.

3 EXAMINER PIRIK: We'll take the statement
4 before he actually begins testimony.

5 MR. PETRICOFF: Thank you.

6 Please raise your right hand.

7 (Witness sworn.)

8 EXAMINER PIRIK: Thank you.

9 Before the witness begins testifying I
10 believe Mr. Petricoff has --

11 MR. PETRICOFF: Yes, I'd like to make a
12 statement for the record maybe to avoid any
13 ambiguity, the Ohio Gas Marketers Group and the
14 Retail Energy Supply Association are trade
15 associations and the members of the trade
16 association, which includes three of the witnesses,
17 one yesterday and two today, who will take the stand
18 may have positions that are different than the trade
19 association.

20 In fact, the trade association's views
21 are just a majority view of that and as we've
22 indicated in our filings in the OGMG/RESA Exhibits 1
23 and 2, the positions of the trade association do not
24 necessarily reflect any of the individual positions
25 of the companies.

1 So with that when the OGMG/RESA witnesses
2 are taking the stand, it's not for their individual
3 companies, they do have witnesses from their
4 individual companies, it's only for the trade
5 association, and likewise when the members take the
6 stand, they are not bound by any of the views of the
7 trade association.

8 With that, I'd also state for the record
9 that we will not cross-examine any of our members.
10 Thank you.

11 EXAMINER PIRIK: Thank you,
12 Mr. Petricoff. I'll try to remember not to call on
13 you, then.

14 Mr. Stinson.

15 MR. STINSON: Uh-huh.

16 - - -

17 ORLANDO (RANDY) MAGNANI
18 being first duly sworn, as prescribed by law, was
19 examined and testified as follows:

20 DIRECT EXAMINATION

21 By Mr. Stinson:

22 Q. Mr. Magnani, will you please state your
23 full name and address for the record.

24 A. My name is Orlando Magnani, most people
25 in the industry called me Randy. My business address

1 is One Hess Plaza, Woodbridge, New Jersey.

2 Q. I've placed before you what I've marked
3 as Hess Exhibit No. 1. Could identify that for me,
4 please?

5 A. Yes, I have it here.

6 Q. Is that your direct prefiled testimony in
7 this matter?

8 A. Yes, it is.

9 Q. Was that prepared by you or under your
10 direct supervision?

11 A. It was.

12 Q. Do you have any changes to make to that
13 testimony today?

14 A. No, I do not.

15 Q. If I were to ask you those same questions
16 today, would your answers remain the same?

17 A. They would.

18 MR. STINSON: Thank you. I move Hess
19 Exhibit No. 1 for admission and offer Mr. Magnani for
20 cross-examination.

21 EXAMINER PIRIK: The document will be
22 marked as Hess Exhibit 1.

23 (EXHIBIT MARKED FOR IDENTIFICATION.)

24 EXAMINER PIRIK: Ms. Mooney, is
25 Mr. Rinebolt --

1 MS. MOONEY: He's in the wrong seat.

2 EXAMINER PIRIK: Oh, he moved seats. I
3 guess I have to look around.

4 Where's Mr. Reilly?

5 MR. REILLY: Over here.

6 EXAMINER PIRIK: There he is over there.
7 I guess we forgot the rule that we're always supposed
8 to sit in the same seat.

9 MR. RINEBOLT: I can move, your Honor.

10 EXAMINER PIRIK: That's all right.

11 Mr. Royer -- he just might be intimidating.

12 MR. ROYER: Keep him away from me.

13 EXAMINER PIRIK: All right.

14 Mr. Rinebolt, do you have any questions?

15 MR. RINEBOLT: I do, your Honor. Thank
16 you very much.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Rinebolt:

20 Q. Mr. Magnani, good morning.

21 A. Good morning.

22 Q. May we turn to page 10, line 20 of your
23 testimony, and I'm specifically referring to the
24 sentence "Without the SCO, retail competition can
25 still be robust, but it will be at a higher price

1 than it would be with the SCO in place."

2 Mr. Magnani, could you please explain to
3 me the reasons for that conclusion?

4 MR. ROYER: Objection. A, it's friendly
5 cross. B, it's already explained in his testimony.

6 MR. RINEBOLT: Your Honor, I'm trying to
7 explore exactly the elements of his statement and why
8 he says that.

9 EXAMINER PIRIK: I'll allow the question.

10 A. Basically, SCO is the cheapest price out
11 there because it's simply a lot cheaper to sell it to
12 a couple of large customers than it is to thousands
13 of tinier customers.

14 If you take -- with SCO in the
15 marketplace, the other suppliers will tend to try to
16 drive their prices as low as absolutely possible.
17 Not that they could compete directly with SCO, but at
18 least they would be closer to it.

19 If you take SCO out of the marketplace,
20 then you would have competition but it wouldn't
21 necessarily be driven to those lower levels.

22 Q. Thank you, sir.

23 And on page 11, and I'm specifically
24 referring to lines 5 through 7 --

25 A. Yes.

1 Q. -- where you discuss an SCO not being
2 engaged in the natural gas market, do you view a
3 customer who receives service through a contract that
4 has an auto renewal clause as engaged in the retail
5 natural gas market?

6 A. Yes.

7 Q. Could that customer --

8 A. That doesn't mean that an SCO customer
9 isn't engaged.

10 Q. Could a customer on an auto renewal
11 contract be considered an inactive or passive
12 participant in the market?

13 A. To the extent that they're not actively
14 changing their contract, you might say that, but,
15 again, the customer could have chosen to stay on the
16 auto renewal. So I don't know if they're active or
17 not.

18 Q. Thank you very much, Mr. Magnani.

19 MR. RINEBOLT: That's all my questions,
20 your Honor.

21 EXAMINER PIRIK: Thank you.

22 Mr. Einstein?

23 MR. EINSTEIN: No questions, your Honor.

24 EXAMINER PIRIK: Mr. Royer? I think I'm
25 going to go around the table.

1 MR. ROYER: That's fine, we just
2 discussed an order earlier, but that's fine, I'm
3 happy to. Thanks.

4 - - -

5 CROSS-EXAMINATION

6 By Mr. Royer:

7 Q. Good morning, Mr. Magnani.

8 A. Good morning.

9 EXAMINER PIRIK: Mr. Royer, if it is a
10 better order for the --

11 MR. ROYER: No, that's all right.

12 EXAMINER PIRIK: -- for the stipulating
13 parties, I don't have a problem with that if you had
14 talked about that.

15 MR. ROYER: It doesn't matter to me, I
16 think we both decided it didn't really much matter.

17 EXAMINER PIRIK: All right.

18 Q. (By Mr. Royer) Now, on page 1 of your
19 testimony you indicate that Hess provides gas supply
20 service to over 9,100 commercial and industrial
21 customers in 21 states. Do I take it from that that
22 Hess does not supply any gas supply service to
23 residential customers?

24 A. There are some occasions when residential
25 customers may slip into it but that's certainly not a

1 target market and not something that we encourage or
2 seek.

3 Q. And, in fact, on your website in a
4 response to your FAQs one of the questions was "Does
5 Hess serve residential homeowners?" And the answer
6 to that was "Hess does not serve residential
7 homeowners at this time." So that would be
8 consistent with your answer?

9 A. Yes, it would. Like I said, there might
10 be the occasion when a customer slips in somehow as
11 part of a group; I know a case in New York where it
12 happened and we ended up with a couple of residential
13 customers.

14 Q. And then you also mention that Hess has
15 recently closed a deal to acquire the energy
16 marketing business of Delta Energy, LLC.

17 A. That's correct.

18 Q. Does Delta supply any residential
19 customers?

20 A. Yes, they do.

21 Q. In Ohio?

22 A. Yes.

23 Q. Where?

24 A. In Dominion East Ohio and in Columbia of
25 Ohio.

1 Q. How many?

2 MR. STINSON: I'm going to object to
3 that, that will get into market share.

4 EXAMINER PIRIK: Sustained.

5 Q. Well, let me ask you this, then: Does --
6 well, we'll get to that later.

7 How about Hess's subsidiary, Hess Small
8 Business Services, LLC, does Hess Small Business
9 Services supply any residential customers?

10 A. Not intentionally.

11 Q. Now, if you know, do the CRNGS providers
12 that are signatories to the amended stipulation, do
13 any of them provide -- supply service to residential
14 customers in COH's service territory?

15 A. I'm sure some of them do, yes.

16 Q. And were any of those suppliers also
17 winning bidders in past SSO and SCO auctions?

18 A. Yes.

19 Q. Now, on page 5 starting on line 22 you
20 indicate that, or you describe the SCO auction model
21 that Columbia currently has in place. Does Columbia
22 incur costs in connection with operating that SCO
23 model?

24 A. I believe in response to an interrogatory
25 they said they incur about -- it costs about \$70,000.

1 Q. What types of costs would be involved, if
2 you know?

3 A. Cost of the platform, the people who are
4 taking the bids.

5 Q. They have to assemble the information
6 necessary to conduct the auction, yes?

7 A. Yes.

8 Q. And that would involve personnel time?

9 A. Yes.

10 Q. Would it involve IT systems that would
11 accommodate that effort?

12 A. Would it be incremental IT systems?
13 Probably not. Would it be running their existing IT?
14 Yes.

15 Q. They have to maintain their data room.

16 A. Maintain the data room. I'm not sure
17 what that means, but they would make the data
18 available to people.

19 Q. And they would have to have personnel
20 available to answer potential bidders' questions?

21 A. That's correct.

22 Q. And then they have to engage an auction
23 manager to conduct the auction?

24 A. That would have been the \$70,000 I
25 referred to.

1 Q. And then they also could incur attorneys'
2 fees in connection with getting the model approved in
3 the first place and defending the results later.

4 A. Yes.

5 Q. And then they would also be required by
6 the Commission to do mailings to customers and use
7 bill inserts to explain the SCO price?

8 A. I'm not sure about mailings other than
9 bill inserts.

10 Q. And do you know, if you know, has the
11 Commission required Columbia to send these notices to
12 all customers, not just to customers on the default
13 service?

14 A. Yes.

15 Q. Yes, they have required them to do that?

16 A. I believe they send them to all
17 customers.

18 Q. Okay. Thank you.

19 And now who pays for all that?

20 A. Columbia.

21 Q. And how does Columbia recover those
22 costs?

23 A. Those costs are pretty much the same
24 costs they incur all the time. Do they have to
25 change their computer system? No, they have a

1 computer system. Are those people employed? Yes,
2 they are. I don't know what the paper and the bill
3 insert costs, but it's insignificant in the overall
4 scheme of things.

5 Q. Do the SCO bidders contribute anything to
6 those costs?

7 A. Other than the deposits that they put up
8 which interest is kept by Columbia, I don't think
9 they contribute anything.

10 Q. But the customers, both shopping and
11 nonshopping customers would contribute to those costs
12 through their rates; is that correct?

13 MR. STINSON: I'm going to object.

14 A. I'm not sure if those rates --

15 MR. STINSON: Excuse me. I'm going to
16 object, I don't think there's a foundation for that
17 as to how they're being collected through rates.

18 THE WITNESS: Unless Columbia recovered
19 the costs in rates, it wouldn't be paying.

20 Q. All right. Fair enough. Now, you go on
21 to point out that in the -- that in the auction the
22 bidders are actually bidding a retail adjustment
23 price, correct?

24 A. Correct.

25 Q. The commodity cost is the NYMEX final

1 settlement price each month during the SCO year,
2 whatever it may be, right?

3 A. That's correct.

4 Q. And then you add that basis to get the
5 price per mcf that the default service customer would
6 pay, correct?

7 A. Yep.

8 Q. And that would also be true with respect
9 to the proposed MVR model as well, right?

10 A. I think the MVR is just the monthly
11 posted price. Presumably it would be a basis plus a
12 NYMEX, but it's not flat basis like the SCO which is
13 standardized over a 12-month period.

14 Q. Under the MVR proposal the commodity
15 price is still the NYMEX price, correct?

16 A. I don't know what it is under the MVR
17 proposal.

18 Q. Have you read the amended stipulation?

19 A. It kind of depends on how -- it's a fixed
20 price. It depends on what they include.

21 Q. Have you read the stipulation?

22 A. Yes.

23 Q. The amended stipulation.

24 EXAMINER PIRIK: Excuse me, Mr. Royer.

25 Can you turn on your microphone, please?

1 It's that button right there.

2 THE WITNESS: I have it on. It doesn't
3 seem to be. It was on before but now it seems to --

4 EXAMINER PIRIK: Can we just give him
5 another one. There we go. Thank you.

6 THE WITNESS: Okay.

7 MR. STINSON: I'm going to ask for a
8 clarification. By the "commodity price" what does
9 Mr. Royer mean? Does he mean the NYMEX price, the
10 retail adder, or both?

11 MR. ROYER: I mean precisely the NYMEX
12 price.

13 A. The way the SCO works is you bid a flat
14 basis for a 12-month period. A monthly variable
15 price can be anything the marketer wants it to be. I
16 don't know if it's a monthly basis with NYMEX or if
17 it's some other number. It's a monthly variable
18 price.

19 Q. Under the MVR as proposed in the amended
20 stipulation is it the NYMEX price, the commodity
21 price, or not?

22 A. It very well could be.

23 Q. And if it is the NYMEX price, then what
24 the CRNGS customers -- or, what's added to that,
25 then, as the basis is the lowest price then offered

1 by the CRNGS to which the customer is assigned as
2 shown on the Apples to Apples chart on the Commission
3 website; is that correct?

4 A. Correct.

5 EXAMINER PIRIK: I believe he answered
6 but I think you were both talking together.

7 Could you repeat your answer.

8 A. Correct.

9 Q. Okay, I'm sorry, I didn't hear you. I'm
10 sorry, I didn't hear you.

11 And so in either scenario the lion's
12 share of the resulting per-mcf price is the same, the
13 only difference is the added basis which constitutes,
14 what, about 15 percent of the total price depending
15 on the commodity cost at the time?

16 A. Yeah.

17 Q. Now, on page 6 of your testimony, line 3,
18 you describe the SCO auction program as having
19 operated in much the same way as the SCO process with
20 a couple exceptions. The SSO auction was a wholesale
21 auction, correct?

22 A. It depends on how you -- yeah, okay. It
23 was a wholesale auction to the extent that you served
24 Columbia instead of the individual customers.

25 Q. Right, the winning bidders had no

1 relationship whatever with the --

2 A. That's right.

3 Q. -- end-use customers, correct?

4 A. That's correct.

5 Q. What's in the SCO auction?

6 A. In the SCO auction, in theory, you're
7 getting assigned the individual customers and you're
8 serving those customers directly instead of going
9 through the utility.

10 Q. Okay. And what is entailed in an SCO
11 winning bidder commencing service to a customer to
12 which -- that has been assigned to it?

13 A. The customers are allocated by Columbia,
14 they're enrolled by Columbia and put into the winning
15 bidder's pool and the winning bidder services them.

16 Q. Does the winning bidder have any contact
17 with the customer apart from serving them and
18 billing?

19 A. Not unless they want to.

20 Q. And then you also note that the
21 difference between the SCO program and the SSO
22 program was that under the SSO program the customers
23 paid the gross -- or, paid the sales tax as opposed
24 to the gross receipts tax, correct?

25 A. That's correct.

1 Q. And the sales tax rate is higher; is that
2 correct?

3 A. That's correct.

4 Q. Line 9 you say that "Hess won tranches in
5 Columbia's 2010-2011 SSO auction and its 2012-2013
6 SCO auction."

7 How many total auctions have there been?

8 A. Three.

9 Q. And there was a -- so there was an SSO
10 auction for 2011-2012; is that correct?

11 A. That's correct.

12 Q. Did Columbia -- or, did Hess participate
13 in that auction?

14 A. Yes.

15 Q. But it was not a successful bidder?

16 A. That's correct.

17 Q. Now, the answer at the bottom of page 6,
18 I take it you're okay with the use of the 70 percent
19 trigger in the case of nonresidential customers
20 shopping, correct?

21 A. That's correct.

22 Q. Later in your testimony, however, in
23 connection with the residential trigger you indicate
24 that you're opposed to that; is that right?

25 A. That's correct.

1 Q. And you indicate one of the reasons for
2 your opposition is that this doesn't produce the
3 lowest price for residential customers, correct?

4 A. That's correct.

5 Q. Do you serve customers at prices below
6 the SCO price?

7 A. What do you mean, do I serve -- I serve
8 all SCO customers at the same price. Do I serve some
9 commercial and industrial customers at prices --

10 Q. Yeah.

11 A. -- below? Yes. Those customers don't
12 have released capacity, they have market basis.

13 Q. And do you serve customers, any
14 commercial and industrial customers, above the SCO
15 price?

16 A. I don't know.

17 Q. If you did, would those customers be
18 overpaying?

19 A. Those customers would be billed based on
20 the costs to serve them. Would they be overpaying?
21 If their costs are higher than a corresponding
22 customer, then they're paying that higher price. I
23 don't consider it overpaying.

24 Q. So you're saying that all your pricing
25 for Choice customers is all cost based?

1 A. We're getting into two different things,
2 you asked me -- I said C&I customers, now you're
3 saying Choice. We don't price -- we don't sell
4 Choice basically other than on the SCO model. We
5 sell a little bit of Choice basically if customers
6 request it as part of an overall bid.

7 Q. Well, maybe we need to clarify what we're
8 talking about here.

9 A. Yeah.

10 Q. Do you serve any commercial and
11 industrial customers in Ohio other than the customers
12 that you serve through the SCO?

13 A. Yes.

14 Q. Okay.

15 A. Lots of them.

16 Q. And what do you charge those customers?

17 A. A market-based price.

18 Q. And in some instances is that price below
19 the SCO price?

20 A. Yes.

21 Q. So the SCO price in that case is not the
22 lowest price, is it?

23 A. Under SCO you're required to take
24 capacity from the utility and use that capacity.
25 Right now capacity happens to be way out of the

1 money. If you're selling to a C&I customer in Ohio,
2 you can sell at market basis which is significantly
3 lower than capacity cost, so I can serve that
4 customer less.

5 And, yes, it's cheaper than the Choice
6 but no customer -- it's cheaper than SCO, but no
7 Choice customer can get that price because they're
8 obligated to take the released capacity from the
9 utility.

10 Q. Now, on page 7 you describe the
11 methodology you'd like to see employed to assign the
12 remaining pool of nonshopping residential customers
13 once the 70 percent trigger is reached; is that
14 right?

15 A. That's correct.

16 Q. Okay. And, first of all, is this the
17 same methodology you're proposing for assigning
18 residential customers when the 70 percent trigger is
19 reached?

20 A. I'm not proposing assigning customers
21 when the 70 percent trigger is reached. I'm not
22 proposing assigning residential customers when the
23 70 percent trigger is reached.

24 Q. I'm sorry, I misspoke.

25 And you quibble with the 70 percent,

1 correct?

2 A. Correct.

3 Q. For residential.

4 A. Right.

5 Q. Okay. So do you have a specific number
6 in mind? 71 percent? 72 percent?

7 A. More like 95.

8 Q. 95 percent?

9 A. Well, the way I look at it is 70 percent
10 gets you 364,000 customers. That's a lot of
11 customers. I think anything more than a hundred
12 thousand is somewhat unreasonable. So that takes you
13 below 10 percent. It takes you above 90 percent.

14 Q. Okay. But whatever trigger is adopted,
15 if one is ultimately, the methodology for assigning
16 the customers that were on the default service to
17 suppliers is the same under your proposal for both
18 res and nonres, correct?

19 A. I hadn't really thought about it, but I
20 suppose it would be.

21 Q. Okay. Now, as I understand the way you
22 would do this, you would determine the allocation
23 based on the participation, or based on the number of
24 tranches a supplier had secured in the SSO and SCO
25 auctions, correct?

1 A. Correct.

2 Q. Okay. Now, what do you do about -- what
3 do you do when a supplier is no longer serving
4 customers in Ohio, or a supplier has no longer won
5 the tranche, is no longer even serving customers in
6 Ohio?

7 A. My proposal is that you take into account
8 the tranches that that supplier had won over a period
9 of time. If they're no longer an SCO supplier the
10 year that the event occurs but they're still
11 supplying Choice customers or they're still a CRNG
12 supplier, then they would get their allocation. If
13 they're no longer a CRNG supplier, then I guess they
14 wouldn't get any allocation.

15 Q. Okay. So do you know if there were
16 suppliers that were winning bidders in the 2010-2011
17 SSO auction that are no longer serving customers in
18 Ohio?

19 A. I don't even recall who were winners in
20 the 2010-2011, and I don't know if they're serving
21 customers.

22 Q. Would BP have been one of them?

23 A. I'll accept that if that's what you're
24 telling me.

25 Q. Morgan Stanley?

1 A. Oh, the SSO auctions? Yes.

2 Q. Yes. Okay.

3 So if those suppliers are no longer
4 around, how are you going to allocate the customers
5 that --

6 A. I wouldn't allocate them anything.

7 Q. No. How would you decide how much Hess
8 got?

9 A. You do the calculation and you would
10 assign Hess the portion of tranches that they won.
11 For example, zero in '11, four in 2012, I don't
12 recall how many we won in 2010, and you'd add all
13 that up with the pot of all the other SCO -- by the
14 time this happens, there will have been many years of
15 SCO suppliers that are CRNG suppliers and then you
16 would allocate it based on -- to those suppliers that
17 are still in effect.

18 For example, Delta wouldn't get any
19 allocation even though they're a bid winner because
20 they're no longer a supplier.

21 Q. That was my next question.

22 How would you propose to treat Delta in
23 this?

24 A. I'd leave that to the Commission. But I
25 would suspect that they would get a zero allocation.

1 Q. Okay. So which enlarges the share that
2 everybody else gets, right?

3 A. That's correct.

4 Q. Now, so let's take first the exit from
5 nonres or for nonres. At the end of the -- when the
6 SCO process terminates, you go to an MVR rate, the
7 MVR. What rate would Hess charge the default
8 customers it gets by virtue of the assignment?

9 A. I have no idea. You're talking about a
10 specific rate that we would charge something in the
11 future?

12 Q. How would you determine the rate to be
13 charged?

14 A. We would calculate what our monthly
15 variable rate is and that's what we would apply. I
16 don't know what, you know, I don't know what Hess
17 will do at that point in time. It's kind of a few
18 years out in the future.

19 Q. Well, Hess doesn't currently have any
20 Apples to Apples rate posted on the Commission
21 website, does it?

22 A. No, it does not.

23 Q. So what would have to happen at some
24 point to comply with this -- if this process is
25 adopted, to comply with the stipulation Hess would

1 have to post a transparent price on the website,
2 correct?

3 A. If Hess was interested in receiving in
4 that allocation, yes, it would.

5 Q. Are you suggesting they wouldn't be
6 interested?

7 A. I don't know. I don't know what will
8 happen five years from now.

9 Q. Well, I thought the whole idea of
10 assigning this on tranches was because Hess and other
11 suppliers had undertaken these huge investments in
12 order to be able to serve SCO -- the SCO load. Now
13 are you suggesting that they would do that and then
14 have no interest in serving them after that period,
15 after that point?

16 A. Because we serve SCO does not mean we
17 would serve individual customers. For example, we're
18 not in the residential market.

19 Q. That was going to be my next question.
20 So if you win the -- if you are assigned based on
21 your tranches won in past, excuse me. You were
22 assigned customers based on the number of tranches
23 won in past auctions and those include residential
24 customers, what rates are you going to charge them?

25 A. I'm not sure that we would accept

1 residential customers.

2 Q. Well, then how does the allocation -- how
3 does your proposal work? We've got customers, you're
4 awarded so many and then you just reject them because
5 that's not your business?

6 A. Correct.

7 Q. So wouldn't it make more sense for the
8 CRNG providers that serve residential customers to be
9 allocated those customers based on their market
10 share?

11 A. I think the SCO providers who have been
12 in this business for some period of time should get
13 the choice. Secondly, I think keeping that proposal
14 out there and giving those SCO customers an
15 additional reason to reduce their prices absolutely
16 to the lowest possible. I don't see the harm in
17 allocating to SCO customers -- to SCO suppliers.

18 Q. We have some customers that aren't going
19 to get allocated apparently so that's one harm, isn't
20 it?

21 A. They'll get reallocated.

22 Q. How? That's the question.

23 A. They'll be reallocated, they'll be put
24 back in and reallocated to the people that are left.
25 They're not customers that are going to go without a

1 supplier, if that's what you're concerned about.

2 Q. That's not what I'm suggesting --

3 A. You said they wouldn't be allocated --

4 EXAMINER PIRIK: Okay. I think we just
5 need to slow down a little bit because you're talking
6 over each other.

7 MR. ROYER: I apologize, your Honor.

8 EXAMINER PIRIK: It makes it really hard
9 for the court reporters to --

10 THE WITNESS: I'm sorry.

11 EXAMINER PIRIK: -- take down everything
12 you're saying.

13 MR. ROYER: She's used to me.

14 A. There may be a second allocation and --

15 Q. That's not in your proposal though, here,
16 right?

17 A. No.

18 Q. So what you're suggesting then is, okay,
19 you allocate among the winning bidders and then if
20 any of the bidders decide they don't want to serve
21 customers, you continue, you reallocate it to the
22 remaining winning bidders.

23 A. Correct.

24 Q. If you don't want to -- I got to ask you
25 this: If you don't want to serve residential

1 customers, why are you championing the residential
2 customers in this case?

3 A. We believe very strongly that customers
4 need to be treated fairly and that you need to give
5 them the best opportunity that you can give them
6 whether or not we serve them. If our serving them
7 isn't the best opportunity for them, then they should
8 be served by somebody else.

9 Q. All right.

10 A. But we believe strongly that customers
11 should get the lowest price that they're eligible
12 for.

13 Q. Now, these SCO auctions are for discrete
14 service periods of one year, correct?

15 A. Correct.

16 Q. So a bidder that was interested in
17 bidding in one auction would not necessarily be
18 interested in bidding in the next auction, depending
19 on market conditions at the time, correct?

20 A. It's possible, but it would be very
21 difficult for a bidder to walk away from a 5 pcf,
22 from an opportunity to serve 5 pcf of load, but it's
23 certainly possible.

24 Q. Now, on page, at the top of page 8 you
25 say "Incorporating historical SCO tranche ownership

1 is critical because the SCO auction has been the
2 primary tool in transitioning from the LDC-procured
3 default service to providing a market-based
4 benchmark" for Choice.

5 Wasn't the SSO auction, the two SSO
6 auctions, weren't they also tools for transitioning?

7 A. Yes. And actually my proposal includes
8 them so I guess you could say SSO and SCO.

9 Q. And then you go on to suggest that SCO
10 suppliers have to make -- "have had to make and must
11 continue to make considerable investments in
12 'back-office' resources to stay competitive in the
13 SCO market."

14 How are those investments any different
15 than the investments a CRNG supplier has to make if
16 it wants to attract and retain customers?

17 A. I don't suspect they are.

18 Q. And those investments don't include
19 anything having to do with customer interface,
20 correct?

21 A. Correct.

22 Q. Now, at line 16 on -- or, the answer
23 beginning on line 16 at that page, you agree that it
24 could take several years to reach the residential
25 exit trigger. What's, in your view, is the earliest

1 that could happen?

2 A. I don't know. It depends on when
3 Columbus can get an aggregation passed. And I'm not
4 sure what that timeframe is.

5 Q. Well, you've got the prohibition against
6 it in the stipulation for a period of time, right?

7 A. I'm not sure what -- oh, you're saying
8 not before 2016, is that --

9 Q. Well, probably in reality it will be
10 2017, wouldn't it, by the time you got everything
11 accomplished?

12 A. Could very well be.

13 Q. All right. And then at the bottom of
14 page 8 and the top of page 9 you identify some
15 reasons that you believe that the residential exit
16 framework proposed in the stipulation should be
17 rejected and the second one of those at the top of
18 page 9 is "Removing the lowest-cost benchmark price,
19 which provides extremely valuable transparency for
20 residential customers."

21 Are you suggesting that the Apples to
22 Apples prices posted on the Commission's -- price
23 comparisons shown on the Commission's website are not
24 transparent?

25 A. No. They're just not as low as they

1 could be, or as SCO is.

2 Q. Have you recently reviewed the Apples to
3 Apples chart on the Commission website?

4 A. I have.

5 Q. So when you say they're lower, the SCO
6 price is lower, on what is that based?

7 A. On a sustained basis the SCO price has to
8 be lower than a Choice residential price or MVR price
9 because, basically, the cost of service to an SCO
10 customer is significantly less than the cost to serve
11 a Choice customer.

12 That SCO auction forces everyone to drop
13 their price as low as possible and since their costs
14 are significantly lower than a Choice supplier's, it
15 stands to reason that the SCO price will have to be
16 lower.

17 MR. ROYER: I may not have enough of
18 these.

19 A. You have situations where from time to
20 time you get an introductory price or a one-month
21 price at a lower price but over a sustained period of
22 time it's simply not possible.

23 MR. ROYER: May I approach, your Honor?

24 EXAMINER PIRIK: Yes.

25 MR. ROYER: I'm handing the witness a

1 copy of the Apples to Apples price comparison from
2 the Commission's website dated November 27th, 2012.
3 I'd like to have that marked as Dominion Retail
4 Exhibit 1.

5 EXAMINER PIRIK: The document is so
6 marked.

7 (EXHIBIT MARKED FOR IDENTIFICATION.)

8 Q. This is a chart or versions of this chart
9 you reviewed in the past?

10 A. Yes.

11 Q. Okay. And if you turn -- apparently I've
12 punched a hole through the page numbers on the bottom
13 of the original, but if you turn to, well, let's
14 start with the first page, and in that first block
15 there's an explanation of how the SCO rate is
16 calculated and then it states that the current total
17 rate is 5.8048 per ccf; is that right?

18 A. I'm sorry.

19 Q. I'm in the third line in the block on the
20 first page.

21 A. Okay.

22 Q. Are you with me?

23 A. Yes. Dominion Energy Solutions.

24 Q. No. Is your first page headed -- show
25 the apple on it?

1 A. Oh, I'm sorry. Okay. I thought you were
2 getting to the --

3 Q. Yeah, I apologize.

4 A. Okay, yes.

5 Q. Okay. Now, if you look in the block for
6 Columbia Gas of Ohio's rates, in the third line, it
7 shows .58048 per ccf as the price to compare,
8 correct?

9 A. Yes.

10 Q. Okay. And that's the sum of the other
11 amounts shown beneath there including --

12 A. I assume so, yes.

13 Q. Yeah, okay. Now, if you turn to about --
14 okay. If you turn to the third page --

15 MR. STINSON: Maybe we can mark the pages
16 now so we know what we're doing.

17 EXAMINER PIRIK: I think that would be a
18 good idea.

19 MR. ROYER: I apologize, I didn't realize
20 what happened until I got here.

21 MR. STINSON: I believe there are six
22 pages total so just number them 1 to 6.

23 MR. ROYER: Good idea.

24 Q. (By Mr. Royer) Okay. Now, if you turn to
25 the third page, that's where the supplier plans,

1 rates, terms, and descriptions begin, correct?

2 A. Correct.

3 Q. And the first page shows fixed rate plans
4 so that's not applicable to what we're discussing
5 right now, correct?

6 A. Correct.

7 Q. So we need to go to page 4 of 6 which
8 shows the -- as of November 27th, shows the supply
9 rate offers that were out there in COH's territory,
10 correct, for monthly variable rates?

11 A. Correct.

12 Q. How many of those monthly variable rates
13 are below the Columbia price to compare?

14 A. I'm not sure if these are real rates or
15 not. For example, Ohio Natural Gas has two rates, a
16 discounted rate for the first two months, what
17 happens after that? Another one, an introductory
18 rate. Can you count introductory rates? I think
19 that's what I said earlier, you've really got to look
20 at a sustained situation.

21 So I guess I don't know what the Energy
22 Cooperative of Ohio is and I don't know who's
23 eligible for service under them, but that's the rate
24 that would be lower. And Volunteer.

25 Q. Okay. And how about at the bottom of the

1 variable rate plans shown at the bottom of the page
2 which are where the contract term is, monthly?

3 A. Again, 5 percent for the first month.
4 Forecasted rate for your first month of service.
5 What do those mean? What happens in the second
6 month?

7 Q. Well, we'd have to know the terms of the
8 individual plans, right?

9 A. What I'm getting at is you can't compare
10 someone's introductory rate to a sustained guaranteed
11 rate over 12 months. Clearly, the sustained rate
12 over 12 months with lower costs to serve will be
13 lower, there's no doubt about it.

14 Q. That depends on what margin the marketer
15 can live with, doesn't it? Since we've already
16 discussed the commodity prices are the same under
17 both, right?

18 A. The SCO margin is relatively
19 insignificant. When you add that SCO -- if you took
20 the -- if you added the SCO margin in, you still
21 couldn't get to that lower price from a monthly
22 variable price.

23 Q. Well the --

24 A. That SCO margin is effectively a
25 wholesale market because it's bid out by, you know,

1 it's several tens of thousands of customers included
2 in one fell swoop. The margin that you could get in
3 a wholesale type margin is pennies, literally
4 pennies.

5 Q. And that margin is built into the retail
6 adjustment price, correct?

7 A. Oh, yes.

8 Q. Okay. And we've agreed that the
9 commodity costs under both scenarios are the same.

10 A. Correct.

11 Q. At NYMEX, right?

12 A. Correct.

13 Q. So the question is whether the marketer
14 can supply -- is willing to supply the service at a
15 cost -- at a price below that, right?

16 A. The question is, is the marketer willing
17 to supply a service at a loss for a sustained period
18 of time because that's the only way he could compete
19 with the SCO rate.

20 Q. Have you done any studies that would show
21 that the customers -- these providers are operating
22 at a loss?

23 A. No. These are introductory rates, it's a
24 loss leader. They're more than willing to operate at
25 a loss for one month period of time. It happens all

1 the time.

2 Q. Okay. On page 10 of your testimony you
3 indicate that based on the shadow bill data it
4 demonstrates that on a monthly basis Choice customers
5 in the aggregate paid more than 300 million over the
6 SSO/SCO price, right?

7 A. Correct.

8 Q. Okay. And your reference is to Exhibit 4
9 of your testimony.

10 A. Correct.

11 Q. And if I asked you to look at that on
12 page 5 of 5 -- are you there?

13 A. Yes.

14 Q. I take it your 300 million number is the
15 result of comparing the April '10 -- or, April 2010
16 cumulative savings of 583.7 million to the last
17 number in the column, the 84587332, is that what that
18 represents?

19 A. Yes.

20 Q. And would you agree with me that
21 approximately 264 million of that difference is
22 attributable to the period when the auction was the
23 SSO auction?

24 A. I'll accept that.

25 Q. That would be just comparing the number

1 for April 2010 to the number for March 2012.

2 A. Okay.

3 Q. And that would account for 264 million of
4 the 300 million, is that what I asked you? I don't
5 know if I asked you that.

6 MR. STINSON: Could we have the question
7 read back, please?

8 MR. ROYER: He may have answered and then
9 I mucked it up.

10 A. Are you waiting for an answer?

11 EXAMINER PIRIK: No, she's going to -- do
12 you want her to read the answer?

13 A. Yes.

14 (Record read.)

15 A. You know, these weren't my numbers, these
16 were put together by Columbia. This certainly isn't
17 the basis for my testimony, I'm not saying because
18 it's 300 million on this page, it's simply, you know,
19 my statement is it's a cheaper rate, customers
20 shouldn't be required to pay a higher rate.

21 Q. Well --

22 A. Whether it's \$42 million higher or
23 35 million or 112 million is sort of irrelevant.

24 Q. Well, let's explore that. So then I
25 guess, in fact, this document was -- this wasn't even

1 a Hess document or discovery request, right? This
2 was an OCC discovery request?

3 A. Correct.

4 Q. And you don't know for a fact anything
5 that's in these numbers except -- that goes into
6 these numbers except what's shown in these columns,
7 right?

8 A. That's correct.

9 Q. So, for example, during the SSO period
10 would that -- would the tax differential be
11 reflected?

12 A. It would. And like I said earlier, if
13 it's not 300 million and it's 200 million, I can
14 accept that.

15 Q. Okay. And these numbers would also
16 reflect fixed-price contracts?

17 A. They would.

18 Q. And some customers may prefer fixed price
19 contracts even if from time to time the --

20 A. That's correct.

21 Q. -- SCO rate would be lower.

22 A. Correct.

23 Q. And on the top of page 11 of your
24 testimony where you indicate that "...the SCO auction
25 is not just one of many similarly-situated suppliers

1 in the market; it is the lowest," you say "it is the
2 lowest-cost alternative for residential customers who
3 wish to take service under a monthly variable rate
4 option...."

5 And, again, that goes to your opinion
6 that because of the volumes -- or, the volumes
7 supplied by winners of the SSO auction, the rate
8 will -- those rates should tend to be less; is that
9 right?

10 A. Because of the costs involved in serving
11 the SCO customer, the price has to be less, that's
12 correct.

13 Q. Even though there are instances where
14 prices are -- where in the Apples to Apples chart
15 individual prices are less.

16 A. Like I said earlier, if you want to
17 consider a monthly variable rate, yes, there could
18 be -- customers [verbatim] will be willing to take a
19 cost in a monthly variable rate to add a customer and
20 then presumably tie them to a much higher priced rate
21 at some period of time. But over a sustained period
22 of time there's no way anybody can compete with the
23 SCO rate.

24 Q. Now, you say that -- you suggest farther
25 down on the page on page 11 that "One cannot

1 reasonably argue that a customer that has elected to
2 stay on the lowest-cost alternative is not engaged in
3 the market."

4 And by that I take it you believe that
5 the customer has made a conscious decision to stay on
6 the SCO rate, right?

7 A. It's very possible, yes.

8 Q. Okay. Now, new customers, however, are
9 not eligible for the SCO rate, are they?

10 A. Not immediately.

11 Q. Now, moving back to page 15 in your
12 testimony, you suggest that if there were to be
13 several large aggregations in COH's service
14 territory, that could accelerate the time when the
15 residential trigger would take effect for the exit,
16 correct?

17 A. Correct.

18 Q. But it still can't take effect before the
19 stay-out provision in the stipulation in any event,
20 right?

21 A. Correct.

22 Q. And are you referring here to opt-out
23 aggregations?

24 A. Yes.

25 Q. And there is a process involved with

1 securing or with governmental authority being able to
2 participate in an opt-out aggregation; is there not?

3 A. There is.

4 Q. And that includes a ballot issue that has
5 to be prepared and voted upon by the citizens.

6 A. Yes.

7 Q. So when you say that SCO bidders will not
8 be incented to continue to make long-term investments
9 if there is a potential that the SCO program could be
10 discontinued at any moment, it really can't be
11 discontinued at any moment, can it?

12 A. No. I mean at the point in time when the
13 70 percent trigger looms on the horizon, SCO
14 suppliers will have decisions to make.

15 Q. In any event, it cannot be triggered --
16 the last bid is always good for the next service
17 year, right?

18 A. Correct.

19 Q. So it's a -- so you're a year away from
20 the decision, right?

21 A. A year in our business is not very long.
22 What I'm getting at is an SCO supplier could make a
23 bid, you know, could make a longer-term bid on
24 capacity, for example, to cover his peaking needs if
25 he anticipated that he was going to be in the market

1 for five years.

2 If he anticipated he was going to be in
3 the market for two years, it's not going to happen.
4 He's not going to make that investment.

5 Q. I'm trying to understand in your
6 testimony at the bottom of page 15 "With the
7 potential elimination of the SCO program, retail
8 suppliers will be incented to make investments they
9 otherwise would not make."

10 So are you suggesting that that is the --
11 as they approach the 70 percent trigger, retail
12 suppliers would run out and sign up customers at a
13 loss just so they could get a share of the default
14 customers once they were assigned?

15 A. No, that wasn't what I was suggesting. I
16 was more in tuned to they'll be running out making,
17 you know, three times the number of telemarketing
18 calls they would have made. They'd be doing, you
19 know, five times the mailings they would have done,
20 that kind of expense. Not so much discounting to get
21 the customer.

22 Q. Is that bad for customers, that there are
23 more offers out there?

24 A. Is if you're trying to have dinner at
25 night, but other than that --

1 Q. And that assumes that you do it by
2 telemarketing.

3 A. Yeah. Yes. Realistically, I live in
4 New Jersey, when New Jersey goes into the auction for
5 electricity, I get probably 25 mailings, you know.
6 Do I need to get them? Do I need to look at them?
7 Are they annoying? Yeah, they really are. You know,
8 do I get the phone calls? Yeah, they're annoying
9 too.

10 Q. So you don't think that customers should
11 be presented with options.

12 A. Oh, no, I think you should be presented
13 with options, I just don't think you need to be
14 bombarded with them. And I think the extra cost is
15 what I'm talking about, the extra activity to
16 customers and, you know, on behalf of marketers, you
17 know, the amount of money that they're going to spend
18 in that acquisition frenzy.

19 Q. I'd like to talk to you a minute about
20 your objection to this 6-cent per mcf charge as a --
21 that's been characterized in the stipulation as a
22 deposit, a security deposit.

23 A. Correct.

24 Q. Do I understand your testimony correctly
25 that because there have not been widespread defaults

1 in the past, there's no need for any security deposit
2 provision?

3 A. Not at all. There's currently a security
4 deposit provision. Columbia can request whatever
5 deposit they deem necessary. If they request a
6 deposit they deem this is what's necessary, why are
7 we adding 6 cents to that?

8 Q. Well --

9 A. If they need the 6 cents, they should ask
10 for the 6 cents and I would supply it. But to say
11 oh, we need a blanket 6 cents on top of that, you
12 know, there's already a provision to recover risk of,
13 you know, default.

14 Q. Well, and you're referring there to the
15 obligation of the suppliers.

16 A. Correct.

17 Q. Okay. But that wouldn't necessarily
18 cover the total default, would it?

19 A. Columbia has an -- Columbia can
20 recover -- can request whatever they deem
21 appropriate, and I assume -- and I'm not sure what
22 the cost of the total default is anyway because
23 basically it falls back on the SCO suppliers who take
24 up that load and serve those customers.

25 So I'm not sure what risk there is to

1 anybody, but if Columbia deems they need the 6 cents,
2 they should just ask for it in their deposit rate.
3 They don't need to put it into the stipulation and
4 they don't need to not give it back to us at the end
5 of the period if we don't default. That's my biggest
6 objection.

7 Q. Your biggest objection is they give it to
8 customers instead of giving it back to you.

9 A. Correct. They give it to customers where
10 it never appears in an Apples to Apples comparison,
11 so basically my rate is 6 cents higher than everybody
12 else's rate. The SCO rate is 6 cents higher than the
13 other rates. When if they gave it back to me, I'd
14 keep it out of my rate because I know I'm not going
15 to default. And it would never be flowed through to
16 customers initially.

17 MR. ROYER: That's all I have, thank you.

18 EXAMINER PIRIK: Mr. Clark?

19 MR. CLARK: No cross, your Honor. Thank
20 you.

21 EXAMINER PIRIK: Mr. Petricoff, I'll ask
22 you even though you've already --

23 MR. PETRICOFF: Thank you, your Honor.
24 No questions.

25 EXAMINER PIRIK: Columbia?

1 MS. LESLIE: Could I have just one
2 minute, your Honor?

3 I have just a few questions, your Honor.

4 - - -

5 CROSS-EXAMINATION

6 By Ms. Leslie:

7 Q. Mr. Royer took the majority of my
8 questions so I only have a few for you.

9 We discussed at length your proposed
10 methodology for the assignment of the remaining
11 nonshopping customers.

12 A. Correct.

13 Q. I'm sorry, the nonshopping -- when we're
14 talking about the nonshopping, nonresidential
15 customers at this point.

16 And the proposed methodology that you
17 have that you set forth in your testimony is based on
18 the fact that it provides a little bit more incentive
19 to invest in these back-office investments as you've
20 characterized them; is that correct?

21 A. Correct.

22 Q. And as you mentioned earlier, Hess won
23 tranches in Columbia's 2010-2011 SSO auction.

24 A. Yes.

25 Q. Okay. And what kind of back-office

1 investments did Hess make in order to be competitive
2 in that auction?

3 A. Well, basically, you know, we need people
4 to really understand the methodology because it's a
5 capacity allocation. We don't normally have capacity
6 in Ohio so we need to understand those costs, we need
7 to basically put together a team to look at that and
8 also a risk allocation.

9 The real risk with SCO is migration, that
10 customers may migrate from the way or may migrate
11 away from the rate and you haven't built that into
12 your forecast and you haven't built that into your
13 locked-in pricing and things may change when those
14 customers come in, so that's basically, it's a
15 personnel . . .

16 Q. And so you made those investments in
17 preparation for the 2010-2011 auction.

18 A. Correct.

19 Q. And would you agree, I think you said
20 this before, that Hess wasn't a successful bidder in
21 the 2011-2012 auction?

22 A. That's correct.

23 Q. Okay. But in 2012 and 2013 Hess was
24 successful in winning tranches in Columbia's SCO
25 auction.

1 A. Yes. We don't expect to be winners every
2 year.

3 Q. And in preparation for the 2012-2013 did
4 Hess make those similar back-office investments that
5 you described in the 2010-2011 auction?

6 A. Correct. We made them in all three
7 years.

8 Q. And so suppose that the proposed amended
9 stipulation is not approved and the SCO continues,
10 you know, there's nothing to guarantee that you'll be
11 a successful bidder in future auctions.

12 A. Absolutely.

13 Q. Okay. And that's even though you've made
14 those back-office investments.

15 A. Correct. But I won't make them if there
16 is no auction.

17 Q. All right. You previously testified that
18 you think the 70 percent threshold for a residential
19 exit is too low; is that correct?

20 A. Correct.

21 Q. Okay. Now, are you aware in the proposed
22 stipulation that it provides that Columbia may file
23 an application if certain --

24 A. That's correct.

25 Q. -- ramifications are met?

1 Okay. And those are the 70 percent of
2 residential customers must be shopping; is that
3 correct?

4 A. Correct.

5 Q. And that there must be a 22-month waiting
6 period after a exit by nonresidential Choice
7 customers, correct?

8 A. Correct.

9 Q. So if all those thresholds are met,
10 Columbia may file an application, then, and only
11 then.

12 A. That's correct.

13 Q. Okay. Under the proposed stipulation.

14 A. Correct.

15 Q. And is it your understanding that under
16 the proposed stipulation that an evidentiary hearing
17 would be held once Columbia would file that
18 application for residential exit?

19 A. Yes.

20 Q. And Hess at that point would have an
21 opportunity to be a participant in that hearing; is
22 that correct?

23 A. That's correct.

24 Q. Okay. And at that point the Commission
25 can either grant or deny the application.

1 A. Yes.

2 Q. Is that correct?

3 A. But like I say in my testimony, the harm
4 is that by accepting this the Commission is basically
5 saying it would consider it at 70 percent.

6 Q. Okay. Now, let's say that the
7 stipulation is not approved, and does that mean that
8 Columbia could file for a residential exit even still
9 in 22 months after the 70 percent threshold is met?
10 Is that correct?

11 A. That's correct.

12 Q. In fact, they could file it next year; is
13 that correct?

14 A. If the Commission's rejected this on the
15 grounds that 70 percent was too low, Columbia is free
16 to do whatever they want, but what would be the
17 rationale behind it?

18 Q. Okay. But Columbia still could.

19 A. Sure.

20 Q. And there could be another hearing.

21 A. If they had a temporary bout of insanity,
22 they could.

23 Q. We're known to do that sometimes. But,
24 in fact, Columbia could choose never to file an
25 application --

1 A. That's correct.

2 Q. -- to exit the residential function.

3 A. That's correct.

4 Q. Okay. So given this ability for Columbia
5 to file at any given time absent the current
6 stipulation, doesn't that create less uncertainty in
7 the marketplace?

8 A. No, because I think the Commission is the
9 key here, not Columbia. Columbia can do whatever it
10 wants, but the Commission has to approve it. The
11 Commission, if they give an indication that
12 70 percent is an acceptable figure, that will have
13 ramifications in the marketplace.

14 If they say right now no, 70 percent
15 isn't going to do it, that will change things.
16 That's what we're looking for, not so much what
17 Columbia wants to do.

18 Q. So the increasing of customers shopping
19 in the marketplace, that isn't any indication of
20 whether or not an exit should occur.

21 A. I'm not sure what you're saying. Unless
22 it should occur at some point in time when an SCO is
23 no longer viable, that's not 70 percent, that needs
24 to be made clear, in my mind.

25 Q. So it's -- I guess I'm confused. Is it

1 the Commission giving the signal that an exit should
2 occur, or is it the marketplace giving the signal
3 that an exit should occur?

4 A. The marketplace can't give the signal if
5 the Commission doesn't accept it. What I'm saying is
6 the Commission gives the signal by saying we'll
7 listen to a 70 percent filing.

8 Once they say that, people out here are
9 all going to think the 70 percent is a viable number,
10 those phone calls are going to begin, those mailings
11 are going to begin. If the Commission says today no,
12 it's going to be more like the 90 percent before
13 we're interested, we'll approve this stipulation but,
14 you know, we want it clear that at 70 percent nothing
15 is going to happen, that's a whole different message,
16 that's kind of what we're getting to.

17 Q. Isn't it true that -- I'll withdraw that
18 question.

19 MS. LESLIE: Nothing further at this
20 time, your Honor.

21 EXAMINER PIRIK: Thank you.

22 OCC?

23 MR. SAUER: Thank you, your Honor.

24 - - -

25

CROSS-EXAMINATION

1
2 By Mr. Sauer:

3 Q. Good morning, Mr. Magnani.

4 A. Good morning.

5 Q. How are you?

6 Could you turn to page 18 of your
7 testimony. If you look at lines 19 to 23 and then
8 carrying over into the next page --

9 A. Correct.

10 Q. -- your testimony is discussing testimony
11 that was filed by Mr. Parisi and Ms. Ringenbach,
12 correct?

13 A. Correct.

14 Q. And are you aware that there was a
15 stipulation that was filed on October 4th and then
16 amended by a stipulation that was filed on
17 November 27th?

18 A. Correct.

19 Q. And do you understand that the testimony
20 that you're discussing on pages 18 and 19 was
21 testimony that was filed on November 13th in
22 support of that original stipulation?

23 A. Yeah, but changing the number doesn't
24 change my testimony at all. I mean, at 10 cents or 6
25 cents it's still a ridiculous charge for SCO

1 customers to pay.

2 MR. SAUER: No further questions, your
3 Honor.

4 EXAMINER PIRIK: Thank you.

5 Mr. Reilly?

6 MR. REILLY: No questions, your Honor.

7 EXAMINER PIRIK: Redirect?

8 MR. STINSON: If we could have a moment,
9 your Honor.

10 EXAMINER PIRIK: Yes. Why don't we just
11 take a short break and I can change the batteries.

12 (Recess taken.)

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

15 Mr. Stinson.

16 MR. STINSON: No further questions, your
17 Honor.

18 EXAMINER PIRIK: Thank you.

19 Thank you very much.

20 MR. STINSON: I'd move the admission of
21 Hess Exhibit 1.

22 EXAMINER PIRIK: Are there any
23 objections?

24 MR. CLARK: No, your Honor.

25 EXAMINER PIRIK: Hearing none, Hess

1 Exhibit 1 will be admitted into the record.

2 (EXHIBIT ADMITTED INTO EVIDENCE.)

3 MR. ROYER: I'd like to move the
4 admission of Dominion Retail Exhibit 1.

5 EXAMINER PIRIK: Are there any objections
6 to Dominion 1?

7 (No response.)

8 EXAMINER PIRIK: Hearing none, Dominion 1
9 shall be admitted into the record.

10 (EXHIBIT ADMITTED INTO EVIDENCE.)

11 EXAMINER PIRIK: Mr. Petricoff, the next
12 witness.

13 MR. PETRICOFF: Yes, your Honor, thank
14 you. Your Honor, at this time we would like to have
15 Vince Parisi, Vincent Parisi, called to the stand.

16 (Witness sworn.)

17 EXAMINER PIRIK: Thank you.

18 MR. PETRICOFF: Your Honor, we would like
19 to have marked as OGMG/RESA Exhibit No. 3 the direct
20 prepared testimony of Vincent Parisi and marked as
21 OGMG/RESA Exhibit No. 4 the supplemental testimony of
22 Vincent Parisi.

23 EXAMINER PIRIK: The documents shall be
24 so marked.

25 (EXHIBITS MARKED FOR IDENTIFICATION.)

1 MR. PETRICOFF: I'll give a copy now to
2 the court reporter.

3 - - -

4 VINCENT A. PARISI
5 being first duly sworn, as prescribed by law, was
6 examined and testified as follows:

7 DIRECT EXAMINATION

8 By Mr. Petricoff:

9 Q. Would you please state your name and
10 business address for the record?

11 A. Vincent A Parisi, 6100 Emerald Parkway,
12 Dublin, Ohio, 43016.

13 Q. Mr. Parisi, on whose behalf do you appear
14 today?

15 A. Ohio Gas Marketers Group and Retail
16 Energy Suppliers Association.

17 Q. And have you filed direct prepared
18 testimony in this case?

19 A. Yes, I have.

20 Q. And do you have in front of you a copy of
21 what has been marked as OGMG/RESA Exhibit No. 3?

22 A. Yes, I do.

23 Q. And is that your direct prepared
24 testimony?

25 A. Yes, it is.

1 Q. And are there any changes or amendments
2 that need to be made to that testimony?

3 A. Yes. On page 12, line 17, the current
4 sentence reads "Further, several other significant
5 requirements we implemented of both the Commission
6 and utilities...." It should read "were implemented
7 by." So I would change "we" to "were" and "of" to
8 "by" on line 17.

9 Q. And how would the sentence then read as
10 amended?

11 A. "Further, several other significant
12 requirements were implemented by both the Commission
13 and the utilities, including:"

14 Q. Now, when your direct prepared testimony
15 was filed, what was the status of stipulations in the
16 case at bar?

17 A. There was an initial settlement
18 stipulation that was filed, if I recall correctly,
19 that was signed by the Commission staff, Ohio Gas
20 Marketers, RESA, as well as Columbia.

21 Q. And --

22 A. And, I'm sorry, and Dominion.

23 Q. And was there a second amended
24 stipulation filed in this proceeding?

25 A. There was.

1 Q. And are you familiar with what has now
2 been marked as Joint Exhibit No. 1?

3 A. I am.

4 Q. And are there changes that need to be
5 made to your direct testimony to reflect the fact
6 that OGMG and RESA signed the amended stipulation?

7 A. There are. The first change is on page
8 19, question 16, and the answer to question 16 should
9 all be removed.

10 And then question 17 which begins on page
11 19 and carries over to page 20, the answer the word
12 "no" would stay in, strike the comma and the
13 following, the remainder of that sentence that goes
14 through line 2 and ends with "supplier fee" would
15 come out. The remainder of that answer would stay in
16 place.

17 And then continuing on page 20, question
18 19, the answer beginning on line 20, the first full
19 sentence that begins "In the SCO context" would be
20 stricken beginning with that language continuing to
21 line 21, 22, 23 on that page, following over to page
22 21 the remainder of that sentence which carries
23 through about halfway through line 2.

24 And then the last sentence in that same
25 answer to question No. 19 beginning on line 6, the

1 sentence beginning "The alternative," that sentence
2 and the following sentence would also be removed.

3 Q. One last question --

4 MR. RINEBOLT: I'm sorry, Mr. Petricoff.
5 Could you go over those two again?

6 THE WITNESS: I sure can.

7 MR. RINEBOLT: I want to make sure I get
8 them.

9 THE WITNESS: So beginning on page 20,
10 answer to question 19 beginning on line 20, the first
11 full sentence, essentially from that point beginning
12 "In the SCO context," and then carrying through line
13 21, 22, 23 on page 20, and carrying over onto page 21
14 the remainder of the sentence that would end "due to
15 the nature of default service" which is on line 2,
16 all that is removed.

17 And then beginning on line 6 of page 21
18 in response to question 19 the sentence that begins
19 "The alternative," and everything that carries
20 through from lines 6, 7, and 8 are all removed.

21 MR. RINEBOLT: Thank you.

22 MR. STINSON: I have a clarification,
23 too. Was there a correction on page 19?

24 THE WITNESS: On page 19. On page 19
25 essentially question and answer 16 is removed. So

1 what would remain is the question 17.

2 Q. (By Mr. Petricoff) Let me follow up
3 because maybe there is one more change that we need.

4 EXAMINER PIRIK: Mr. Petricoff, I know
5 you speak very loudly and that's appreciated, but
6 it's hard with the blowers sometimes.

7 MR. PETRICOFF: Thank you.

8 Q. Mr. Parisi, take a look at question 17
9 where it says 10-cent fee and then on page 20, line 3
10 where, again, there's a 10-cent fee. Should that be
11 amended?

12 A. I apologize, it should be. To be
13 consistent with the amended stipulation, anywhere in
14 my testimony that I reference a 10-cent fee, it
15 really should be a 6-cent fee.

16 Q. Okay. Now, with those amendments that
17 we've just discussed, if I were going to ask you
18 today all of the questions that are in OGMG/RESA
19 Exhibit No. 3, would your answers be the same?

20 A. They would.

21 Q. Now I'd like you, if you would, to change
22 your focus or attention to what has been marked as
23 OGMG/RESA Exhibit No. 4. And could you identify that
24 document?

25 A. Yes, I can. This is the supplemental

1 testimony I filed on November 27th on behalf of
2 Ohio Gas Marketers Group and Retail Energy Suppliers
3 in support of the amended stipulation.

4 Q. And are there any changes or amendments
5 you'd like to make to this testimony?

6 A. No.

7 Q. And if I were to ask you the questions
8 that are on Exhibit No. 4, would your answers be the
9 same?

10 A. They would.

11 MR. PETRICOFF: Your Honor, the witness
12 is available for cross-examination.

13 EXAMINER PIRIK: Thank you.

14 Columbia?

15 MS. LESLIE: None at this time, your
16 Honor.

17 EXAMINER PIRIK: Mr. Clark?

18 MR. CLARK: No questions, your Honor.

19 EXAMINER PIRIK: Mr. Royer?

20 MR. ROYER: No questions.

21 EXAMINER PIRIK: Mr. Sauer?

22 MR. SAUER: Thank you, your Honor.

23 - - -

24

25

CROSS-EXAMINATION

1
2 By Mr. Sauer:

3 Q. Good morning, Mr. Parisi.

4 A. Good morning.

5 Q. Are you familiar with the stipulated
6 change that was included in the October 4th and the
7 amended stipulation regarding a proposed change to
8 the balancing fee billing?

9 A. Yes, I am.

10 Q. And are you familiar that within the
11 amended stipulation, specifically the provision in
12 paragraph 10 on page 4 states that "After
13 April 1st, 2013, no CHOICE Supplier may charge
14 retail CHOICE customers a rate that is designed or
15 intended to provide compensation for the Balancing
16 Fee that Columbia charged any suppliers prior to
17 April 1st, 2013, so as to avoid charging any
18 customers twice for the same service"?

19 A. Yes, I'm familiar with that.

20 Q. And, to your knowledge, do CRNG suppliers
21 currently have in place fixed rate bilateral
22 contracts pertaining to the provision of natural gas
23 commodity service to individual customers that would
24 be enforceable beyond April 1st, 2013?

25 A. I really can't testify as to whether

1 other suppliers have contracts, what the length of
2 those contracts are. I've certainly seen contracts
3 that would extend beyond those dates. I can't
4 testify to all of them.

5 Q. And to the extent there are fixed rate
6 bilateral contracts with customers that extend beyond
7 April 1st, 2013, would those contracts include a
8 provision for the recovery of the balancing fee
9 billed by Columbia to Direct Energy?

10 A. They may. Again, I'm not familiar with
11 the cost structure of really any of our competitors,
12 so I couldn't answer that for the market.

13 Q. Are you in a position to answer for IGS?

14 A. I'm not involved in that part of our
15 business so I don't put the formulas together. It
16 may be in our formula, I would assume it could be.

17 Q. Generally speaking, if you were billed a
18 cost, the intention would be to recover that cost.

19 A. I think that's correct, if the market
20 would bear it, that's right.

21 Q. And would you agree that to the extent
22 those contracts extend beyond April 1st, 2013,
23 there would need to be a modification to those
24 contracts in some way to avoid customers being billed
25 twice?

1 A. I think the suppliers would have to take
2 a review of their contracts to see if there were
3 those costs embedded as part of the overall cost to
4 the customer.

5 Q. And would the same pertain to any
6 governmental aggregation contracts with suppliers
7 that could extend beyond April 1st, 2013?

8 A. Again, with the same caveats, that I'm
9 not certain what is or isn't in those, if it is
10 included, then it certainly would have to be reviewed
11 and analyzed.

12 Q. Has the Ohio Gas Marketers Group or RESA
13 discussed how the CRNG suppliers should approach this
14 issue to assure the compliance with the provision in
15 the amended stipulation to assure customers are not
16 billed twice?

17 A. Not at this point.

18 Q. Does OGMG or RESA have a recommendation
19 for how the PUCO staff and OCC could verify that all
20 competitive retail natural gas suppliers have
21 modified their bilateral and governmental aggregation
22 contracts to assure customers will not be billed
23 twice for the balancing fee service?

24 A. At this point we haven't focused on that.
25 I think we'll need to, obviously we need to comply

1 with that provision in the stipulation assuming the
 2 Commission authorizes the stipulation, and we'll have
 3 to come up with a plan.

4 MR. SAUER: Thank you, your Honor. No
 5 further questions.

6 EXAMINER PIRIK: Mr. Reilly?

7 MR. REILLY: We have no questions, your
 8 Honor.

9 EXAMINER PIRIK: Mr. Rinebolt?

10 MR. RINEBOLT: Yes, I do have some
 11 questions, your Honor. Thank you.

12 - - -

13 CROSS-EXAMINATION

14 By Mr. Rinebolt:

15 Q. Mr. Parisi, good morning.

16 A. Good morning, Mr. Rinebolt.

17 Q. Always a pleasure to see you on the
 18 stand.

19 A. Thank you.

20 Q. And off the stand as well.

21 If we could turn to page 5 of your
 22 testimony.

23 MR. PETRICOFF: The direct?

24 MR. RINEBOLT: The direct. I don't have
 25 any questions on the supplemental.

1 Q. Are OGMG and RESA members that serve
2 Choice customers actively marketing to those
3 customers currently?

4 A. If I understand your question, are OGMG
5 and RESA members actively marketing to SCO customers?

6 Q. No, to Choice customers.

7 A. To Choice customers. I see different
8 offers in the market from different competitors from
9 time to time and they are OGMG and RESA members, some
10 of those members. I can't testify that all of them
11 are.

12 Q. But certainly IGS is.

13 A. Yes.

14 Q. And you do market to SCO customers as
15 well, correct?

16 A. I think -- I'm not involved in our
17 marketing department, so who we market to at any
18 specific point in time I can't testify. I'm certain
19 we do.

20 Q. Well, I recall you testifying in an
21 earlier phase of the 08 -- what is that, 3144, 1844
22 case that --

23 EXAMINER PIRIK: I believe it's 1344.

24 MR. RINEBOLT: 1344, thank you. Thank
25 you, your Honor.

1 Q. -- that one of the advantages of changing
2 from an SSO to an SCO is that SCO suppliers would
3 then have a direct retail relationship with customers
4 which would facilitate marketing to those customers.
5 Is that -- is my memory correct?

6 A. Having the relationship with the SCO
7 customer provides you with an opportunity to,
8 obviously, contact those customers and provide them
9 with offers. I guess where my confusion was, you
10 were asking SCO generically and there's a difference;
11 if you're an SCO supplier, you don't supply all the
12 SCO customers, you supply a tranche or a number of
13 tranches. We may market to all the SCO customers or
14 we may just market to those that ultimately we won in
15 the auction.

16 Q. That's a function of your marketing
17 people making decisions about where the most likely
18 markets are --

19 A. That's right.

20 Q. -- for your product.

21 Okay. But, generally, you want customers
22 to be informed of the opportunities in the
23 marketplace, and you assume that they will become
24 informed; is that correct?

25 A. We definitely think customers should be

1 informed in the market. A more informed customer, we
2 think, is a better shopper. The more information a
3 customer has, the better shopper they are.

4 Q. So then is it reasonable to assume that
5 some percentage of SCO customers have responded to
6 the advertising and the phone calls they've received
7 and looked at the Apples to Apples charts and chosen
8 the SCO because it best meets their needs?

9 A. I don't think being on the SCO is a
10 choice.

11 I'm sorry, I thought I was getting
12 feedback.

13 I think as a default service I think
14 customers wind up there without making a choice. I
15 think a choice is different. A choice is when you
16 actually select something as opposed to do nothing
17 and ultimately be on it.

18 Q. Well, say that I'm on a contract with a
19 marketer and that contract term is coming up and the
20 marketer calls me and says "We'd like to extend your
21 contract." And because I've looked at the apples to
22 apples chart I tell the marketer "No, I don't want to
23 extent my contract, I want to be served at the SCO
24 rate." Is that a choice?

25 A. My familiarity with the Choice market

1 falls into all the provisions that we have to
2 ultimately abide by under the administrative code.
3 For a Choice supplier ultimately to serve a customer
4 in the market you've got to go through verification,
5 you have to get the customer's consent, the customer
6 has to do something to verify that consent, we have
7 to retain and hold that.

8 Whether it's a telephone voice
9 verification or a signature on a contract, there
10 are -- or even electronic enrollment, those are
11 affirmative choices.

12 Until a customer has made that
13 affirmative choice they haven't taken action to
14 ultimately be in a relationship with a customer or
15 with a supplier.

16 Q. So if a customer chooses not -- makes an
17 affirmative choice not to go through that process and
18 prefers instead the competitive SCO rate, that's not
19 a choice, in your mind.

20 A. It's not.

21 Q. All right. Has your organization
22 conducted any studies or focus groups to determine
23 what percentage of SCO customers are inactive?

24 A. We haven't conducted any surveys of that
25 type, no.

1 Q. Let's turn to page 5 and I'm looking at
2 your sentence that begins on line 9 and down to line
3 12, and am I correct that you are essentially
4 discussing the transition from SCO, which is a rate
5 that is based on the NYMEX, to an MVR which you
6 contend is also based on the NYMEX?

7 A. I'm sorry, beginning on line 9?

8 Q. 9.

9 A. Through line 12?

10 Q. Through line 12.

11 A. I think I'm talking about the transition,
12 yes.

13 Q. Okay. Now, let's take any rate that's on
14 the Apples to Apples chart. If -- any rate at all.
15 And if I subtract the NYMEX close from that rate, I
16 get a number, right?

17 A. So your hypothetical is take any number
18 from the Apples to Apples, subtract the NYMEX close
19 from it and there's a number positive or negative
20 associated with that.

21 Q. There's a number positive or negative
22 associated with that.

23 A. I assume that's correct.

24 Q. Okay. So if you're looking at an MVR
25 rate, you can subtract that NYMEX close from that MVR

1 rate and you will get a number, correct?

2 A. You could subtract a number from another
3 number and get a number, yes.

4 Q. Okay. Now, does that number always
5 represent the operational cost of the marketer
6 providing the MVR rate?

7 A. I don't know what the number represents,
8 different suppliers post different numbers, they may
9 or may not be NYMEX based currently. They may
10 include costs, they may not.

11 Suppliers don't get cost recovery, we get
12 what the market bears. So ultimately our prices are
13 what the market ultimately allows us to put out
14 there.

15 Q. Well, in fact, you can purchase gas at
16 prices other than the monthly NYMEX close, correct?

17 A. That's correct.

18 Q. And you do that -- and you can also buy
19 forward at a price that will be different than the
20 NYMEX close, correct?

21 A. That's correct.

22 Q. And so the gas that you purchased either
23 earlier in the month, before the NYMEX closed, or
24 into the future that you ultimately use to serve MVR
25 customers, if that price isn't the NYMEX close, then

1 how can you say that the MVR rate is NYMEX based?

2 A. Every month the NYMEX settles so there is
3 a NYMEX closing, every day the NYMEX trades
4 throughout the day it trades overnight. There are
5 various ways of looking at the NYMEX. One of the
6 indices is the monthly NYMEX close.

7 That's a specific number, it's usually
8 known within the last few days of the month. It's a
9 basis. It's a number that is knowable and can be
10 pointed to.

11 Q. So if I'm a customer, and this is just an
12 example, and say that I'm on an MVR rate that that
13 particular month is \$5, and I'm a pretty
14 sophisticated customer so I know enough to look up
15 the NYMEX chart and I can identify, I have the skill
16 and the knowledge to identify what the NYMEX close is
17 for a month.

18 If I subtract that NYMEX close from the
19 \$5, then I get a number, okay. Under an MVR rate if
20 next month the MVR rate went to \$7 and I subtracted
21 that relevant month's NYMEX close from the \$7, under
22 an MVR rate would I get the same number?

23 A. I'm not sure I understand the
24 hypothetical.

25 Q. All right. The MVR rate is a variable

1 rate, correct?

2 A. It's a monthly variable rate, that's
3 correct.

4 Q. Monthly variable rate. And the NYMEX
5 close, monthly close, is a variable rate as well.

6 A. Well, the monthly --

7 Q. It varies month to month.

8 A. -- close is a number, every month it
9 could be different and typically is different.

10 Q. So every month can be different, okay.
11 So if in November there's an MVR rate and I subtract
12 the relevant monthly close for that, which I guess
13 would be the end of October, correct?

14 A. That's correct.

15 Q. From that, I will get a number, correct?

16 A. That's right.

17 Q. And then the next month's MVR rate,
18 whatever variable rate a marketer sets, now if I then
19 subtract the relevant NYMEX close, the NYMEX close,
20 I'll get another number, correct?

21 A. You'll get a number, yes.

22 Q. Will the number that I get in October and
23 in November be inherently the same under an MVR rate?

24 A. Again, I think it will depend on what the
25 NYMEX close number is. If the NYMEX close varies

1 from October to November, then inherently there may
2 be a difference, there may not be. It depends,
3 again, what is the market going to bear with respect
4 to what that differential is. It may still be the
5 same, it may not be.

6 Q. So while that monthly rate may be NYMEX
7 based, the basis in that particular month can change,
8 in every given month the marketer can change the
9 basis.

10 A. Ultimately the number, the MVR number,
11 that the supplier will post will depend on many
12 variables.

13 Q. Okay. Now, under the proposed scenario
14 in the stipulation for nonresidential customers for
15 those antipoverty agencies I represent, if they're
16 currently an SCO customer and this exit occurs, then
17 they'll be assigned to the MVR, correct?

18 A. I think they remain eligible for Choice,
19 so certainly could sign up for a Choice product. If
20 they choose to do nothing, then they would be on MVR
21 rate, that's correct.

22 Q. Okay. And that's an MVR rate that they
23 did not choose.

24 A. It's a default rate that provides them
25 with a commodity each month.

1 Q. So they didn't choose it.

2 A. The same way they didn't change the SCO,
3 that's correct.

4 Q. Okay. Down on line 14 of that page you
5 begin the answer to numbered question 7 "Unlike all
6 other competitive markets with which I am
7 familiar...." Can you tell me what those competitive
8 markets are?

9 A. There I'm talking generically just about
10 competitive markets. So it could be the soda market.
11 It could be if you were to buy beer, it could be just
12 basically anything, a shirt, clothes, just
13 competition generally.

14 Q. So you're familiar with the soda market
15 and you're familiar with the beer market and you're
16 familiar with the gasoline market.

17 A. I'm familiar as a consumer with
18 purchasing things. I'm not familiar with if you're
19 thinking of it in the context of trading, you know,
20 on the different commodity exchanges, no.

21 Q. So let's take beer, I think that's a good
22 subject. Say you're on the way home after work and
23 you decide you want a beer. Are you going to spin
24 around and go from gas station to grocery store and
25 determine what place has the lowest priced beer and

1 buy that?

2 A. If I decide I want a beer, I have to make
3 some decision. I have to either stop and buy beer at
4 the gas station or go to the grocery store or stop at
5 a bar or do something else, find a place to actually
6 purchase that beer.

7 Q. Would you normally do a pricing
8 comparison and run around and see where you can find
9 a six-pack of Cleveland Ale at the lowest price?

10 A. If I made the choice to walk into the
11 store and purchase a beer, for example, I may look
12 between the different brands and the different
13 available alternatives and decide, based upon a
14 number of different things, which beer to purchase.

15 Q. Are there any competitive markets you can
16 think of where if a choice is not made to engage, the
17 seller still registers a sale?

18 A. Outside of energy?

19 Q. Yeah, outside of energy.

20 A. Other than social programs that are
21 available to help folks in need, no, I can't.

22 Q. Say I'm the customer in the city of
23 Toledo which is aggregated as NOAC, and they pass a
24 bit of legislation, as they have, for opt-out
25 aggregation, and so I get my postcard to opt out of

1 that aggregation and I do nothing. So I didn't
2 engage. Is that a sale? Is that a sale for you as
3 the marketer who serves that aggregation?

4 A. In Ohio we have by legislative allowance
5 government aggregation and it considers that to be a
6 sale because we have government aggregation.

7 Q. So essentially a customer defaulting to a
8 governmental aggregation negotiated price is a choice
9 for the purposes of Ohio law.

10 A. Under Ohio law government aggregation is
11 considered a choice.

12 Q. Now, are you at all familiar with
13 purchasing co-ops?

14 A. Not really.

15 Q. Okay. Well, let's take an example of one
16 and it may trigger your memories, because I think you
17 may serve them. There's a co-op, it's a nonprofit
18 entity, called Yum! Brands and Yum! Brands buys,
19 among other things they buy hamburger and they buy
20 Coca-Cola and they buy plates and they also buy
21 natural gas for their members. Is that correct?

22 A. Well, I'm familiar with Yum! Brands but
23 not as a co-op. My understanding is it's a holding
24 company for a number of restaurants and related
25 entities.

1 Q. Are you familiar with any types of
2 co-ops, cooperatives?

3 A. Nothing's coming to mind.

4 Q. So you're not familiar with the structure
5 of the Energy Cooperative of Ohio which is a
6 participant in the market.

7 MR. PETRICOFF: Your Honor, objection.
8 Asked and answered. He's indicated he doesn't know
9 of any co-ops and it would be redundant just to run
10 through all possible co-ops.

11 EXAMINER PIRIK: I'll let him answer this
12 question, though.

13 A. Could you ask the question again?

14 MR. RINEBOLT: I'll withdraw the
15 question, your Honor.

16 Q. So you want customers to be engaged in
17 the market and to elect products, that's your view of
18 what "choice" is; am I characterizing it correctly?

19 A. Yes, I think engagement is a really
20 critical part of being informed and so, yes, I think
21 customers should be engaged.

22 Q. Does IGS offer -- include auto renewal
23 clauses in some of its contracts?

24 A. I think most of our contracts, I can't
25 attest to every one of them, but I think most of our

1 contracts include auto renewal provisions.

2 Q. And do you, does IGS or, if you know, any
3 other marketers, do they occasionally change the
4 price terms as a part of the auto renewal process?

5 A. Not without the appropriate notices.

6 Q. With appropriate notices required by the
7 rules established by the Commission.

8 A. Not the price terms. The price could
9 certainly change as long as it's consistent with the
10 terms. To change the price terms I think you really
11 need affirmative consent.

12 Q. Okay. But if a customer does nothing
13 given the auto renewal clause and there are no
14 changes in that contract, the contract is
15 automatically extended for the term that the auto
16 renewal clause calls for.

17 A. If the customer entered into a contract
18 that includes a renewal provision, then yes, it would
19 renew according to those provisions.

20 Q. And do you consider an auto renewal
21 contract as an engagement in the competitive market?

22 A. It would be part of the contract the
23 customer ultimately entered, yes.

24 Q. I'm just curious about this. We talked
25 earlier about marketing and would you agree that the

1 number of customers being served through Choice has
2 plateaued in recent years?

3 A. It does seem in the last number of years
4 that the number of migrating customers seems to have
5 leveled off, yes.

6 Q. Why isn't your -- if you know, then, why
7 isn't all the marketing you guys are doing working to
8 increase the market share of Choice marketers?

9 A. I think part of it goes back to
10 engagement. The market is more robust when changes
11 occur in the market. Certainly when we saw an
12 evolution toward -- away from the GCR toward more
13 competitive markets, we saw more market activity and
14 I think more marketing occurring. I think the amount
15 of marketing has leveled off and thus we've seen kind
16 of a leveling off in the number of folks who
17 participate.

18 Q. So for your entity to -- your company or
19 any marketer to make more money, you either need more
20 customers or you need to increase your margins; is
21 that reasonable?

22 A. To make more money?

23 Q. Yeah, to make more money.

24 A. I think there are lots of ways to make
25 more money. I mean, obviously you can control costs

1 differently, you can market differently. There are a
2 number of ways to change your margin, if that's
3 ultimately the question.

4 Q. So you get more customers or you get more
5 efficient and increase your margin or you're able for
6 some reason in the market to increase your prices.

7 A. Market participants are really bound by
8 what the market will bear. If you have effectively
9 competitive market you can't just randomly increase
10 your prices. Your price is only going to be as
11 effective as how competitive you are with the other
12 products in the market.

13 Q. Now, in the Columbia service territory
14 all competitive -- all customers are now served by
15 competitive retail natural gas suppliers with the
16 exception of DSS customers; is that correct?

17 A. The customers are either taking service
18 under a transportation service agreement, a Choice
19 agreement with a government aggregation, or through
20 the SCO.

21 Q. Let's speak of just customers in the
22 Choice area. They're all served by CRNGS in one way
23 or another, correct?

24 A. A CRNG supplier has to -- to be a CRNG
25 supplier to be able to serve customers that are

1 residential or the nonmarketable customers you have
2 to be certified as a CRNGS. So if the customer falls
3 into that group, then yes, they would be served by a
4 certified retail natural gas supplier.

5 Q. So since all Choice customers are served
6 by a competitive retail natural gas supplier, the
7 elimination of the SCO will not increase the number
8 of customers of the competitive retail natural gas
9 suppliers, other than if the population changes,
10 correct?

11 A. Well, I guess the question I've got a
12 little bit of a concern with because you said "all
13 Choice." I look at Choice as being the folks that
14 transport in that program, Choice I think goes up to
15 6,000 mcf in consumption and you don't have to be a
16 CRNG supplier to serve customers over 500 mcf so
17 there certainly can be suppliers who serve customers
18 through that program that aren't CRNGS certified.

19 Q. Let's put it another way. All Choice
20 customers are served by a marketer in some form or
21 another.

22 A. By a supplier, yes.

23 Q. By a supplier, okay.

24 If the SCO is eliminated, that pool won't
25 expand other than by changes in population.

1 A. The total number of customers?

2 Q. Right.

3 A. Is unaffected.

4 Q. Okay. So really as a whole the
5 opportunity to increase the number of customers is
6 really limited to individual suppliers to the fact
7 they better sell their product or their services?

8 A. I don't understand what you mean by
9 "increase the number of customers."

10 Q. There's a -- the point I'm asking is
11 there is a finite pool of customers that are eligible
12 for Choice and so within that finite pool if you want
13 to get more customers as IGS, then you have to take
14 those customers from another RESA member in some way
15 or another supplier or marketer or CRNGS. I'm trying
16 to cover them all here.

17 A. Competitive suppliers obviously have
18 different target groups. If the assumption is the
19 competitive marketer that you're ultimately
20 discussing here hypothetically wants to get more
21 customers, then they solicit to the customer base
22 that is in that pool of customers they are interested
23 in.

24 Q. All right. Let's switch gears really
25 quickly. Do you believe that if the SCO service goes

1 away, that the margins available to marketers will
2 increase?

3 A. Actually, I think they will go down. I
4 think the market ultimately is very dynamic and if
5 customers need to engage in the market or feel that
6 they should engage in the market, then ultimately
7 customers are going to push suppliers to be more and
8 more active with respect to what they ultimately
9 provide. So not only from a pricing perspective, but
10 other products, other services. So I think suppliers
11 will have to get better at what they do.

12 Q. So can you project -- do you believe that
13 the MVR service prices will decline to the point
14 where they will be below what an SCO price would be?

15 A. I think they'll be very attractive simply
16 because some of the provisions that we have in the
17 settlement agreement require not only the monthly
18 posting, which is an easy opportunity for customers
19 ultimately to compare prices, but also periodic
20 notices to those customers as to what their price is
21 compared to others, and marketers will aggressively
22 go after any supply of customers that are being
23 charged more than what they can charge.

24 Q. So, back to my question, do you believe
25 that that competition will drive prices below the

1 SCO?

2 A. I think the prices and the products will
3 be much more dynamic, yes.

4 Q. I appreciate the fact that they'll be
5 more dynamic. Will they price below the SCO?

6 A. Well, you're asking a hypothetical that
7 there's no way for me to tell today where the prices
8 are going to be in the future, and when you say "the
9 SCO," are you talking about today's SCO? Yesterday's
10 SCO? Next month's SCO? Next year's SCO? It's going
11 to be a function of the market.

12 Competitive suppliers will price what the
13 market will bear and if the market prices go up, all
14 prices go up. If prices go down, all prices go down.

15 Q. Thank you.

16 Now, you note on page 10 at lines 16 and
17 17 that IGS has over 400 employees in the state.

18 A. I do.

19 Q. Yeah. Now, you have 400 employees even
20 though there's an SCO in place in the Columbia Gas
21 service territory.

22 A. That's correct.

23 Q. So, clearly, the SCO has justified IGS
24 employing 400 people, correct?

25 A. The policy of the state to be supportive

1 of competitive markets and to move to fully open
2 competitive markets is a significant reason why IGS
3 is homed here. The company was started here and
4 we've remained here because this state and the
5 Commission continue to show a progression toward
6 fully open competitive markets. The SCO is a step on
7 that path.

8 Q. Moving to page 13, lines 12 through 14,
9 you indicate that "Since 2001 the stakeholders have
10 been working in various forums to identify subsidies
11 and eliminate them whenever possible."

12 How do you know what all the
13 stakeholders' motivations were, that they were all
14 motivated to do that?

15 A. I don't think I say anything about the
16 motivation in those lines. I'm talking about what
17 occurred. So the number of different stakeholder
18 collaboratives, and in those collaboratives a number
19 of the issues that were addressed were these
20 inequities in the market.

21 Q. But the line says "...working in various
22 forums to identify subsidies and eliminate them...",
23 and that the stakeholders have been doing that.
24 Correct?

25 A. That's correct.

1 Q. Okay. Has OP&E, if you know, taken
2 positions in the past that rates for low-income
3 customers should be subsidized by other customers?

4 A. OP&E has certainly been involved in the
5 stakeholder forums. The subsidy question is a little
6 more complex. Certainly, for example, continuing to
7 support an SCO forever, in our mind, is supportive of
8 a subsidy because of the various components that we
9 think are still embedded in other recovery mechanisms
10 that really should be part of default service.

11 I haven't heard them directly say we
12 think we should have this subsidy or that subsidy,
13 all right.

14 Q. Well, let's ask about a different kind of
15 customer, then. Let's ask about the Industrial
16 Energy Users. Don't you think the Industrial Energy
17 Users have lobbied for or advocated for, in the
18 context of the stakeholder groups, elements that make
19 it easier and cheaper for them as transportation
20 customers to be able to flow gas at the lowest rate
21 possible?

22 A. I think the Industrial Energy Users have
23 advocated their positions. I don't know if that
24 answers your question.

25 Q. Well, do you think their positions

1 involve being subsidized by other customers?

2 A. If the positions of the Industrial Energy
3 Users requires subsidies of others? I don't know. I
4 really haven't focused on that.

5 Q. Let's turn to page 14 where you talk
6 about the impact of various taxes on when you look to
7 compare default rates and marketer rates, rates
8 produced by Choice marketers.

9 Can you quantify the tax impacts or the
10 level of tax differentials that were in place during
11 the period of the SSO?

12 A. With a specific number?

13 Q. Yeah, with a specific number.

14 A. No.

15 Q. Did the tax differentials between SCO
16 service, the service produced by a bidding process,
17 and the products offered by Choice suppliers in the
18 bilateral market end with the initiation of SCO
19 service?

20 A. For all Choice-eligible customers with
21 the commencement of the SCO service the tax rate was
22 the same.

23 Q. Down at line 11 you talk about a series
24 of changes that has been made over time. In No. 2
25 you talk about purchase of receivables discounts.

1 Did Columbia at any point during the CHOICE program
2 discount the receivables when they purchased them?

3 A. I'm sorry, is this still on page 14?

4 Q. I'm sorry. It's on page 15.

5 A. Okay.

6 Q. And it's just a question about purchase
7 of receivables. Did Columbia at one point purchase
8 them at a discount?

9 A. That's my recollection, yes.

10 Q. And they purchased them at a hundred
11 percent of face value right now?

12 A. Currently, that's correct.

13 Q. And they purchased not only the
14 receivables from bilateral contracts that Choice
15 suppliers had with individual customers, but also
16 from customers through governmental aggregations and
17 customers served by CRNGS that are SCO customers,
18 correct?

19 A. That's correct.

20 Q. I'm trying to edit this for us so we can
21 get out of here quicker.

22 A. I appreciate that.

23 Q. I'm sure everyone does.

24 Let me ask you real briefly about
25 pipeline contracts. Now, under this proposal you as

1 a marketer will purchase a hundred percent of your
2 transportation needs from Columbia; is that how you
3 understand the stipulation? During the five-year
4 period for your CHOICE customers.

5 A. We do take an assignment or an allocation
6 of capacity and storage contracts. It's not a
7 hundred percent.

8 Q. So as a marketer you are providing not
9 only commodity supply and the transportation that
10 you're paying Columbia for, but you're also buying
11 something else in order to serve customers?

12 A. We have to demonstrate an ability to
13 ultimately be -- well, we have to meet a hundred
14 percent of our firm commitments. So what that means
15 is there are various components with respect to the
16 way the program works, but we deliver to a
17 heat-sensitive curve and ultimately will deliver up
18 to the peaking assets essentially that are retained
19 by the utility.

20 So at a certain point our deliveries will
21 level off.

22 Q. Okay. Let's turn to page 17, and I'm
23 looking at question 15 where you talk about
24 inequities in subsidies.

25 A. I'm sorry, what line was that again?

1 Q. It's line 12 through 19 is the first
2 paragraph of your response.

3 A. Okay, thank you.

4 Q. Now, you indicate in there that since
5 shopping customers have nothing to do with default
6 commodity service, there are, in fact, costs
7 associated with that which are paid for by all
8 customers including those that have shopped.

9 A. That's correct.

10 Q. Now, can all customers take that SCO
11 service?

12 A. Yes.

13 Q. Let me ask you specifically about the SCO
14 auction which has been raised in your testimony as a
15 subsidy to the SCO because the price is spread across
16 all customers; is that a fair characterization?

17 A. Yes.

18 Q. Are you aware of what the cost per
19 customer on a per-mcf basis for that SCO auction
20 would be if you looked at the last 12 months'
21 consumption?

22 A. I haven't done that analysis to find out
23 what it would be on a per-mcf basis.

24 Q. Well, would you be willing to accept,
25 because I have calculated it, and we're looking at

1 the timeframe from November 2011 to October because
2 those are the data that Columbia gave us, that
3 looking at the total sales to CHOICE customers, that
4 the cost would be .00058 per Mcf?

5 MR. PETRICOFF: Your Honor, I'm going to
6 object. There's nothing in the record right now that
7 presents these numbers. That may be Mr. Rinebolt's
8 calculation, but it's not something he can base a
9 question on.

10 EXAMINER PIRIK: I agree. Mr. Rinebolt,
11 you need to lay some foundation.

12 MR. RINEBOLT: All right.

13 EXAMINER PIRIK: And you need to present
14 information on the record for the witness to actually
15 refer to.

16 MR. RINEBOLT: I will. Thank you.

17 Q. (By Mr. Rinebolt) Are you familiar with
18 the monthly SCO data that Columbia provides to
19 stakeholders?

20 A. The monthly -- monthly there's an e-mail
21 that comes out that provides numbers, migration
22 statistics, volume, that type of thing.

23 Q. Yes.

24 A. Yes.

25 Q. And would you accept that the numbers in

1 those monthly -- in those monthly e-mails which have
2 occasionally been revised, accurately reflect both
3 the number of customers being served through various
4 mechanisms and the sales?

5 A. My recollection, if we're speaking of the
6 same sheets, is it provides generic information, it
7 doesn't identify specific suppliers, but it talks
8 about the number of suppliers and the different
9 programs that are being served by the specific
10 suppliers, and I believe the volume that they serve
11 in any given month.

12 Q. And it also -- and it also provides data
13 on SCO customers and the numbers served and the
14 volumes that they consume.

15 A. I believe it does.

16 Q. Okay. I'll finish there.

17 Down on the bottom of page 17 from lines
18 20 to 23 you indicate that there is "...programming
19 costs to continue to provide a default service,
20 wherein customers are provided commodity service
21 without electing a supplier and enrolled -- enrolling
22 through the enrollment" process. Could you tell me
23 how much providing that service costs Columbia?

24 A. How much providing the default service?

25 Q. How much the programming costs associated

1 with providing default service costs Columbia.

2 A. I don't have a number, no.

3 Q. Now, Ms. Caddell testified earlier,
4 yesterday, that the cost of the modifications to the
5 billing systems that have been agreed to in the
6 stipulation will be between 1.3 and 1.7 million; is
7 that reasonable?

8 A. If that's her number, then I think it is,
9 yes.

10 Q. Is the cost -- the programming costs
11 associated with providing default service, I know you
12 don't know what it is, but do you think it's
13 comparable in any way to that 1.3 - 1.7 million
14 dollars?

15 A. I don't know.

16 Q. Now, in page 18 you, and this is right in
17 the first three lines where you talk about
18 educational materials being a subsidy, now, if you
19 know, do the educational programs provided by the
20 Commission and funded through customer rates -- the
21 educational programs funded through customer rates by
22 Columbia, do they educate both SCO and CHOICE
23 customers?

24 A. We've been, or I've been involved
25 periodically with the educational committee. The

1 last few years we focused mainly on the SCO or the
2 SSO, the default service.

3 Q. Have any of those dollars been spent,
4 though, to educate customers that are on Choice as to
5 their various options, the various types of supply
6 contracts or other elements of contracts available in
7 the bilateral market?

8 A. I can't recall anything specific that
9 focused on Choice alone. There may have been some
10 things, but I don't remember those discussions
11 including Choice. Those were mainly about default
12 service.

13 Q. So I appreciate that you're targeting
14 default service customers, SCO service customers, and
15 what is your education program trying to encourage
16 them to do?

17 A. Per the stipulation the education that
18 we're talking about isn't necessarily encouraging
19 them to do anything, it's providing them with
20 information. So it's informing them with respect to
21 what is occurring and then, down the road, part of
22 the, I think the concern or part of the dialogue was
23 to find out what customers needed that were still on
24 default service as far as education goes and then
25 provide them with that information, so surveys, that

1 type of thing.

2 So at this point I'm not sure that we
3 even know exactly what the materials will ultimately
4 include. Part of the process is to figure that out.

5 Q. But has Columbia offered any educational
6 programs prior to this stipulated -- the ones that
7 are anticipated under the stipulation?

8 A. There have been letters that I think have
9 been sent out with respect to the SCO and the SSO
10 service, the transitions over time from GCR to SSO,
11 from SSO to SCO. So I think those letters have been
12 provided. I can't recall if other things have been
13 done.

14 Q. Okay. I wanted to ask you about,
15 quickly, the fee that in the stipulation that will be
16 paid by SCO suppliers. Has a similar fee been
17 charged in any other phase of this program back to
18 the SSO?

19 A. A default fee of that nature? No.

20 Q. Okay. Has Columbia, if you know, ever
21 proposed such a fee?

22 A. I think in the prior iteration of this
23 settlement back in the 2008-2009 context Columbia had
24 a cash deposit and ultimately had that cash for a
25 reason. There were filings that were made with

1 respect to that, but I don't recall exactly what was
2 said in those.

3 Q. If you know, did that cash deposit, was
4 that ultimately a part of the stipulation in Case
5 No. 08-1344?

6 A. The cash deposit was initially, yes.

7 MR. RINEBOLT: That's all the questions I
8 have, your Honor. Thank you.

9 Thank you, Mr. Parisi.

10 THE WITNESS: Thank you.

11 EXAMINER PIRIK: Mr. Einstein?

12 MR. EINSTEIN: No questions, your Honor.

13 EXAMINER PIRIK: Mr. Stinson?

14 MR. STINSON: Just a few questions, your
15 Honor.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Stinson:

19 Q. Good morning, still, Mr. Parisi.

20 A. Good morning.

21 Q. I'd like to look first at page 10, lines
22 5 to 6 of your testimony where you state that IGS
23 serves almost every competitive retail Choice market
24 in the country. And also at lines 16 to 17 where you
25 state that IGS is one of the largest Choice suppliers

1 of retail natural gas to residential customers in the
2 country.

3 A. I'm sorry, lines 16-17?

4 Q. Yeah.

5 A. On page 10?

6 Q. Yes.

7 A. Maybe I'm reading -- this says starting
8 at line 15 it says "This stability is critical to
9 market investment...."

10 Q. I must have the wrong cite there.

11 I'm sorry, lines 16 and 17 you state IGS
12 has its headquarters in Ohio.

13 A. Correct.

14 Q. Is IGS one of the largest Choice
15 suppliers of retail natural gas to residential
16 customers in the country?

17 A. I think we are one of the largest
18 suppliers, yes.

19 Q. What about in Ohio?

20 A. I think we're one of the largest
21 supplier, yes.

22 Q. Are you the largest, do you know?

23 A. I don't know if we're the largest but we
24 are one of the larger.

25 Q. Look at page 4, lines 1 to 3, there you

1 state that it's the policy of the state that
2 regulated natural gas commodity should be eliminated.
3 Then you quote the statute at lines 5 to 9 and on
4 line 7 isn't it the policy to reduce or eliminate the
5 need for regulation?

6 A. It doesn't say "reduce or eliminate." I
7 think in total when you read 4929.02, it's pretty
8 clear in my interpretation that the intent was to
9 build an effective competitive market, and once it
10 was created, eliminate the need.

11 Q. But regardless of your interpretation,
12 the legislature did add the word "reduce," correct?

13 A. It does say "reduce," yes.

14 Q. Page 4, line 19, you state that the
15 policy of the state is that regulated commodity
16 service is to be eliminated. By this statement you
17 don't mean, do you, that the PUCO should eliminate
18 rules and regulations governing suppliers' conduct
19 such as marketing or enrollment or even the
20 government aggregation process?

21 A. No.

22 Q. Would you agree that the NYMEX monthly
23 end closing date is a -- or, that the SCO is
24 comprised of the NYMEX monthly closing price and the
25 retail price adjustment?

1 A. Yes.

2 Q. And is the NYMEX monthly price, that's a
3 competitive price?

4 A. It's -- the NYMEX price is a competitive
5 price?

6 Q. Yes.

7 A. Yes.

8 Q. And the retail adjustment is set through
9 an auction that's also a competitive price.

10 A. The auction is a competitive process,
11 yes.

12 Q. You talk a little bit about the
13 government aggregation process in Ohio, I don't want
14 to go through the whole thing, we've done that with
15 other witnesses, but I do want to get to the point
16 where opt-out notices are sent out to customers.

17 And at that point doesn't -- the eligible
18 customer who receives the opt-out notice has a
19 decision, that customer, if he does not want to be a
20 member of that aggregation, he has to affirmatively
21 elect to opt out of that aggregation?

22 A. In an opt-out government aggregation,
23 that's correct.

24 Q. And when that customer makes that
25 election, that customer remains on SCO service?

1 A. Assuming the list only contained folks
2 that were in the SCO, yes.

3 Q. Doesn't the list have to contain only
4 folks in the SCO?

5 A. It's supposed to. Obviously, I think
6 that's what we all strive for.

7 Q. Mr. Rinebolt asked some of my questions
8 so give me a moment here to kind of pare some of
9 these down.

10 Now, after Columbia would exit the
11 merchant function for the residential class, there
12 still would be governmental aggregation programs,
13 correct?

14 A. That's correct.

15 Q. And every two years or so under the
16 program the supplier or the community would issue
17 additional opt-out notices to aggregation members
18 affording them the opportunity to opt out without a
19 fee.

20 A. If the provision -- the provision in the
21 code requires that no less than every two years the
22 customer in the aggregation has an opportunity to
23 choose to move out of the aggregation without a fee.

24 Q. And if that customer elects to move out
25 of the aggregation program, that customer would

1 return to the MVR rate.

2 A. At that point, yes. Unless they selected
3 a competitive supplier.

4 Q. True. Yes.

5 On page 6, lines 1 through 12 you state
6 that the stipulation will just replace one default
7 system with another.

8 A. That's correct.

9 Q. You state that both are based on NYMEX,
10 both with rules associated with providing services,
11 and that they do not require customers taking action.
12 I want to talk a little bit about the difference
13 between the two programs.

14 Each has a retail price or retail
15 adjustment price, but with the SCO it's set by
16 auction and the Commission had authority to ensure
17 that the auction results were fair; is that correct?

18 A. The Commission approves the results, yes.

19 Q. And the Commission will have no authority
20 with respect to the retail price -- retail adjustment
21 price in the MVR, correct?

22 A. The Commission retains authority over the
23 suppliers but they don't regulate the price.

24 Q. And the Commission is going to retain
25 control over any CRNG suppliers, correct?

1 A. That's correct.

2 Q. Now, with the SCO the customer-supplier
3 relationship is such that the winning SCO bidder is
4 assigned customers and at the end of the auction
5 period the relationship ends, correct?

6 A. Unless they're a successive bidder in the
7 next auction, correct.

8 Q. If the customer remains on the SCO, it
9 will be reassigned to the next SCO supplier in the
10 auction, for the next auction.

11 A. I'm sorry, could you restate the
12 question?

13 Q. I said if the customer remains on SCO
14 service, it will be reassigned to an SCO supplier in
15 the next auction.

16 A. It will be assigned to an SCO supplier,
17 it may or may not be the same supplier.

18 Q. With the MVR the customer is assigned to
19 the Choice supplier, the customer is served by the
20 MVR as long as the customer's Choice-eligible?

21 A. That's correct. Or until they select a
22 competitive product from the market.

23 Q. But there's no automatic cutoff period as
24 with the SCO service.

25 A. There's not. It is a month-to-month

1 product.

2 Q. Now, on page 9, line 1 you list, I
3 believe, what are four protections in the MVR
4 program.

5 A. Yes.

6 Q. Are there any other restrictions to
7 pricing terms and conditions of MVR supplier's
8 service to customers?

9 A. To be an MVR supplier you'd have to be a
10 certified retail natural gas supplier so you'd have
11 to follow all the other, you know, code provisions
12 that you have to abide by ultimately to be a
13 provider, you have to be certified by the Commission,
14 those I think are all protections.

15 Q. No other restrictions?

16 A. Beyond that? I mean just the market
17 itself.

18 Q. In that same paragraph with regard to the
19 periodic disclosure to MVR customers of the list of
20 MVR prices, you state there "so that MVR customers
21 can easily compare MVR products offered in the
22 marketplace."

23 A. Yes.

24 Q. Do you see that?

25 A. Yes.

1 Q. What does that mean, that one MVR
2 supplier can -- or, one MVR customer can view other
3 MVR prices that are provided and can that provider or
4 that customer switch between MVR suppliers?

5 A. Well, the monthly variable rate is a
6 posted price, it has to be generally available to the
7 market and so any customer could ultimately select
8 that price if they so chose.

9 I think the idea here was periodically
10 for folks that are on MVR at least for a period of
11 time to provide them with kind of an overview of what
12 the various MVR prices are so they could look at
13 their price and compare it to other prices in the
14 market, and if they so chose they could move to a
15 different either MVR product or to a different
16 product altogether.

17 Q. And currently a customer assigned to an
18 SCO supplier could not switch from one supplier to
19 another.

20 A. That's correct. That's my understanding.

21 Q. And what steps will be taken for one
22 customer to switch from one MVR supplier to another
23 posted MVR supply rate?

24 A. Just a general enrollment protocol. So
25 the customer could contact the supplier they're being

1 served by and say I'd like a different product. They
2 could certainly go to a different supplier and
3 ultimately say I'd like one of your products and
4 maybe at the MVR and then ultimately just go through
5 the enrollment steps.

6 Q. Page 17 on line 12 to line 13 you state
7 that "...shopping customers have nothing to do with
8 default commodity service...."

9 Isn't it true that if a Choice supplier
10 defaults on his contract, that Choice supplier is
11 returned to the SCO?

12 A. If a Choice supplier defaults on his
13 contract --

14 Q. Yes, if the Choice supplier would default
15 on his contract, would his customers be returned to
16 the SCO?

17 A. What I've seen in the market isn't in a
18 default situation. Well, ultimately what usually
19 will happen is the other suppliers will typically
20 purchase -- if a supplier's in a position where they
21 can't continue to supply for whatever reason or want
22 to exit the market, typically what would happen is
23 they would find another supplier for those customers
24 and there would be some kind of a sale.

25 Q. But that could happen. They could be

1 returned, correct?

2 A. Could be.

3 Q. If a government aggregation is
4 terminated, those suppliers could be returned to the
5 SCO default service?

6 A. At the end of a government aggregation if
7 another supplier doesn't take the role on and they
8 just terminate the aggregation, those customers would
9 go back to default service, yes.

10 Q. Or even if the municipality would
11 terminate the aggregation midstream, they could
12 return to the -- not midstream, but during the
13 aggregation period, they could return to the SCO
14 service?

15 A. So during the pendency --

16 Q. Right.

17 A. -- of an existing contract?

18 Q. Right.

19 A. I suppose that could happen.

20 Q. Are you aware of any competitive retail
21 natural gas suppliers who have defaulted?

22 A. In Ohio there may have been some years
23 ago. I'm not familiar with any recently. There may
24 have been -- there may have been one in Georgia a few
25 years ago, but, again, I don't recall any specifics.

1 Q. I had a conversation with Mr. Brown
2 yesterday and he indicated there were a few smaller
3 suppliers that had defaulted in Columbia's territory
4 in the past. Do you dispute that?

5 A. No.

6 Q. He also indicated that Enron had
7 defaulted in the past; is that correct?

8 A. That would be a bigger one, yes.

9 Q. At the point that was probably the
10 biggest one in the country, correct?

11 A. I would think that's correct, yes.

12 Q. If this stipulation is approved, will
13 there still be an auction held for
14 non-Choice-Eligible customers?

15 A. There would have to be some service for
16 the noneligible customers. I think at this point
17 it's contemplated as continuing to be some type of an
18 auction but could be an RFP or there could be other
19 ways to serve those customers.

20 Q. You're contemplating an RFP even while
21 there's still a residential auction being held?

22 A. No, I'm saying there could be other ways
23 of serving default customers. You're saying if the
24 SCO could, or if the default auction could continue.
25 It could, you could also do other things to serve

1 those customers, there are multiple different ways of
2 serving eligible customers.

3 Q. But currently until the nonresidential
4 exit is contemplated, the auction will continue.

5 A. That's right.

6 Q. And even through the residential auction
7 or residential exit, if there is a residential exit,
8 the auction is still contemplated for
9 non-Choice-eligible customers.

10 A. I think at this point that's correct.

11 Q. Page 18, line 19 you mention that
12 Columbia has to staff a call center to answer SCO
13 service calls.

14 A. That's correct.

15 Q. Isn't it true that Columbia also answers
16 questions about CHOICE programs?

17 A. I would assume they do.

18 Q. Isn't it true that Columbia even
19 maintains web pages on its website about the CHOICE
20 program?

21 A. I think it provides information about the
22 SCO as well as CHOICE, yes.

23 MR. STINSON: Thank you, that's all I
24 have.

25 EXAMINER PIRIK: Thank you.

1 Mr. Petricoff?

2 MR. PETRICOFF: Your Honor, could we have
3 a minute or two?

4 EXAMINER PIRIK: Yes.

5 (Recess taken.)

6 EXAMINER PIRIK: Mr. Petricoff.

7 MR. PETRICOFF: Yes, your Honor, we have
8 no redirect.

9 EXAMINER PIRIK: Okay. Thank you very
10 much.

11 THE WITNESS: Thank you.

12 EXAMINER PIRIK: With regards to your
13 exhibits?

14 MR. PETRICOFF: Yes, your Honor, at this
15 time we would like to move into evidence OGMG/RESA
16 Exhibits 3 and 4.

17 EXAMINER PIRIK: Are there any
18 objections?

19 (No response.)

20 EXAMINER PIRIK: Hearing none, they will
21 be admitted into the record.

22 (EXHIBITS ADMITTED INTO EVIDENCE.)

23 EXAMINER PIRIK: We'll go off the record
24 for a moment.

25 (Discussion off the record.)

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EXAMINER PIRIK: We'll go back on the
record. We'll recess for lunch until 1:30.

(Lunch recess taken.)

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Thursday Afternoon Session,
December 6, 2012.

- - -

EXAMINER PIRIK: Mr. Petricoff.

MR. PETRICOFF: Yes, your Honor. At this
time we would like to call to the stand Teresa
Ringenbach.

EXAMINER PIRIK: Please raise your right
hand.

(Witness sworn.)

EXAMINER PIRIK: Thank you.

- - -

TERESA RINGENBACH

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

DIRECT EXAMINATION

By Mr. Petricoff:

Q. Would you please state your name and
business address for the record.

A. Teresa Ringenbach.

Q. Your address?

A. My business address is Direct Energy,
it's 9605 El Camino Lane, Plain City, Ohio.

Q. And on whose behalf do you appear today?

A. On behalf of Ohio Gas Marketers Group and

1 RESA.

2 MR. PETRICOFF: Your Honor, at this time
3 we would like to have marked as OGMG/RESA Exhibit
4 No. 5 the direct prepared testimony of Teresa
5 Ringenbach.

6 EXAMINER PIRIK: The document is so
7 marked.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. Ms. Ringenbach, do you have with you on
10 the stand a copy of what has now been marked as
11 OGMG/RESA Exhibit No. 5?

12 A. Yes.

13 Q. And is that your direct prepared
14 testimony?

15 A. It is.

16 Q. Do you have any changes or amendments to
17 make to that testimony?

18 A. I do. I have one. It's on page 4,
19 question 10 under the answer, it's line 21, I want to
20 delete the words "pay for auction costs and."

21 Q. And could you tell us the reason for this
22 change?

23 A. The CSRR doesn't really break out all the
24 independent charges, so we decided to delete that and
25 just leave it as CSRR as a whole.

1 Q. With that one change are there any
 2 other -- with that one change if I were going to ask
 3 you all the questions that are contained in Exhibit
 4 No. 5 today, would your answers be the same?

5 A. Yes.

6 MR. PETRICOFF: Your Honor, the witness
 7 is available for cross-examination.

8 EXAMINER PIRIK: Thank you.

9 Columbia?

10 MS. LESLIE: None at this time, your
 11 Honor.

12 EXAMINER PIRIK: Do you have any
 13 questions?

14 MS. LAUSE: No.

15 EXAMINER PIRIK: Mr. Royer?

16 MR. ROYER: No, thank you.

17 EXAMINER PIRIK: OCC?

18 MR. SAUER: No questions, your Honor.

19 EXAMINER PIRIK: Mr. Reilly?

20 MR. REILLY: No, your Honor.

21 EXAMINER PIRIK: Mr. Rinebolt?

22 MR. RINEBOLT: Yes, just a couple, your
 23 Honor. Thank you.

24 - - -

25

CROSS-EXAMINATION

1
2 By Mr. Rinebolt:

3 Q. Good afternoon, Ms. Ringenbach.

4 A. Hello.

5 Q. Turn to page 6 of your testimony, please.
6 And lines 15 through 19 where you mention the state
7 of Texas.

8 A. Yes.

9 Q. Yes. Now, just to clarify, the Texas
10 market is an electric market; is that correct?

11 A. That's correct.

12 Q. Okay. Then moving to page 9 -- actually,
13 this isn't cited in your testimony, I just wanted
14 your opinion. Part of the requirements under the new
15 stipulation would be to shift the balancing fees from
16 marketer responsibility to a direct line item on the
17 customer budget or customer bill, correct?

18 A. Yes.

19 Q. And there is language in the revised
20 stipulation that there would be a -- that that 32
21 cents balancing fee would be eliminated from current
22 contracts that extend beyond April 1st when that
23 fee changes.

24 A. Yes.

25 Q. Okay. Do you have an opinion about how

1 that removal should be accomplished? What mechanism
2 do you think would be best?

3 A. My personal opinion?

4 Q. Your personal opinion. As an expert.

5 A. So, you know, it really depends on what
6 each supplier's contract says with the customer. If
7 you go to just simply change your rate with a
8 customer, then you have to provide the customer
9 notices, the customer can get out of their contract
10 and do all these things so it's probably not the most
11 appropriate way to do it.

12 It's probably better to do it through a
13 collaborative where we can discuss ways to actually
14 break it out as a separate credit or debit, however
15 it works out on the customer's bill, rather than
16 trying to change each individual contract.

17 But, again, that's something that we all
18 have to sit down and talk through what Columbia
19 systems can support and how that impacts customers
20 and the contracts.

21 Q. Very well.

22 MR. RINEBOLT: Thank you, that's all the
23 questions I have.

24 EXAMINER PIRIK: Mr. Stinson?

25 MR. STINSON: Just a quick few, thank

1 you.

2

- - -

3

CROSS-EXAMINATION

4

By Mr. Stinson:

5

Q. Good afternoon now.

6

A. Hello.

7

Q. In response or in furtherance of

8

Mr. Rinebolt's question I'm a little bit confused

9

about how the collaborative works. Would

10

nonsignatory parties, the marketers to the

11

stipulation, be required to reduce that balancing fee

12

in their contracts?

13

A. Would nonsignatory parties be required

14

to?

15

Q. Right.

16

A. I believe so. I mean, it would be fair

17

to customers if they aren't getting double dinged on

18

their balancing fee.

19

Q. At page 3, line 8 you state your

20

testimony represents the consensus of members of both

21

OGMG and RESA, but not necessarily the view of any

22

one member on any of the topics covered in the

23

testimony, and also in the amended stipulation at

24

page 2 it's indicated by footnote that the comments

25

expressed in this filing represent the position of

1 RESA as an organization but may not represent the
2 views of any particular member.

3 I guess my question is just what is the
4 consensus? How is the consensus formed? Is it some
5 type of majority, or what is that consensus?

6 A. For which group?

7 Q. For RESA.

8 A. For RESA?

9 Q. Right.

10 A. You have to be a funding member of the
11 special project and you can't do anything that's out
12 of line with RESA's guiding principles.

13 Q. Do we know who the funding members are of
14 this project?

15 A. Do we know who the funding members are of
16 this project?

17 Q. Yeah.

18 MR. PETRICOFF: Your Honor, I am going
19 to -- it's probably a bit premature, but I'm going to
20 object if the question either now or in the next one
21 asks for those members to be listed. That's
22 proprietary.

23 EXAMINER PIRIK: Mr. Stinson.

24 MR. STINSON: I'll move on, your Honor.

25 EXAMINER PIRIK: Okay.

1 Q. Is the -- in this case there's several
2 issues and there's a stipulation so my question would
3 go to are the consensuses formed on an issue basis or
4 on, say in this case the package, the stipulated
5 package as a basis of the consensus?

6 A. RESA and OGMG signed on to the total
7 settlement.

8 Q. I'm sorry, I can't hear you.

9 A. RESA and OGMG signed on to the total
10 settlement, that's what this is.

11 Q. So I guess in the end there's not a
12 particular issue we could point to to say that that
13 is the position of the particular RESA or OGMG
14 member.

15 A. No.

16 Q. Thank you.

17 Would you agree, subject to check, that
18 the winning bidders in the last SCO auction are Delta
19 Energy, DTE Energy, S Corporation, IGS, and Volunteer
20 Energy?

21 A. Subject to check, yes, I would agree.

22 Q. And of those entities are Hess and IGS
23 the only members of RESA?

24 A. IGS is not a member of RESA.

25 Q. I'm sorry?

1 A. Hess is a member of RESA, yes.

2 Q. And of the membership of RESA/OGMG, only
3 Hess and IGS are the only SCO suppliers.

4 A. Hess and IGS do participate in the OGMG.

5 Q. And they are the only members of those
6 groups, OGMG, that are SCO suppliers.

7 A. On the list you provided, yes.

8 Q. Yeah.

9 MR. STINSON: That's all I have. Thank
10 you.

11 EXAMINER PIRIK: Thank you.

12 Mr. Petricoff?

13 MR. PETRICOFF: Your Honor, no redirect.

14 EXAMINER PIRIK: Thank you.

15 MR. PETRICOFF: Yes, at this time, your
16 Honor, we'd move to admit into evidence OGMG/RESA
17 Exhibit No. 5.

18 EXAMINER PIRIK: Are there any
19 objections?

20 (No response.)

21 EXAMINER PIRIK: Hearing none, the
22 exhibit will be admitted into the record.

23 (EXHIBIT ADMITTED INTO EVIDENCE.)

24 EXAMINER PIRIK: We're on to the IGS
25 witness but I'm not sure who's presenting.

1 MR. ROYER: IGS calls Larry Friedeman.

2 EXAMINER PIRIK: Please raise your right
3 hand.

4 (Witness sworn.)

5 EXAMINER PIRIK: Thank you.

6 - - -

7 LAWRENCE FRIEDEMAN

8 being first duly sworn, as prescribed by law, was
9 examined and testified as follows:

10 DIRECT EXAMINATION

11 By Mr. Royer:

12 Q. Would you state your name and business
13 address for the record.

14 A. Larry Friedeman, work address is IGS,
15 6100 Emerald Parkway, Dublin, Ohio, 43016.

16 Q. And by whom are you employed and in what
17 capacity?

18 A. Interstate Gas Supply, Inc. I am the
19 Vice President of Choice Markets.

20 Q. And do you have before you a copy of a
21 document titled "Direct Testimony of Lawrence
22 Friedeman"?

23 A. No, I do not.

24 Q. That's handy.

25 MR. ROYER: I'd ask that this be marked

1 as IGS Exhibit 1, your Honor.

2 EXAMINER PIRIK: The document is so
3 marked.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 Q. Can you identify that document for me.

6 A. Yes, I can. It is direct testimony.

7 Q. Was this prepared by you or under your
8 direction and supervision?

9 A. Yes, it was.

10 Q. Do you have any corrections or additions
11 to that testimony at this time?

12 A. Yes, just one very minor correction to
13 the testimony. I would direct everyone's attention
14 to page 11, line 13. The current sentence reads
15 "Experience in such matters, particularly in the face
16 of rapid customer base," and it should read
17 "Experience in such matters, particularly in the face
18 of a rapid increase in customer base, is" and
19 continue on from there.

20 Q. And subject to that correction if I were
21 to ask you the questions today on the stand that are
22 set forth in your direct testimony, would your
23 answers be the same?

24 A. Yes, they would.

25 MR. ROYER: I'd offer IGS Exhibit 1

1 subject to any motions and the witness is available
 2 for cross-examination.

3 EXAMINER PIRIK: Thank you.
 4 Columbia?

5 MS. LESLIE: No questions at this time.

6 EXAMINER PIRIK: Mr. Petricoff?

7 MR. PETRICOFF: No questions, your Honor.

8 EXAMINER PIRIK: Ms. Lause?

9 MS. LAUSE: No questions, your Honor.

10 EXAMINER PIRIK: OCC?

11 MR. SAUER: No questions, your Honor.

12 EXAMINER PIRIK: Mr. Reilly?

13 MR. REILLY: No.

14 EXAMINER PIRIK: Mr. Rinebolt?

15 MR. RINEBOLT: No questions, your Honor.

16 EXAMINER PIRIK: Mr. Stinson?

17 MR. STINSON: None, your Honor.

18 EXAMINER PIRIK: Well, thank you.

19 THE WITNESS: You're quite welcome.

20 Thank you all.

21 MR. ROYER: Brilliant. I move into
 22 admission IGS Exhibit 1.

23 EXAMINER PIRIK: Are there any
 24 objections?

25 (No response.)

1 EXAMINER PIRIK: Hearing none, IGS
 2 Exhibit 1 will be admitted.

3 (EXHIBIT ADMITTED INTO EVIDENCE.)

4 EXAMINER PIRIK: Mr. Rinebolt.

5 MR. RINEBOLT: Your Honor, what I have
 6 here is an errata sheet that provides all the changes
 7 in the testimony, just for efficiency.

8 EXAMINER PIRIK: Please raise your right
 9 hand.

10 (Witness sworn.)

11 EXAMINER PIRIK: Thank you.

12 - - -

13 STACIA HARPER
 14 being first duly sworn, as prescribed by law, was
 15 examined and testified as follows:

16 DIRECT EXAMINATION

17 By Mr. Rinebolt:

18 Q. Could you please provide the Court with
 19 your full name for the record.

20 A. Stacia Harper.

21 Q. And you are employed by?

22 A. Ohio Partners for Affordable Energy.

23 Q. And what is your position with Ohio
 24 Partners?

25 A. My position is I'm Director of Regulatory

1 Affairs and Energy Policy.

2 Q. Did you oversee and prepare the testimony
3 that you're about to give today, and the revisions?

4 A. Yes.

5 Q. Which we will submit.

6 MR. RINEBOLT: Your Honor, I'd request
7 that the witness's testimony be marked as OPAE
8 Exhibit No. 1 and the errata sheets that we provided
9 be marked as OPAE Exhibit 1A, or would you prefer 2?

10 EXAMINER PIRIK: Actually, I'd prefer it
11 was 2 and 2A because 1 is your comments.

12 MR. RINEBOLT: That's right. That's
13 right. 2 and 2A then, your Honor.

14 (EXHIBITS MARKED FOR IDENTIFICATION.)

15 Q. Now, do you have any changes to your
16 prefiled testimony?

17 A. Yes, I do.

18 Q. All right. The initial change is on page
19 17?

20 A. The first change begins on page 17, so
21 it's actually the second page of the handout that was
22 passed out for revisions. And this is on line 13.

23 We needed to add SSO and SCO. When I wrote this, I
24 was trying to be consistent in saying SSO and SCO and
25 left off the SSO.

1 And to be consistent with the SSO date on
2 line 14 it should read "December 7th, 2010."

3 Instead of "2012."

4 Q. And then is there a change on page 21?

5 A. There is a date correction on page 21 on
6 line 10. The original date was November 2006, I mean
7 November, yeah, 2006, and that should be at the
8 beginning of shadow bill time of April of 1997.

9 Q. Then on page 24 at line 12.

10 A. Line 12, we should have -- I should have
11 had "SCO" instead of "SSO" because the rest of the
12 end of this paragraph is all about SCO comparison.

13 Q. Then on page 26 at line 18.

14 A. Line 18 currently has a percentage, it
15 says "38 percent." The actual percentage that came
16 up was 36.7 percent so we've rounded up here and it's
17 37 percent. It's reflected in the pie chart that
18 we'll get to in a second. This was a problem we had
19 in Excel when we dumped in a pie chart and it
20 actually showed a 38 percent instead of doing the
21 proper rounding because of the pie chart.

22 Q. Then the next change is in Exhibit SH-2
23 and I believe this is where that percentage comes up
24 at the very end where it says "Percent of Choice
25 Enrolled Customers by Marketer Share."

1 A. Yes, here's the pie chart. So Q,
2 marketer Q now says 37 percent instead of 38 percent.
3 In order to get this pie chart to do this what I did
4 was sum up all of those marketers that had a market
5 share that was less than 1 percent, so it was
6 actually showing as zero percent when it was broken
7 out.

8 When I summed those, it created a
9 category called "Other" and that is equal to the
10 2 percent. So there's a new category called "Other"
11 with the 2 percent.

12 Q. And then on Exhibit SH-3.

13 A. I had -- SH-3, there was a yellow line,
14 so it is the vertical line that you'll see. And this
15 is for both SH-3 and SH-4. We were trying to show
16 the start of the SCO auction, and that is really the
17 billing, so April 1st would be the first billing of
18 2012 instead of April 1st, 2011. And that is the
19 same for the next changes on Exhibit SH-4, and it's
20 that same vertical line.

21 Q. Then the next is Exhibit SH-9?

22 A. I have SH-10 the next one.

23 Q. Oh, I'm sorry. I may have made mistakes
24 when I was copying last night. So there's no change
25 to SH-9.

1 A. No, just SH-10. It had -- the vertical
2 axis was labeled "\$/something" and it should be
3 "\$/Therm." And I also removed -- there was a data
4 series called high and low, that was not a
5 significant data series, that was just simply
6 indicative of what was the high price and what was
7 the low price, so I removed those to remove
8 confusion.

9 Q. Thank you.

10 Subject to these changes were you to be
11 asked these questions today, would you answer them in
12 the same way?

13 A. Yes.

14 MR. RINEBOLT: Your Honor, I provide
15 Ms. Harper for cross-examination.

16 EXAMINER PIRIK: Mr. Stinson?

17 MR. STINSON: No cross, your Honor.

18 EXAMINER PIRIK: This is a general
19 question, would the stipulating parties prefer that I
20 start with Columbia?

21 MR. PETRICOFF: That would be fine.

22 EXAMINER PIRIK: Is that the preference?

23 Mr. Stemm?

24 MR. STEMM: Good afternoon, Ms. Harper.

25 THE WITNESS: Good afternoon.

1 MR. STEMM: Your Honor, could I begin
2 with voir dire as to an item on pages 25 and 26 in an
3 exhibit of prefiled testimony?

4 EXAMINER PIRIK: Yes.

5 MR. STEMM: Thank you.

6 - - -

7 VOIR DIRE EXAMINATION

8 By Mr. Stemm:

9 Q. Ms. Harper, if you could turn to page 25
10 of your prefiled testimony and I'd refer you to lines
11 6 through 10 where you describe SH-10 exhibit. Do
12 you see that?

13 A. Yes.

14 Q. And in that exhibit you offer SH-10 to
15 compare residential price offers of three types of
16 suppliers. You've identified Georgia distribution
17 utilities, Georgia Choice suppliers, and Georgia
18 utilities that do not have competitive markets. Do
19 you see that?

20 A. Yes.

21 Q. If you could turn to SH-10, and we can
22 use the corrected one if you'd like, now, I recall
23 that when we discussed the number and the name of the
24 companies in the legend, do you see the legend on the
25 right side of SH-10 listing the number of companies?

1 A. Yes.

2 Q. When I asked you to identify which of the
3 three types of suppliers each of these companies,
4 what you told me, that you did not look to see who
5 was what.

6 A. Correct.

7 Q. Do you recall that?

8 And you're not sure which are which; is
9 that correct?

10 A. I did double check because I had time to
11 go back and read all this, if you want me to go
12 there.

13 Q. Okay. When you prepared your opinion in
14 this prefiled testimony, you didn't think it
15 mattered?

16 A. I looked at this over three-and-a-half
17 months ago and I really didn't recall what these were
18 at the time of deposition.

19 Q. Okay. Now, on the legend it also
20 indicates that there are two SCANA low income
21 datasets, do you see that, one in the red square and
22 one in the blue square?

23 A. Yes.

24 Q. Did you also go back and check on that?

25 A. No.

1 Q. And when we talked about this on Monday,
2 you agreed that you didn't know why there were two
3 listings for that and that it was confusing?

4 A. It is, and it's -- I didn't get back to
5 fixing it.

6 Q. Okay. And all of the information that
7 you are depicting on Exhibit SH-10 comes from your
8 review of the Georgia Public Service Commission
9 website; is that right?

10 A. Yes.

11 Q. But you did not review the orders of the
12 Georgia Public Service Commission applicable to this
13 Choice program, did you?

14 A. I had read them at one point in time,
15 however, I did not read them specifically for this
16 case so it was not something I really was able to
17 recall from memory of what the order said. I mean, I
18 have read those several -- a couple years ago
19 actually.

20 Q. Did you read the Georgia statutes and
21 subsequent statutory amendments --

22 A. No.

23 Q. -- concerning the Choice program?

24 Did you read the Commission orders or do
25 you recall them now as to how the regulated rates in

1 the Georgia Choice program were established?

2 A. The order I had seen was from 2002. I
3 did do a check to see if there had been any updates;
4 there hadn't been.

5 Q. Now, I understand that you've interpreted
6 the Georgia program to provide that the SCANA low
7 income and high risk rates are rates regulated by the
8 Public Service Commission; is that correct?

9 A. Yes.

10 Q. But you do not know how they are set,
11 correct?

12 A. They are RFP'd out. There's a -- the low
13 income and the high income are established in the
14 2002 where there was an RFP'd SCANA won that award
15 and so it says that, you know, they're based on a
16 wholesale rate plus an adder, and there's different
17 adders depending on if it's low income, high risk, or
18 they have another one, a senior rate.

19 Q. And are you aware that this program is
20 also subsidized by the Universal Service Fund in
21 Georgia?

22 A. Yes.

23 Q. And these rates that you're referring to,
24 you would agree, are regulated rates, then.
25 Subsidized regulated rates.

1 A. I would agree that the adder has been --
2 that the adder is regulated.

3 Q. But sitting here today can you tell me
4 specifically how the Public Service Commission in
5 Georgia set the regulated rates?

6 A. It says it's based on a wholesale rate.
7 I don't -- a wholesale rate should be the NYMEX.

8 Q. But you don't -- go ahead. Sorry.

9 A. So you have the wholesale rate plus the
10 adder. The adders are hard-core numbers that I --
11 look to be established by the Utilities Commission.

12 Q. Are you aware of how the trueup mechanism
13 works in Georgia?

14 A. No.

15 Q. Turning back to the graph you prepared at
16 SH-10, looks like you're graphing data from about
17 August of 2011 to August 2012; is that correct?

18 A. Yes.

19 Q. And I understand that that period of time
20 was determined by your personal time constraints; is
21 that correct?

22 A. Yes.

23 Q. There's no other significance to that
24 particular period of time?

25 A. No. And it's 12 months.

1 Q. I think you admitted on Monday that you
2 didn't try to understand everything about the Georgia
3 market or the Georgia deregulation case in preparing
4 this exhibit, correct?

5 A. That is correct, because what was of
6 interest was the prices and the other offers as
7 opposed to the regulated rate.

8 Q. Now, after your deposition a day or two
9 later do you recall producing workpapers that
10 pertained to this particular exhibit?

11 A. Yes.

12 Q. And do you have copies of those with you?

13 A. No.

14 MR. STEMM: If I could, your Honor. I'll
15 go ahead and mark as Columbia Exhibit 9 what I'll
16 call "Workpapers of Stacia Harper" referring to
17 Exhibit SH-10.

18 EXAMINER PIRIK: The document is so
19 marked.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 MR. STEMM: If I could approach the
22 witness.

23 EXAMINER PIRIK: Yes.

24 Q. Would you please identify for the record
25 if I have accurately described that document,

1 Ms. Harper.

2 A. Yes, you have.

3 Q. Thank you.

4 Now, the second page of Columbia
5 Exhibit 9 is actually a copy of SH-10 as it existed
6 before you amended it, correct?

7 A. Yes.

8 Q. I want to focus on the first page of
9 Columbia Exhibit No. 1 -- excuse me, No. 9. Is this
10 the data that you took from the Georgia Public
11 Service Commission website?

12 A. Yes, it is.

13 Q. And I understand that you used this
14 information to produce your graph at SH-10.

15 A. That is correct.

16 Q. And I understand, as you've explained to
17 me, that you take an Excel worksheet and push a
18 couple of buttons on the computer and you can
19 generate a graph, right?

20 A. Yes.

21 Q. This particular graph along the Y axis
22 is, looks like each unit is .04 dollars per therm; is
23 that correct?

24 A. Yes. .02. Are you looking at each unit,
25 each line, or -- because we go from .2, .4, .6.

1 Q. Right. I'm looking, for example, if you
2 start at .4, the next line would be .44.

3 A. Correct.

4 Q. So that's why I say .04 per line.

5 Now let's just take an example so I make
6 sure we all understand how you set this graph up.
7 What does your graph Exhibit SH-10 show as the dollar
8 price for the month of September 2011 on the graph
9 there?

10 A. For high risk?

11 Q. Sorry. For SCANA low income red box.

12 A. 1.2449.

13 Q. When I look at the X axis, that doesn't
14 look like it's between the September and the October
15 line.

16 A. No, it does not. And I haven't -- this
17 was related to pulling the highs and the lows, it
18 looks like the SCANA low income line does not have
19 the correct plots on those first three months and the
20 last three months.

21 Q. I also notice from Columbia Exhibit 9,
22 your workpaper, that there are actually four SCANA
23 low income rates listed on that sheet; is that
24 correct?

25 A. I'm sorry. Oh, Exhibit 9? The

1 workpaper?

2 Q. Yes.

3 A. Okay. I'm sorry.

4 Q. I count a total of four SCANA low income
5 rates on the left column there.

6 A. Between fixed and variable?

7 Q. Right.

8 A. So you have two variable and two fixed?

9 Q. Right.

10 A. Correct.

11 Q. For a total of four.

12 A. Yes.

13 Q. Okay.

14 A. And this chart is only variable.

15 Q. Okay. I noticed that from the chart of
16 the fixed rates the low price is often one of the
17 companies other than SCANA for months from -- all the
18 way from September through August. September of 2011
19 through August of 2012 there's a fixed rate offer
20 that is the lowest offer.

21 A. Correct.

22 Q. You chose not to graph that information.

23 A. Yes, that's correct. And the reason why
24 is because they were fixed price and we're actually
25 talking about monthly variable prices.

1 Q. Do you know why the Georgia Commission
2 has set up two SCANA low income variables, two SCANA
3 low income fixed rates?

4 A. I do not.

5 Q. Was the purpose of your testimony to try
6 to equate these regulated rates with the SCO rate in
7 Ohio?

8 A. The purpose was to show that the
9 regulated rate is actually below what is coming in on
10 the other rates a majority of the time for the
11 variable rates.

12 Q. In terms of the variable only you're
13 saying.

14 A. Yes.

15 Q. Would you agree with me that there are
16 differences in how the SCO rate is determined
17 compared to how the Georgia Public Service Commission
18 sets the rates for the regulated rates in Georgia?

19 A. Yes, I would agree that there's a
20 different process, one is based on wholesale rate
21 plus an adder and that's the Georgia, and in Ohio we
22 have an auction that is to have a wholesale rate plus
23 an adder.

24 Q. And do you know how the fixed price
25 contracts are handled in the Atlanta Gas & Light

1 Choice program?

2 A. No.

3 Q. Did you review any of the terms of the
4 bilateral contracts in the Georgia program?

5 A. No.

6 Q. Do you have any idea how the elements of
7 the Georgia Choice program compare to Columbia's
8 proposed revised program outline?

9 A. There are -- the Commission in Georgia
10 and in Ohio have both set retail supplier
11 requirements that have to be met, creditworthiness,
12 customer protections, I'm not sure about the other
13 conditions.

14 Q. Did you compare each of those conditions
15 side by side, Georgia and Ohio?

16 A. No, because what we were looking at was
17 actually the prices.

18 Q. And I think you told me that you also did
19 not know how Georgia went about certifying marketers,
20 correct?

21 A. That's correct. It's on their website.

22 MR. STEMM: Okay. At this point, your
23 Honor, I'd like to suspend the voir dire on SH-10 to
24 make a motion to strike that specific exhibit, if I
25 could.

1 EXAMINER PIRIK: Yes.

2 MR. STEMM: It would also relate to page
3 25 of the testimony, line 6 starting with the word
4 "Exhibit SH-10," to line 10 ending with the word
5 "markets" along with the exhibit itself.

6 EXAMINER PIRIK: I'm sorry, can you say
7 the specific lines again?

8 MR. STEMM: Sure. Along with the exhibit
9 itself it would be page 25, line 6, starting with the
10 word "Exhibit SH-10."

11 EXAMINER PIRIK: Okay.

12 MR. STEMM: And ending at line 10 with
13 the word "markets."

14 The witness has indicated that she
15 basically took some amount of time to look at the
16 Georgia website. She took some Excel data, she
17 plotted it. She did not try to understand the
18 Georgia market or the Georgia case. She hasn't
19 reviewed any of the orders for a very long time and
20 some of the orders never that relate to the case.
21 Her graph itself is confusing. She cannot answer
22 questions about why there are two SCANA low income
23 rates listed on the chart, she simply doesn't know.

24 We believe that there's a lack of
25 knowledge foundation for use of this graph in the

1 testimony and the related testimony lines, and we
2 also believe as a second ground for the motion to
3 strike that it's irrelevant, inadmissible for that
4 reason.

5 The witness has admitted that it
6 really -- she hasn't made any kind of a comparison to
7 what Ohio is proposing through Columbia's revised
8 program outline to Georgia and how this could
9 possibly provide any insights into the Ohio case.

10 So for those reasons we would move to
11 strike.

12 MR. PETRICOFF: RESA and OGMG would join.

13 MR. ROYER: As would Dominion Retail.

14 MR. RINEBOLT: Your Honor.

15 EXAMINER PIRIK: Mr. Rinebolt.

16 MR. RINEBOLT: We view the point that is
17 supported by the information as relevant because it
18 relates to what has occurred from the standpoint of
19 price in the AGL service territory since the exit
20 occurred.

21 That being said, we are willing to
22 withdraw Exhibit SH-10 and the following language
23 between lines 6 and 8, the language that reads
24 "Exhibit SH-10 compares Georgia distribution
25 utilities' residential offers with Georgia choice

1 suppliers' residential offers and shows."

2 We would leave the balance of that
3 sentence because the balance of the sentence is
4 supported by Ken Costello's 2011 customer choice
5 analysis, which is cited, and the Georgia Blue Ribbon
6 Natural Gas Task Force which is also cited as support
7 for the conclusionary statement which we wish to
8 leave in from lines 8 through 10.

9 EXAMINER PIRIK: Mr. Stemm.

10 MR. STEMM: On behalf of Columbia we
11 would, obviously, accept the offer to withdraw
12 Exhibit SH-10 and strike the words that have been
13 agreed to be stricken, as well reserve our right to
14 address the other part of Mr. Rinebolt's offer based
15 on my plan to resume voir dire on the Costello and
16 Blue Ribbon Task Force report which this witness is
17 also relying on as I continue down the page of 25 and
18 into 26.

19 So we can take it a step at a time if
20 you'd like, your Honor, and go with Mr. Rinebolt's
21 offer now and keep it open for consideration to add
22 to that.

23 EXAMINER PIRIK: Then, you know, in light
24 of the fact that OPAE has withdrawn those portions
25 and Exhibit 10, there's no need to rule on that

1 portion of the motion to strike and I will reserve
2 ruling until voir dire is completed.

3 MR. STEMM: Thank you, your Honor.

4 Q. (By Mr. Stemm) Before I pick up with page
5 25 at line 10, Ms. Harper, let me just jump back to
6 line 3 where you refer to Exhibit SH-9. And I simply
7 want to look at that exhibit with you for a moment.

8 I understand that that is a comparison of
9 as-delivered prices of natural gas; is that correct?

10 A. To residential.

11 Q. To residential customers.

12 A. Yes.

13 Q. Okay. And, basically, that represents an
14 all-in price that would include distribution and
15 transmission as well as commodity?

16 A. Correct.

17 Q. And this chart gives us no indication of
18 what part of that price is any one of those three
19 components, correct?

20 A. Correct.

21 MR. STEMM: So at this point, your Honor,
22 I would move to strike Exhibit SH-9 as being
23 irrelevant, inadmissible, not providing any helpful
24 information to this case, which is about commodity
25 natural gas.

1 To accept this exhibit in its form of an
2 all-in price would require assumptions and
3 speculation about what happens across the nation in
4 these states in terms of their distribution and
5 transmission rates, and there's no evidence that we
6 should consider all of that equal across the country.
7 So we believe that the as-delivered price comparison
8 is irrelevant and should be stricken.

9 MR. PETRICOFF: Your Honor, we would join
10 with that and just note that there are two states
11 that are listed here, Georgia and Ohio, and at this
12 point we have no evidence on Georgia.

13 In terms of Ohio and an all-in price, we
14 can take note of the Commission's orders in the
15 Columbia distribution cases on items such as the,
16 let's see, the wrought iron replacement and the
17 design A valve, there are lots of expenses that would
18 be an all-in price that has nothing to do with the
19 relative price of commodity.

20 EXAMINER PIRIK: Mr. Rinebolt.

21 MR. RINEBOLT: Your Honor, we believe
22 that the chart says what the chart says. It is data
23 from EIA on delivered cost. While distribution rates
24 are potentially different, certainly few states have
25 a straight fixed variable rate which at one point in

1 this chart was adopted in Ohio. What it indicates
2 are relative total residential gas costs at delivery
3 point all in.

4 The Court can certainly weigh this
5 evidence based on what the evidence is, but it's
6 relevant to the price that customers at the end of
7 the day see and what that total price is. So we
8 believe it is relevant, we believe it deserves the
9 weight that the Court chooses to give it given the
10 nature of the data provided.

11 EXAMINER PIRIK: Just so I understand,
12 Ms. Harper, is this document SH-9, was this created
13 by you?

14 THE WITNESS: Yes.

15 EXAMINER PIRIK: It didn't come directly
16 out of a publication, because on page 25 you
17 reference the U.S. Energy Information Administration.

18 THE WITNESS: That is correct. The data
19 is collected from the EIA. EIA provides monthly
20 energy reports, and this was the natural gas
21 deliveries and then I subselected Ohio, Georgia, and
22 the U.S., as well as the U.S. average wellhead price.

23 EXAMINER PIRIK: Mr. Stemm, do you have
24 anything further?

25 MR. STEMM: No. I think our point has

1 been made that this is not any kind of apples to
2 apples useful chart in this case, this is definitely
3 apples to something far different from what we're
4 talking about here and we would -- along with the
5 chart we would need to -- also need to strike lines 3
6 through 6 if we strike the chart.

7 EXAMINER PIRIK: Anything further,
8 Mr. Rinebolt?

9 MR. RINEBOLT: I would simply point out,
10 your Honor, that there has been a large amount of
11 data introduced as exhibits and attachments to
12 testimony in this case and there have been
13 significant discussions about whether various pieces
14 of data are comparable, whether prices, for example,
15 on the shadow billing chart associated with Choice
16 versus non-Choice customers are accurate.

17 The Court will weigh that data and make a
18 determination of its relevance. We would ask the
19 Court to leave this data in the record and ask that
20 the Court make its own determination of relevance of
21 the data.

22 EXAMINER PIRIK: I understand the point
23 that you're making, Mr. Rinebolt, however, in light
24 of the fact that this is a document that at least
25 from the record factually I can't verify in any way

1 because I have no information to verify it with, I'm
2 going to have to grant the motion to strike.

3 I can only rule on them if they come
4 before me and on other exhibits I can't speak to, you
5 know, what was or wasn't appropriate in that context.

6 But with regard to this I'm going to
7 grant Columbia's motion to strike Exhibit SH-9 as
8 well as line 3 on page 25 beginning at the word
9 "Exhibit SH-9" through line 6 ending with the word
10 "deregulation in Georgia," with those words. Motion
11 to strike granted.

12 MR. STEMM: Thank you, your Honor.

13 And, Mr. Rinebolt, could you read for me
14 again the proposed sentence starting at line 8 that
15 you propose to leave in the testimony?

16 MR. RINEBOLT: The language we would
17 delete is "Exhibit SH-10 compares Georgia
18 distribution utilities' residential offers with
19 Georgia choice suppliers' residential offers and
20 shows."

21 We would leave "the supplier's offers are
22 consistently higher than the prices available from
23 other Georgia utilities that do not have competitive
24 markets. Ken Costello's 2011 customer choice
25 analysis and the conclusions of the Georgia Blue

1 Ribbon Natural Gas Task Force both support these
2 conclusions."

3 MR. STEMM: Thank you. I have that.

4 I'd like to resume my voir dire.

5 EXAMINER PIRIK: Yes.

6 MR. STEMM: If I may.

7 Q. (By Mr. Stemm) Ms. Harper, we're back.
8 Do you happen to have copies of the Ken Costello 2011
9 and the Georgia Blue Ribbon Natural Gas Task Force
10 report with you?

11 A. I have a copy in my bag. I don't have
12 copies for the Court. I didn't . . .

13 Q. Well, I can provide a copy if you'd like.

14 A. Okay.

15 MR. STEMM: I guess we'll go ahead and
16 mark the Costello 2011 report as Columbia Exhibit 10
17 and the Blue Ribbon Natural Gas Task Force report of
18 February 2002 as Columbia Exhibit 11.

19 EXAMINER PIRIK: The exhibits are so
20 marked.

21 (EXHIBITS MARKED FOR IDENTIFICATION.)

22 Q. First of all, Ms. Harper, I think we can
23 agree that the Blue Ribbon Natural Gas Task Force
24 report, which is marked as Columbia Exhibit 11, is a
25 2002 report, correct?

1 A. Yes, it is.

2 Q. And that report would offer absolutely no
3 information on what the state of the Georgia market
4 is today, correct?

5 A. I don't think that's actually a correct
6 statement. There's still a significant concentration
7 of marketers that control the -- that are in the AGL
8 area even today. In fact, in 2002 it was 93 percent
9 of five marketers and I understand in 2011 it was
10 87 percent.

11 Q. Okay. But my question was the 2002
12 report itself does not tell us what the situation is
13 today; it can't do that, correct?

14 A. Again, my answer is that in 2002 compared
15 to 2011 the market concentration has not changed
16 significantly.

17 Q. Okay. Are you relying now on
18 Mr. Costello's 2011 report --

19 A. Yes.

20 Q. -- for your update?

21 Would you agree with me that Columbia
22 Exhibit 10, that Mr. Costello's report is not a
23 report on the Georgia market but, rather, an overview
24 of some 21 states and the District of Columbia?

25 A. That is correct.

1 Q. In fact, all Mr. Costello says about
2 Georgia is a recounting on page 6 of that report of
3 what the Atlanta Gas & Light program was in 2001 and
4 2002.

5 A. On page 6 that is correct. I have read
6 that the 2011 marketing concentration was, in fact,
7 above 85 percent.

8 Q. Well, I didn't ask you --

9 A. Okay.

10 Q. -- what you read, I asked what was in
11 this report which is cited in your prefiled
12 testimony, and there's nothing in Mr. Costello's 2011
13 report that supports anything about what market
14 concentration is in Georgia today, correct?

15 A. Please give me a moment.

16 Yes, I agree.

17 Q. And if you would turn to Exhibit SH-2
18 which you also cite at line 14 of page 25, would you
19 agree with me that SH-2 gives absolutely no
20 information about the concentration in the market for
21 marketers in Georgia?

22 A. Yes.

23 MR. STEMM: So based on -- I will suspend
24 the voir dire, your Honor, and make a motion to
25 strike this witness's testimony about prices

1 available from other Georgia utilities which are not
2 identified in any exhibit, ones that do not have
3 competitive markets, as well as her conclusions from
4 line 16 to 17 on page 25 to lines 1 through 5 on page
5 26 about the Georgia market because they are not
6 supported by the reports that have been cited that
7 talk about the state of affairs more than ten years
8 ago in Georgia and, as a result, this witness lacks a
9 sufficient foundation of knowledge to be providing
10 expert opinions on the state of affairs in Georgia.

11 We would also add to that motion
12 inadmissible as being irrelevant, again, for the
13 reasons that we made in the first motion to strike,
14 that the Georgia program isn't -- hasn't been shown
15 to be at all comparable to what Columbia proposes in
16 this case in its revised program outline.

17 So we would strike, propose to strike, to
18 be clear about it, page 25, lines 8 through 17, page
19 26, lines 1 through 5. Thank you.

20 EXAMINER PIRIK: Anyone else?

21 MR. ROYER: We could join that motion.

22 MR. PETRICOFF: We join, your Honor.

23 EXAMINER PIRIK: Dominion and OGMG?

24 MR. PETRICOFF: OGMG/RESA.

25 EXAMINER PIRIK: Mr. Rinebolt?

1 MR. RINEBOLT: One moment, your Honor.

2 If I could ask a clarifying question. On
3 page 26 how far down do you want to strike?

4 MR. STEMM: Through line 5.

5 EXAMINER PIRIK: Mr. Stemm, could you
6 turn your microphone on or pull it towards you, or
7 did it die?

8 MR. STEMM: Testing. Testing.

9 EXAMINER PIRIK: Thank you.

10 MR. STEMM: Sorry about that.

11 MR. RINEBOLT: We'll accept the motion to
12 strike, your Honor.

13 EXAMINER PIRIK: Motion to strike
14 granted.

15 - - -

16 CROSS-EXAMINATION

17 By Mr. Stemm:

18 Q. Ms. Harper, turning to your résumé, you
19 indicated that you completed coursework toward a PhD.
20 I understand that you are not currently pursuing a
21 PhD; is that correct?

22 A. That's correct.

23 Q. And the subject you have in mind for your
24 possibly future dissertation is unrelated to any of
25 the issues in this proceeding, correct?

1 A. It's fundamental economics of dynamic
2 optimization which is, you know, it's a part of --
3 it's the computable general equilibrium theory,
4 actually, when we go into market prices, and this is
5 production and implementation curves.

6 Q. Now, turning to your SH-3 exhibit, I'd
7 just refer you to the X axis on the graph where you
8 chose the period of December 2010 through
9 October 2012 to depict on this graph; is that
10 correct?

11 A. That is correct. I'm getting the color
12 copy, I'm sorry.

13 Okay.

14 Q. And I understand you picked that
15 particular time period because you really didn't have
16 time to do any more --

17 A. Right.

18 Q. -- is that what you told me?

19 Now, would you agree, again, with me that
20 marketers have an incentive to lower prices in order
21 to gain more customers?

22 A. They do.

23 Q. Now, the information that is depicted on
24 Exhibits SH-3 and SH-4, all of that information you
25 gathered from the Commission website here; is that

1 correct?

2 A. That is correct, on the Apples to Apples
3 charts.

4 Q. But beyond what the Commission website
5 provided you, you did not look at any other bilateral
6 contract terms that the marketers used for either
7 fixed or variable rate offers; is that correct?

8 A. Other than the terms that are listed on
9 the Apples to Apples that include termination fee,
10 duration of contract.

11 Q. Okay.

12 A. And any incentive pricing that is posted.

13 Q. Okay. But you are aware that there are
14 bilateral contracts with terms beyond those that
15 you've just named, correct?

16 A. Correct.

17 Q. Now, in Exhibit SH-4 you chose not to
18 show any fixed rate prices for terms beyond one year;
19 is that correct?

20 A. That is correct.

21 Q. And you are aware that CHOICE customers
22 can contract for fixed monthly prices that do last
23 more than a year.

24 A. Yes, that is correct.

25 Q. If you would turn to your prefilled

1 testimony at page 9, please, I'd like to begin by
2 focusing on lines 20 to 25 where you're quoting from
3 Revised Code 4929.02(A)(7). Are you with me?

4 A. Yes.

5 Q. Where the statute indicates that the goal
6 is to promote an expeditious transition to the
7 provision of natural gas services and goods in a
8 manner that achieves effective competition, and then
9 it continues from there.

10 In researching and writing your prefiled
11 testimony you did not find a definition for
12 "effective competition"; is that correct?

13 A. I did not find any academically published
14 papers on effective competition. I did not find it
15 as a recognized economic concept.

16 Q. Would you agree with me that if one does
17 not know the meaning of "effective competition," one
18 cannot offer a reasonable opinion on whether there is
19 or will be effective competition in a particular
20 scenario?

21 A. I'm sorry, can you please repeat the
22 question?

23 Q. I guess if one does not know the
24 definition of "effective competition," it would be
25 difficult, if not impossible, for that same person to

1 offer a reasonable opinion on whether a particular
2 set of circumstances in a scenario constitute
3 effective competition.

4 A. I am, as an economist, I'm aware of what
5 competition is, various forms of competition.
6 Effective competition as used in the statute does not
7 provide clarifying information as to what is meant to
8 be effective competition.

9 This entire case has been really based on
10 promoting effective competition and I still haven't
11 seen anyone's definition of what "effective
12 competition" is. That is my point in this testimony
13 is that we do not have a definition of what effective
14 competition is, therefore, I have gone by what
15 economic theory brings up in terms of competition
16 with some of the tenets of perfect competition, there
17 are recognized forms of imperfect competition, but
18 effective competition has not been defined.

19 Q. In your opinion.

20 A. According to the statute there is no
21 definition of effective competition.

22 Q. Okay. I agree, in the statute itself
23 there's not a definition.

24 You did find a textbook definition of
25 perfect competition, I see from your testimony,

1 correct?

2 A. There are multiple citations of perfect
3 competition.

4 Q. Okay. But what you never did find in any
5 economics or policy publications was any economist
6 defining "perfect competition" is synonymous with
7 "effective competition," correct?

8 A. That is correct.

9 Q. Now, turning to your definition of
10 perfect competition which is at pages 4 and 5 of your
11 prefiled testimony, particularly on page 5 at line 3
12 there, your criteria No. 5 where you indicate that
13 the price is set at marginal cost and marginal cost
14 is equal to marginal revenue. Do you see that?

15 A. Yes.

16 Q. And that means zero profit, correct?

17 A. That is correct.

18 Q. And that cost-of-demand curve would be a
19 given.

20 A. Yes.

21 Q. And you've agreed that there certainly
22 are other ways to assess competition, correct?

23 A. Yes.

24 Q. For example, innovation and creativity
25 could lead to shifts in cost-of-demand curves to

1 produce profit opportunities in a competitive market;
2 true?

3 A. True, and those are, as anything changes
4 in any market, all profits will tend towards zero in
5 the theory of competitive market behavior.

6 Q. And that's what you mean by moving toward
7 equilibrium?

8 A. To where price is equal to marginal
9 revenue.

10 Q. But there is going to be a dynamic
11 process in the market also that can be part of a
12 good, effective competitive market.

13 A. There can.

14 Q. Okay.

15 A. I call it early risers so those that come
16 into the marketplace early and then you'll have more
17 entry, but obviously that's dependent upon entry
18 barriers, so . . .

19 Q. In this case would you agree that there
20 are minimal entry barriers?

21 A. In what specific piece? With the SCO
22 portion there are minimal entry barriers at this
23 point.

24 Q. But with the CHOICE program as well.

25 A. The CHOICE program, there are few market

1 entry barriers other than the cost of initial
2 customer acquisition and that could actually be
3 viewed as a significant entry barrier.

4 Q. Would you agree, though, that the cost of
5 customer acquisition is part and parcel of a
6 competitive model if you take away this regulated SCO
7 process?

8 A. It is, however, customer acquisition cost
9 is actually based on an average cost principle. You
10 have economies of scale. The greater the quantity or
11 number of customers you're serving, the smaller per
12 unit of cost it goes to actually acquiring new
13 customers.

14 So it disproportionately, you know,
15 impacts smaller marketers that are trying to break
16 into Ohio.

17 Q. If you could turn to page 9 of your
18 prefiled testimony, again, and refer back to the rest
19 of that statutory goal, (A)(7) that we were referring
20 to, the rest of the sentence talks about reducing or
21 eliminating the need for regulation of natural gas
22 services and goods. Do you see that?

23 A. I'm sorry, which number?

24 Q. Page 9, we're back in lines 20 through
25 24, although now I'm referring more to line 23 about

1 the goal to eliminate the need for regulation.

2 A. Yes.

3 Q. That's a statutory goal, right?

4 A. Yes.

5 Q. And --

6 A. Excuse me, it does say "to reduce or
7 eliminate."

8 Q. Right.

9 A. It does not necessarily say "to reduce,
10 eliminate." It does say or "or."

11 Q. Right, and that's the first time I read
12 it that way, I'm sorry if I confused you.

13 The SCO itself is a product of regulation
14 by this Commission, correct?

15 A. Yes.

16 Q. And the SCO rider that results from these
17 auctions is subject to Commission approval, right?

18 A. I'm sorry. The --

19 Q. The SCO rider that comes from these SCO
20 auctions is subject to the Commission approval.

21 A. Yes. The SCO rider or the -- okay.

22 Q. The rider is the full thing but the
23 retail price adjustment is what actually comes from
24 the auction and that's subject to Commission
25 approval, correct?

1 A. Yes.

2 Q. If the Commission does not approve,
3 Columbia must then request direction from the
4 Commission as to what its next step should be,
5 correct?

6 A. That is correct. And the Commission does
7 not reject the auction results on price, it's based
8 on the process, and if there's issues with how the
9 auction is conducted.

10 Q. And what are you citing to for that
11 piece?

12 A. Through my review of how auctions are
13 reviewed by the Commission.

14 Q. Are you referring to Columbia's revised
15 program outline?

16 A. That was one of the documents that I did
17 read. There was very little guidance provided in
18 that document.

19 Q. Do you agree that the revised program
20 outline indicates that the SCO rider shall be subject
21 to Commission approval? If the Commission does not
22 approve the SCO rider, then Columbia will request
23 that the Commission provide direction regarding
24 whether and when a follow-up auction or another
25 action should take place?

1 A. I agree that's how it's written.

2 Q. So the SCO process requires continuing
3 Commission involvement, correct?

4 A. Yes.

5 Q. Now, at page 30 of your prefiled
6 testimony, if you would turn to that briefly. No,
7 let me strike that reference.

8 I wanted to ask you about the cost of the
9 SCO auction and how that should be paid, and I
10 believe you told me it would be preferable, as you
11 see it, as a societal benefit to have all customers
12 in the Columbia service area subsidize the cost of
13 the SCO auction; is that correct?

14 A. Yes.

15 Q. Let me ask you this, Ms. Harper: In your
16 opinion, is it reasonable to equate customer
17 ignorance and inaction with a conscious decision to
18 make a choice?

19 A. I believe it is.

20 Q. You believe it's reasonable?

21 A. As the way you -- as the way you stated
22 it, what I heard was that do I equate customer
23 ignorance and lack of action?

24 Q. Right. With a conscious decision to make
25 a choice.

1 A. Yes, that could be. I mean, I have an
2 issue with the "ignorance" piece, but that's fine.

3 Q. Okay. When I, just so we understand each
4 other and make sure that I haven't confused you, when
5 I asked you the question on Monday "Now, in your
6 opinion, is it reasonable to equate customer
7 ignorance and inaction with a conscious decision to
8 make a choice?" you said "No."

9 A. I must have misunderstood the question
10 because I was focusing on "ignorance."

11 Q. Okay.

12 A. Sorry. But I'm a firm believer in
13 passive choice.

14 Q. We'll agree to disagree on that, fair
15 enough?

16 A. That's fine.

17 Q. Finally, I believe that you, in your
18 testimony, express some concern particularly as you
19 depict it in SH-2 about the top five marketers in
20 Ohio currently having 85 percent market share. Do
21 you recall that testimony?

22 A. Yes.

23 Q. But I think you'll also agree with me,
24 though, that in terms of there's nothing in economics
25 literature that specifies how many more than one

1 there must be to achieve effective competition,
2 right?

3 A. There's very little guidance on what is
4 defined as market concentration. We have the HHI
5 index, the Lerner index which are typically used to
6 assess market power. They have not been used in
7 Columbia to look at marketers' share, but there's no
8 hard-core number that anyone could actually say,
9 however, when you see the number and it says
10 85 percent, it is a significant amount of market
11 share.

12 Q. Spread over five companies.

13 A. Spread over five companies.

14 Q. Okay. Are you familiar with an economic
15 concept called the Bertrand paradox?

16 A. Yes.

17 Q. What's your understanding of that?

18 A. The Bertrand model is, I thought that the
19 Bertrand model really kind of looks at how firms are
20 behaving, it's not necessarily about oligopoly, but
21 I'm struggling with recalling.

22 Q. Well, the only reason I asked you about
23 it is because it was in one of your reports that you
24 cited in your testimony. Let me see if this
25 refreshes your memory.

1 The Bertrand paradox predicts that
2 consumers may receive the full benefit from
3 competition even when the number of firms is as small
4 as two.

5 A. That's correct. That was an example that
6 he used.

7 Q. And is that consistent with your thinking
8 as well?

9 A. With that case that was actually, I think
10 that was part of a natural monopoly that he was
11 referring to, and that with having two and there was
12 effective, I mean, he didn't say "effective
13 competition," but he said that there were benefits
14 from the competition of a very limited market share.
15 And that was the case of natural monopoly.

16 Q. Are you also familiar with the concept of
17 contestable markets?

18 A. No. Not very, no.

19 MR. STEMM: May I have just a moment,
20 your Honor?

21 EXAMINER PIRIK: Yes.

22 MR. STEMM: No further questions. Thank
23 you.

24 EXAMINER PIRIK: Mr. Royer?

25 MR. ROYER: No questions.

1 EXAMINER PIRIK: Direct Energy?

2 MR. CLARK: No questions, your Honor.

3 EXAMINER PIRIK: Mr. Petricoff?

4 MR. PETRICOFF: Yes, thank you, your
5 Honor.

6 Your Honor, at this time I think I'd like
7 to have marked as OGMG/RESA Exhibit 6 a series of
8 charts, and if I may approach the witness, I'd like
9 to give her a chart as well as the Bench.

10 EXAMINER PIRIK: Yes. The document is so
11 marked.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 - - -

14 CROSS-EXAMINATION

15 By Mr. Petricoff:

16 Q. Good afternoon, Ms. Harper. I'm Howard
17 Petricoff. We have met before and, in fact, in the
18 same setting.

19 I want to pick up on the conversation
20 that you had earlier with counsel for Columbia
21 concerning perfect markets. Now, on page 4 of your
22 testimony you list five criteria for perfect markets.
23 Do I understand that those five criteria don't come
24 out of a textbook, this is basically your
25 assimilation of information on the subject as an

1 economist?

2 A. These actually do come out of a textbook.

3 Q. All five of them?

4 A. Yes.

5 Q. Okay.

6 A. The reference is on page 5, Nicholson.

7 Q. Right. But isn't that just to the last,
8 to the last item?

9 A. The entire textbook is about the
10 fundamentals of competition and these are the
11 assumptions that are used throughout that entire
12 textbook.

13 Q. But this is your summary of that section.
14 There's nothing in that text that says here are the
15 five criteria.

16 A. They are not listed on one page as here
17 are the five criteria. They are actually identified
18 as various pieces of competition and it goes from one
19 piece to the next piece.

20 Q. But this is your summary, correct?

21 Let me ask you this question: Did you
22 put something very similar in your testimony in the
23 Dominion East Ohio case listing these same five
24 criteria?

25 A. Yes, I did.

1 Q. And at that time under oath in hearing
2 before this Commission did you indicate that that was
3 your summary, that it didn't come out of the text per
4 se?

5 A. I actually had said that you could open
6 any textbook and find these five criteria, and I did
7 not provide a reference, and it was through
8 deposition where it was asked to me if that was my
9 summary, and I did not say that was actually my
10 summary but that is what you would find in any
11 textbook for the five -- for criteria of perfect
12 definition, I mean of perfect competition.

13 Q. Okay. And in perfect competition do we
14 assume it's only willing buyers and willing sellers?

15 A. Yes.

16 Q. Now I want you to take a look at what I
17 have here, perfect market demand and supply curve.
18 Does this look vaguely familiar to any Economics 101
19 student?

20 A. Hello, Adam Smith.

21 Q. Yes, thank you.

22 And you would agree with me that if we
23 had perfect competition, then both the price and the
24 volume would be set by the intersection of the supply
25 and demand curves.

1 A. That is correct.

2 Q. And, basically in terms of supply, as the
3 price goes up the supply increases because more
4 marginal production can be brought on line.

5 A. That is correct.

6 Q. And likewise as the price goes up the
7 demand goes down because each unit is dearer to the
8 buyer so they buy less.

9 A. The marginal utility decreases.

10 Q. Thank you.

11 Let's flip to page 2. One of the items
12 that you list in your five criteria is that there
13 can't be barriers to entry. And would you agree with
14 me that if there are barriers to entry what happens
15 is that the supply curve decreases, that is the slope
16 of it goes down to the right because less supply is
17 going to come onto the market?

18 A. In this example that is what is depicted.

19 Q. And is that what you would expect in
20 classic economics? Applying classical economic
21 theory?

22 A. It depends. I say it depends because if
23 that entry barrier is set up from the cost of simply
24 of entering and you do not have market control and
25 you're not able to outprice other competition, you

1 will have a downward -- you'll have a reduction in
2 your supply.

3 Q. Okay. And would you agree with me that
4 the effects of barriers to entry is that we would
5 raise the cost and probably reduce the volume of
6 product that's available?

7 A. If there is not market power. If there
8 is market power, you could retain the exact same
9 simply with a higher price.

10 Q. But without market power, that's what you
11 would expect.

12 A. Yes.

13 Q. All right. Let's look at the next chart
14 over. Now we're going to talk about if there are
15 subsidies. If there are subsidies, will that move
16 the demand curve?

17 A. Depends on how the subsidies are passed
18 through to the customer.

19 Q. Well, let's take an example. Let's say
20 that some natural gas customers are going to have a
21 part of their natural gas bill paid by taxpayers, so
22 they won't have to pay it. If that's the case, would
23 you expect the demand for gas to go up?

24 A. I wouldn't. I do work with low income
25 and even though -- this is something that we deal

1 with is the whole idea of kind of, I don't even know
2 what you'd call it, but just because someone's not
3 paying their entire amount of their bill doesn't
4 necessarily mean they're going to crank up the heat.
5 There is an idea of conservation that people do have
6 of doing the right thing and not just taking
7 advantage of the system.

8 So I cannot agree with that statement.

9 Q. Let me use another example, and I
10 understand your concerns about comments on low income
11 folks. Just in classical economic terms, if the
12 apparent price, the price that customers pay, goes
13 down, wouldn't you expect the demand to go up?

14 A. It depends on the good that person's --
15 actually utility of the good we're talking about.
16 There's only so much of a good people actually want
17 and desire.

18 If you're talking about I could get free
19 iPads, I'll agree with that, I'll take as many free
20 iPads as possible, but, again, if we're talking about
21 the gas market, I can't agree with that that people
22 are just simply going to use more because they're not
23 seeing a full price.

24 Q. If the price of gas goes up, won't people
25 turn their thermostats down and use less?

1 A. Yes.

2 Q. Okay. And don't you agree that the
3 converse of that is true, that if the price goes up,
4 they may turn their thermostat up as well?

5 A. Not necessarily. People get very used to
6 temperature. We saw that in the price rising when we
7 had \$16 gas, I guess it was really \$13 gas, that
8 people actually reduced their thermostats because of
9 the high costs, and then after that price dropped
10 down to 6 or 4 dollars, the conservation affect was
11 still there that people's average temperature was
12 actually down two degrees.

13 Q. Still they're at a hundred percent?

14 A. I don't know what the percentage of the
15 folks were. If it was a hundred percent, if it was
16 80 percent, I don't know what that percentage was.

17 Q. Put aside the quantifications of how much
18 the effect would be or what the indifference curves
19 are for customers in general, isn't it true that
20 generally, as a general economic principle, if the
21 price goes down, the volume's going to go up?

22 A. That is a general economic assumption.

23 Q. And that's what you agreed to me when you
24 agreed on chart No. 1, that's exactly what was
25 showing on chart No. 1.

1 A. Yes.

2 Q. Okay. I want to go back and -- I made
3 this easy. I put this on the last page, but maybe we
4 should take a moment, take a look at the last page of
5 my handout to you because I have basically quoted the
6 statute but I think you can find the subsection
7 (A)(C) [verbatim] of Revised Code Section 4929.02,
8 but it's also on your testimony on page 9.

9 A. Number 7 is. Number 8 is not.

10 Q. That's correct, number 7 is. And that's
11 what I'm drawing your attention to at the moment.

12 If the interpretation, if the legal
13 interpretation of this paragraph is that the -- that
14 the General Assembly meant by "effective competition"
15 that the volume and price ought to be set by market
16 forces, could you then offer an opinion on how the
17 pricing should be done in this case? Would that make
18 the statute accessible from an economic point of
19 view?

20 MR. RINEBOLT: Objection, your Honor.
21 Counsel is painting a picture if you accept this,
22 would this be the outcome. We don't have any idea
23 whether the "if you accept" portion of that is at all
24 relevant to this case. There's no foundation for
25 that assumption that he's asking the witness to make.

1 EXAMINER PIRIK: I'll overrule the
2 objection.

3 A. Can you --

4 EXAMINER PIRIK: Do you want it repeated?

5 A. -- please restate or repeat the question.
6 I lost you halfway through the first time.

7 Q. Okay.

8 MR. PETRICOFF: Would the court reporter
9 mind repeating the question. I think I might
10 rephrase it after I hear it.

11 (Record read.)

12 Q. Can you answer that question or do you --

13 A. I have a clarifying question. Are we
14 talking paragraph 8?

15 Q. Right now at this point it's still
16 paragraph 7.

17 A. Oh, it's paragraph 7.

18 Q. Right. Subsection 7.

19 A. And, I'm sorry, I need that question one
20 more time.

21 Q. Yeah, let me try it a different way.

22 Look at paragraph 7. It's one very long
23 sentence.

24 A. It is.

25 Q. We can all agree with that. And in the

1 sentence the General Assembly tells us that they want
2 the Commission to promote an expeditious transition
3 to the preservation of natural gas services and goods
4 in a manner that achieves effective competition and
5 transactions between willing buyers and willing
6 sellers to reduce or eliminate the need for
7 regulation of natural gas.

8 I guess my question to you is that from
9 an economics standpoint does this sound like the
10 General Assembly telling us that the prices ought to
11 be set at the intersection of the supply and demand
12 curve?

13 A. I'm having problems answering that
14 question because, again, this comes back to my pet
15 peeve which is effective competition. There has been
16 no guidance provided in the statute as to what the
17 intent or the meaning of "effective competition" is.

18 Q. Well, in that case let's try the
19 assumptions. Let's assume that what the General
20 Assembly meant by this provision was that they wanted
21 the prices to be set by market forces and not the
22 Public Utilities Commission or the utility. If
23 that's the case --

24 A. I can't answer that because I cannot
25 accept -- I can't go to the assumption that -- of

1 interpreting state statute that they don't want
2 regulation. I'm not there. That's --

3 Q. But that wasn't the question.

4 A. Okay.

5 Q. The question was if we are going -- if
6 they want to set prices -- well, let me go back a
7 step.

8 From our supply curve analysis you agreed
9 with me that if there was no price -- if we let
10 market forces alone, the price would be set at the
11 intersection of the supply and demand curve.

12 A. Yes.

13 Q. And if that is -- if we are going to set
14 prices at the demand and supply curve, then there
15 wouldn't be a need for the Commission to set a price.

16 A. I have no idea in terms of when
17 government dictates its regulation and when it does
18 not. That's part of the role of government is to
19 define when it is to intervene and set the rules.

20 Q. Do you believe that subsection 7 is a
21 direction to the Commission from the General Assembly
22 to regulate the price of natural gas?

23 A. What I read 7 as is that they want to
24 have a competitive front for natural gas to be
25 bought, to be sold, and that competitive front can be

1 in a regulated form or it could be without
2 regulation.

3 The question really becomes where is the
4 societal surplus.

5 Q. So you give no credence to the portion
6 that says to reduce or eliminate the need for
7 regulation of natural gas services and goods under
8 Chapter 4905 and 09?

9 A. It's not about giving no credence, it's
10 that the language does say "or."

11 Q. It says "reduce or eliminate."

12 A. Exactly. It says "or."

13 Q. Right.

14 A. And it depends, which one is going to
15 maximize the social surplus or societal surplus, and
16 it's possible that you can have greater surplus with
17 regulation than without regulation.

18 Q. Can you point to me where it says "social
19 resource" in 7?

20 A. I didn't say social -- I said it says
21 "or."

22 Q. And the first word is "reduce."

23 A. I'm sorry. Wait, where is -- you just
24 read, yeah, or, third line, "sellers to reduce or
25 eliminate."

1 Q. And you'll agree with me that "reduce"
2 means less than there exists today. Isn't that the
3 common meaning?

4 A. Correct.

5 Q. And "eliminate" means reduce to nothing.

6 A. Correct.

7 Q. And if the Commission really wants the
8 price to be set -- I'm sorry, if the General Assembly
9 really wants the price to be set at the intersection
10 of supply and demand, then shouldn't the Commission
11 be concerned about barriers to entry as well as
12 subsidies?

13 A. The reality of the price being set to
14 price equals marginal cost or demand intersects
15 specifically at supply for a regulated commodity at
16 this point, that is not the intent to actually have
17 that.

18 MR. PETRICOFF: I'm sorry, could I have
19 the answer read back?

20 (Record read.)

21 Q. Is your advice to the Commission not to
22 worry and not to take any steps to eliminate barriers
23 to entry?

24 A. No, that is not what I'm saying.

25 Q. Is your advice to the Commission that

1 they should be concerned about barriers to entry and
2 should remove them, if possible?

3 A. Yes.

4 Q. And how about subsidies? Is it your
5 advice to the Commission that they should either
6 continue or increase subsidies if they are going to
7 achieve the goal of subsection 7?

8 A. Subsidies have to be looked at to see if
9 they are actually justified or not. This goes into
10 the concept of surplus, of societal surplus or not.

11 Q. But you would advise the Commission that
12 if it does provide a surplus, it will affect the
13 pricing the volume of gas that will be used in the
14 Ohio market or in the utility's service area.

15 A. When I said "surplus," I don't mean
16 financial surplus necessarily. I mean a benefit to
17 everyone. You can -- there's different ways of
18 saying if there's a societal benefit or not. It's
19 possible that a subsidy can actually create a
20 societal benefit.

21 Q. So your advice on subsidies is that there
22 may be good reason for giving them, however, they
23 will affect the price and volume of natural gas.

24 A. If we relate that question to this
25 testimony --

1 Q. No, I just want you to answer the
2 question I asked. You don't have to relate it.

3 A. It truly depends on the magnitudes that
4 you're talking about and what size that subsidy is,
5 how far it's -- where it's being passed, where it's
6 being passed, and then what that subsidy, what value
7 is it bringing.

8 MR. PETRICOFF: Your Honor, I'd like to
9 move to strike that answer as not responsive and have
10 the question reread and answered.

11 EXAMINER PIRIK: I'll deny the motion to
12 strike it but could you please reread the question,
13 and perhaps give a more direct answer.

14 (Record read.)

15 Q. Yes or no?

16 A. I cannot say yes they will. If there's
17 an unobservable impact on price, I'd say it's .00001,
18 that's not being noticed. I don't see how that's
19 really affecting the price of gas.

20 Q. So if we just made that to a measurable
21 or observable impact, then you could accept that
22 statement?

23 A. If a subsidy -- here's a -- if we have a
24 subsidy, let's say it's a penny and we have 50 people
25 that are paying this, and so you're at 50 cents,

1 however, everyone is receiving a benefit that is
2 greater than what is being paid, that is a legitimate
3 subsidy. That is making everyone else -- everyone
4 better off.

5 Q. You're making this too complex. I'm
6 asking very simple questions. I'm asking you only as
7 an economist because you're here testifying as an
8 economist whether there will be an effect on the
9 price, not whether it's socially beneficial or worth
10 it or not. Just as an economist will there be an
11 effect on the volume and price if there is a subsidy?
12 Straight economic theory.

13 A. Not -- not when we bring it into this --
14 the relevant testimony in the SCO auction, it is not.

15 Q. I've just asked you a simple economic
16 principle, I'm looking for "yes" or "no," or "I can't
17 answer the question."

18 A. I can't answer the question.

19 Q. All right. Let's move on, then.

20 Do you have any expertise on market
21 power? Have you ever worked for the Justice
22 Department or the Federal Trade Commission?

23 A. No, I have not worked for either of
24 those.

25 Q. Have you ever done any of the tests such

1 as HHI or the other test used to measure whether
2 market power may exist?

3 A. No.

4 Q. And you've done no studies of market
5 power in the Columbia of Ohio market?

6 A. No, I have not.

7 Q. On the stand do you have left up there a
8 copy of what has been marked as the Dominion Retail
9 Exhibit No. 1?

10 A. From Dominion, no, I do not.

11 Q. That's not up there at the moment?

12 MR. PETRICOFF: Your Honor, may I
13 approach the witness?

14 EXAMINER PIRIK: Yes.

15 MR. PETRICOFF: Should I ask, do the rest
16 of counsel have their copy of Dominion Retail Exhibit
17 No. 1?

18 MR. RINEBOLT: This is the Apples to
19 Apples.

20 MR. PETRICOFF: It's the Apples to Apples
21 chart. I thought it would create great confusion if
22 I put the same chart in with another name. And it
23 would be great embarrassment if I didn't get it into
24 the record.

25 Your Honor, may I approach?

1 EXAMINER PIRIK: Yes.

2 Q. (By Mr. Petricoff) Ms. Harper, have you
3 ever seen that document before?

4 A. Yes, I have.

5 Q. In fact, that is the document that you
6 looked at to do your charts in I believe it's Exhibit
7 2 and 3 -- no, 3 and 4.

8 A. That is correct.

9 Q. And the last one on your chart is the
10 October --

11 A. Reporting month.

12 Q. -- reporting month, right. What I handed
13 you, this is the November month?

14 A. Yes.

15 Q. So this is not on your chart.

16 A. That is correct.

17 Q. Take a moment or two and, if you would,
18 and look at the prices and I'm just going to ask you
19 a question or two about the prices that are in this
20 chart.

21 A. Okay.

22 Q. Would you agree with me that the relative
23 price to compare for the published month of November
24 was 58.048 cents per ccf of gas for the SCO? That's
25 the price to compare?

1 A. That is correct.

2 Q. All right. And so if we turn down, now,
3 to the third page -- well, actually turn to the page
4 that says, I believe it's the third page, "Fixed Rate
5 Plans."

6 A. Yes.

7 Q. And would you agree with me that there
8 are -- that basically the Constellation Energy plan
9 for a year is less than the November SCO price?

10 A. I am sorry. I did not use the price to
11 compare in my analysis. I have used what -- Apples
12 to Apples here was the commodity portion, so we have
13 the SCO of .52260 and then we have the supplier base
14 rate of what was used for comparison.

15 Q. I'm not asking about your chart, though,
16 I'm just asking about, not your example. In the
17 chart here isn't the price to compare 5. -- we'll
18 just call it 58 cents, roughly rounded, 58 cents is
19 the price per ccf to compare?

20 A. Correct.

21 Q. Basically it looks like I can go to
22 Constellation and for 55 cents get gas for a year on
23 a comparable basis?

24 A. I do not know if on the supplier total
25 rate if the tax has been added to that amount or if

1 there's any other --

2 Q. Okay. Pretax.

3 A. But the SCO, the apples to -- the price
4 to compare has the tax included.

5 Q. Is there sales tax? Well --

6 A. It says that there's the excise tax.

7 Q. Okay. So you don't know if the supplier
8 base has the tax in it or not?

9 A. No, that's why I didn't use that in my
10 analysis. I used commodity to commodity.

11 Q. And where would I find the commodity on
12 this chart?

13 A. The supplier base rate and the standard
14 Choice offer, the SCO rate of .52260.

15 Q. Okay. Aren't we looking at the, for
16 Constellation, aren't we looking at the supplier base
17 rate?

18 A. That's .549?

19 Q. Right. And isn't that the price to
20 compare with the 58 cents, that 55 cents is what we
21 compare to the 58 cents?

22 A. The .549 you compare with .5226.

23 Q. So, I'm sorry, so basically you looked at
24 the next one over, the supplier total rate.

25 A. I looked at supplier base rate.

1 Q. I see. I apologize. I'm now on the same
2 page with you.

3 You're looking to compare the -- the
4 error was I used the 58, I should be looking at the
5 52.26 cents.

6 A. Yes.

7 Q. I apologize, you are correct --

8 A. Thank you.

9 Q. -- that is the relevant price.

10 And let's move, then, to the monthly
11 variable rate plans, and so it appears, then, that we
12 have Volunteer and I guess you call it Xoom, X-O-O-M,
13 that currently have lower prices --

14 A. Yes.

15 Q. -- than the SCO?

16 A. Let me double-check, Xoom is .5590 so
17 that's greater. Are we looking at fixed or are we
18 looking at monthly? I'm sorry.

19 Q. We're looking at monthly.

20 A. Okay.

21 Q. I'm sorry.

22 A. That's my fault.

23 Volunteer and Xoom are lower.

24 Q. Well, I think that -- no further
25 questions on that --

1 A. Okay.

2 Q. -- at that point.

3 Now, if the MVR goes into place as part
4 of the stipulation -- first of all, are you familiar
5 with the stipulation?

6 A. Yes.

7 Q. The amended stipulation.

8 And if the amended stipulation goes into
9 place, then the SCO price would be replaced with the
10 MVR price?

11 A. The MVR process, it's not going to be
12 replaced -- the SCO price doesn't just become an MVR
13 price, you're either an SCO customer that would
14 migrate to be on an MVR rate with an MVR-approved
15 supplier.

16 Q. Let me set the stage. Assuming that the
17 stipulation is approved by the Commission and for a
18 commercial customer that the threshold has been hit,
19 and that Columbia at that point goes through and
20 implements the stipulation, okay, in that case what
21 would be the price that an SCO customer, a former SCO
22 customer would pay?

23 A. I don't know what that price will be.

24 Q. But we know that it would be the MVR
25 posted price.

1 A. It would be the MVR posted price of the
2 supplier they are assigned to.

3 Q. And what price would -- do you know how
4 the MVR supplier, the components that would have to
5 go into the price that the MVR supplier would post
6 and offer?

7 MR. RINEBOLT: Your Honor, I need to
8 object here. The counsel is speaking about the MVR
9 as though it's one price, and it's multiple suppliers
10 who set different prices. It's not one price. So
11 I'd just ask that he confine his questioning to MVR
12 prices because that's what they are.

13 EXAMINER PIRIK: Mr. Petricoff, you can
14 clarify your question.

15 Q. Let's see if we can make this easier. If
16 I want to be -- if a supplier wants to be an MVR
17 supplier, what price -- how will they determine the
18 price that they offer customers? What will just be
19 the cost components that they must put in their MVR
20 price, if you know.

21 A. As I would also like to point out and
22 restate, that each MVR supplier, well, they could
23 actually all have different prices. There's no
24 consistency as to what the prices will be.

25 The components that the MVR suppliers are

1 to price their product off of are to be part 1, which
2 is NYMEX, part 2 is basis. Basis is not necessarily
3 defined in the amended program plan.

4 Q. Does it have to be the lowest -- do they
5 have to offer their lowest multiple variable rate to
6 the MVR customer that they do to their -- to all
7 their MVR customers?

8 A. Yes.

9 Q. Okay.

10 MR. PETRICOFF: Your Honor, may I have
11 one more minute? I think that that will conclude it,
12 our cross.

13 Q. One last item. If you would, could you
14 turn to Exhibit 7.

15 A. Yes.

16 Q. And will you agree with me that Exhibit 7
17 is basically the data response that Columbia gave to
18 the Consumers' Counsel in this proceeding?

19 A. Yes.

20 Q. Have you seen any other -- any workpapers
21 or formulas that went into deriving these numbers
22 that are in Exhibit 7?

23 A. No, I have not.

24 Q. And you've not had a chance to verify any
25 of these numbers?

1 A. No. I don't have access to that
2 information.

3 Q. And you don't know how Columbia
4 determined what these -- what the savings are in the
5 last two columns when they say "savings"?

6 A. Other than what they've provided in this
7 chart, that is all I know.

8 MR. PETRICOFF: I have no further
9 questions. Thank you very much.

10 EXAMINER PIRIK: OCC?

11 MR. SAUER: No questions, your Honor.

12 EXAMINER PIRIK: Mr. Reilly?

13 MR. REILLY: No questions, your Honor.

14 EXAMINER PIRIK: Mr. Rinebolt? Back to
15 redirect.

16 MR. RINEBOLT: Could I have a moment.

17 EXAMINER PIRIK: Yes.

18 MR. RINEBOLT: Thank you.

19 (Off the record.)

20 EXAMINER PIRIK: Go back on the record.
21 Mr. Rinebolt.

22 MR. RINEBOLT: Thank you, your Honor.

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REDIRECT EXAMINATION

1
2 By Mr. Rinebolt:

3 Q. Ms. Harper, just a couple of questions.
4 Are competitive retail natural gas suppliers
5 certified by the Commission?

6 A. Yes.

7 Q. And are there sections of Columbia's
8 tariffs that define what kind of marketers can
9 participate in their CHOICE program?

10 A. There's several pages in the tariff that
11 go into detail about the requirements of the CRNGS
12 providers.

13 Q. And are those tariffs approved by the
14 Commission?

15 A. Yes, they are approved by the Commission
16 and the tariff actually cites the Commission CRNGS
17 requirements.

18 MR. RINEBOLT: Thank you. I have no more
19 questions, your Honor.

20 EXAMINER PIRIK: Thank you.

21 Is there any recross?

22 MR. STEMM: No, your Honor, on behalf of
23 Columbia.

24 EXAMINER PIRIK: Anyone else?

25 MR. PETRICOFF: No.

1 MR. CLARK: No, your Honor.

2 EXAMINER PIRIK: Thank you very much.

3 THE WITNESS: Thank you.

4 EXAMINER PIRIK: You do have some
5 exhibits that were marked, I'll start with
6 Mr. Rinebolt with regard to his exhibits.

7 MR. RINEBOLT: Your Honor, I request that
8 the Commission accept OPAE Exhibits -- I move for
9 admission of OPAE Exhibits 2 and 2A.

10 EXAMINER PIRIK: Are there any
11 objections?

12 (No response.)

13 EXAMINER PIRIK: Hearing none, those
14 exhibits shall be admitted into the record.

15 MR. STEMM: Your Honor, just one
16 clarification, on the amended prefiled testimony at
17 page 26 the motion to strike would apply to Exhibit 2
18 as it did for Exhibit 1. Or 2 and 2A I guess it is.

19 MR. RINEBOLT: Certainly I move admission
20 based on the motion as altered by the motions to
21 strike, your Honor.

22 EXAMINER PIRIK: Well, let me ask this
23 question: Are you saying, Mr. Stemm, that we're
24 striking Exhibit 2? Is that your question?

25 MR. STEMM: No. I believe, and let me

1 just make sure I have the numbers right. OPAE
2 Exhibit 2A is the corrected prefiled testimony; is
3 that correct?

4 MR. RINEBOLT: That is correct.

5 EXAMINER PIRIK: But I want to note that
6 at least the copy that I have only has the pages that
7 have changed in it.

8 MR. STEMM: Right. But among those pages
9 that have changed, some of those are subject to the
10 motion to strike such as page 26, lines 1 through 5,
11 and the Exhibit SH-10. And SH-9.

12 EXAMINER PIRIK: Yes. I see what you're
13 saying. Yes, absolutely. They apply to both
14 exhibits.

15 MR. STEMM: Thank you.

16 EXAMINER PIRIK: Thank you.

17 MR. RINEBOLT: Yes, SH-9 and SH-10, but
18 it doesn't Exhibit SH-2.

19 MR. STEMM: That's correct. Also page
20 26, lines 1 through 5.

21 MR. RINEBOLT: Correct.

22 EXAMINER PIRIK: Yes. Yes. With that
23 clarification those exhibits are admitted into the
24 record.

25 (EXHIBITS ADMITTED INTO EVIDENCE.)

1 EXAMINER PIRIK: Before I turn to
2 Columbia, Mr. Petricoff, I believe you have some
3 charts.

4 MR. PETRICOFF: Yes, your Honor, we would
5 move to admit Exhibit, I guess it's 6? Exhibit 6.

6 EXAMINER PIRIK: Yes. Are there any
7 objections?

8 (No response.)

9 EXAMINER PIRIK: Hearing none, it will be
10 admitted into the record.

11 (EXHIBIT ADMITTED INTO EVIDENCE.)

12 EXAMINER PIRIK: Columbia, we have some
13 joint exhibits as well as some individual exhibits
14 that were presented, let's start with the individual
15 Exhibits 9, 10, and 11.

16 MR. STEMM: Columbia does not wish to
17 move their admission.

18 EXAMINER PIRIK: Those exhibits will not
19 be admitted then.

20 With regard to the joint exhibits.

21 MS. LESLIE: Columbia moves to admit
22 Joint Exhibit 1 and 2.

23 EXAMINER PIRIK: Are there any
24 objections?

25 MR. SERIO: No objection. Can I just get

1 clarification? Joint Exhibit 1 is just the amended
2 stipulation.

3 MS. LESLIE: That's correct.

4 MR. SERIO: And Joint Exhibit 2 is the
5 amended joint motion to modify.

6 MS. LESLIE: That's correct.

7 MR. SERIO: That was filed on
8 November 27.

9 MS. LESLIE: Correct.

10 MR. SERIO: Thank you.

11 MR. RINEBOLT: Your Honor, if I may, I
12 believe we had a discussion yesterday about moving
13 the original motion and the original joint
14 stipulation because it was referred to in the
15 comments which we've also moved for admission.

16 EXAMINER PIRIK: Right. That's what I
17 was just thinking too, I was thinking we need to mark
18 the originals as well as the amendeds just to make
19 the record clear what testimony the comments refer
20 to.

21 MS. LESLIE: Okay, if we could mark as
22 Joint Exhibit 3 the original joint stipulation that
23 was filed on October 4th of 2012. And if we could
24 mark as Joint Exhibit 4 the joint motion to modify
25 that was also filed on October 4th.

1 EXAMINER PIRIK: Those documents are so
2 marked.

3 (EXHIBITS MARKED FOR IDENTIFICATION.)

4 MS. LESLIE: We would also like to move
5 those into admission.

6 EXAMINER PIRIK: Are there any objections
7 to the admission of Joint Exhibits 1 through 4?

8 (No response.)

9 EXAMINER PIRIK: Hearing none, all four
10 exhibits will be admitted into the record.

11 (EXHIBITS ADMITTED INTO EVIDENCE.)

12 EXAMINER PIRIK: I believe that covers
13 all the exhibits and everything we need to address
14 with regard to that housekeeping. Are there any
15 other procedural matters that we need to address? I
16 believe that concludes all of the evidentiary
17 witnesses.

18 MR. STINSON: What about briefing?

19 EXAMINER PIRIK: Yes, I was going to
20 mention that. I just was short of that, I wanted to
21 make sure we got all the exhibits and everything we
22 needed to have.

23 The entry that I put out gave three
24 calendar days for the filing of briefs. Realizing
25 that we're late on Thursday, that includes the

1 weekend, I think I would like to give a present to
2 the parties and allow you to file them by, you're not
3 going to like this, but noon on Tuesday, I need to
4 have them by noon on Tuesday.

5 So that concludes the hearing and the
6 record will be submitted to the Commission for their
7 consideration. Briefs are due at noon on Tuesday,
8 December 11th. Please remember to e-mail them to
9 all the parties and myself.

10 Thank you.

11 (Hearing adjourned at 3:33 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Thursday, December 6, 2012, and carefully compared with my original stenographic notes.

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

My commission expires June 19, 2016.

(MDJ-4093)

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