

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Regulation of the	:	
Purchased Gas Adjustment Clauses	:	Case Nos. 12-209-GA-GCR
Contained Within the Rate Schedules of	:	12-212-GA-GCR
Northeast Ohio natural Gas Corporation	:	
and Orwell Natural Gas Company.	:	

In the Matter of the Regulation of the	:	
Uncollectible Expense Riders of	:	Case Nos. 12-309-GA-UEX
Northeast Ohio Natural Gas Corporation	:	12-312-GA-UEX
and Orwell Natural Gas Company.	:	

PREFILED TESTIMONY
OF
PATRICK DONLON
UTILITIES DEPARTMENT
PUBLIC UTILITIES COMMISSION OF OHIO

Staff Exhibit_____

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

2 A. My name is Patrick Donlon and my business address is 180 East Broad
3 Street, Columbus, Ohio 43215.
4

5 2. Q. By whom and in what capacity are you employed?

6 A. I am employed by The Public Utilities Commission of Ohio as Rates
7 Division Administrator in the Utilities Department.
8

9 3. Q. How long have you been in your present position?

10 A. I assumed my present position in August, 2012.
11

12 4. Q. What are your responsibilities in your current position?

13 A. In my current position, I am responsible for managing several Staff
14 members and actively participating in investigations of assigned phases of
15 rate case applications and other financial audits of public utility companies
16 subject to the jurisdiction of the PUCO.
17

18 5. Q. Will you describe briefly your educational and business background?

19 A. I received a Bachelor of Science degree in Accounting with a minor in
20 Economics Management from Ohio Wesleyan University in 2000. In 2010,
21 I earned a Master of Business Administration degree from Franklin
22 University.

From January, 2001 to July, 2001 I worked as Director of Accounts Payable for Joshua Homes. In July, 2001, I joined American Electric Power (AEP) as an Accountant in the Generation Accounting Department. In this role I was responsible for general ledger accounting, which included preparation of the income statement and balance sheets of the generation portion of AEP subsidiaries, accounting for all the sales, purchases and usage of EPA Emission allowances, as well as the accounting and billing of POLR subsidiaries in the ERCOT market. I was also extensively involved in the creation and implementation of a new computer system to track emissions. I was involved with the creation of invoices used for divesting AEP's generation units within the ERCOT market. I spent nine months as an Hourly Energy Trader for AEP focusing in the Southwestern Power Pool (SPP) market. I was responsible for optimizing energy cost for AEP within the SPP market and ensuring that AEP was able to fulfill its load requirements hourly.

From July, 2006 through January, 2008, I worked for Time Warner Cable (TWC) as a Financial Analyst.

In 2008, I rejoined AEP as a Fuel, Emissions and Logistics (FEL) Coordinator. In this role, I was responsible for Coal Forecasting, analysis of fuel inventories, emission tracking, quality and generation performance as well as other ad hoc analysis. I was also the FEL coordinator for all IT projects evolving the coal forecasting system. In 2010, I accepted a

position within the Commercial Operations division of AEP. In this new role, my main responsibility was developing dispatch cost for AEP's generation fleet, calculating daily estimated off-system sales revenue, tracking market conditions and assisting in optimization of the generation fleet. I also served as AEP's representative on PJM's Cost Development Subcommittee.

6. Q. Have you provided testimony before the Public Utility Commission of Ohio?

A. Yes, I provided testimony in the following cases: Dayton Power and Light, Case No. 12-426-EL-SSO, and Duke, Case Nos. 12-1682-EL-AIR and 12-1685-GA-AIR.

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

A. The purpose of my testimony in this proceeding is to support Staff's audit report specifically the section concerning the Request for Proposal (RFP) process.

8. Q. What is Staff's recommendation concerning the RFP process per the Staff Report?

A. Staff recommends that the Commission find that the RFP process did not lead to competitive bids as required by the Stipulation and as ordered by the

Commission in Case No. 10-209-GA-GCR, *et al.* Therefore, Staff recommends that the Commission reject the results of the RFP process and order the Companies to start a new RFP process that includes input of Staff, OCC and the Companies' technical and operational staff. Staff recommends that the bidder that was selected by the Companies be rejected.

Staff also recommends that the Commission reject any RFP and bid selection that the companies may initiate prior to the incorporation of Staff and OCC input, starting as soon as March 2013.

9. Q. What is the purpose of a RFP?

A. The purpose of an RFP is to make a solicitation to potential suppliers, through a bidding process, to submit proposals to provide a commodity, service or valuable asset. It brings structure to the procurement process and is meant to allow the risks and benefits to be identified up front in a competitive market.

10. Q. What qualities create an effective RFP?

A. An effective RFP should have the following basic standards:

- The RFP must be clear and concise. This is essential to ensure that vendors understand what they are bidding on, and the bids accurately

reflect the needs of the solicitor. Good RFPs have an executive summary to quickly and accurately summarize the solicitation.

- The RFP should provide background information on the company.
- For an RFP that is soliciting services for procurement needs to include historical data and any changes that may alter the historical procurement trends. If applicable, the RFP should provide at least three years of historical data.
- The RFP should have a timeline and instructions for submitting the bids. The timeline needs to provide vendors with adequate time to review and respond to the solicitation.
- The RFP should explain the selection process.

11. Q. Did the Companies' RFP sent on October 1, 2012 have a majority of the qualities of an effective RFP?

A. No.

12. Q. Was the Companies' RFP clear and concise?

A. No. The Companies' RFP was neither clear nor concise. The RFP did not clearly define the full extent of the desired services. One example of this is that the RFP's introduction states that the Companies are "seeking bids from qualified agents to arrange for supply of all or part of the full natural gas requirements of the LDCs for the bid period". However, it later states

110 “ServiceCo requests bids for agency services to arrange for ServiceCo’s
111 purchase of full requirements gas supply and for providing balancing
112 services (as described in Schedule 1 to Attachment A) to each LDC’s city-
113 gate(s).” These statements seem to contradict each other as one states that a
114 vendor could bid for part of the gas requirement while later the document
115 states it is required to bid on the full amount. The RFP does not include an
116 executive summary for the vendors. An executive summary allows for a
117 quick review of the solicitation to determine if the vendors would like to do
118 an in depth analysis of the RFP.

119
120 13. Q. Did the RFP provide background information on the Companies?

121 A. No, the RFP did not provide any background information regarding the
122 Companies, how they operate or how they have operated in the past.

123
124 14. Q. Why is the company background important in the RFP process?

125 A. The company background provides vendors with a basic understanding of
126 the companies. Information about the size and structure, as well as how the
127 Companies operate helps the vendors provide a more accurate bid.

128
129 15. Q. Did the Companies’ RFP provide adequate historical data?

130 A. No. While the Companies did provide in the initial RFP, the “Combined
131 Purchases for LDC’s last 12 months”, this is not an adequate amount of

132 historical data for a marketer to make an accurate bid. Gas usage is heavily
133 dependent on weather patterns for residential usage. The Companies have
134 been in operation for decades, so providing at least three years of historical
135 usage should not have been a problem. It would have allowed vendors to
136 examine this data in order to assess the Companies gas purchasing needs
137 more accurately.

138
139 16. Q. Did the Companies' RFP provide a reasonable timeline to submit an
140 adequate bid?

141 A. No. The RFP was sent on October 1, 2012 at 10:07 a.m. in the form of an
142 email to fifteen marketers. The schedule required the marketers, if
143 interested, to complete and submit by October 3, 2012, the six page
144 attachment to be considered a qualified bidder. The attachment was needed
145 for a vendor to be considered a "qualified bidder" and have access to the
146 data room where additional data was available and questions could be
147 asked. A three day response time is not a reasonable amount of time for
148 vendors to sign and return a legal document stating their interest in
149 participating in the RFP process.

150
151 17. Q. Was there an additional timeline that provided issues for potential vendors?

152 A. Yes. The original RFP stated that the submitted bids would be opened on
153 October 25, 2012 and then reviewed by the LDC to select the successful

bidder. The successful bidder would then be required to deliver gas by November 1, 2012. This would provide at most four business days for the successful bidder to perform all the necessary steps to deliver gas. This would include procuring the gas, working with the Companies to take control of the contracts already in place and various other administrative tasks. Four business days to procure all of the gas needs of the Companies, created a large deterrent for vendors to jump bother getting pre-qualified.

18. Q. Was the initial submission date and gas delivery date changed to accommodate vendors?

A. Yes. Gas Natural Service Company extended the date for submitted bids to November 9, 2012 and the gas delivery date to December 1, 2012.

19. Q. Was this extension granted after the three day prequalification timeframe had passed?

A. Yes.

20. Q. Why is the three day response to be considered pre-qualified not a reasonable timeline?

A. Most vendors will need time to evaluate the potential profit margin of the services requested in the RFP prior to determining if they are interested in submitting a bid. Few companies would have the ability to provide even a

176 cursory evaluation of the potential profit margin in three days.
177 Additionally, to provide a signed legal document back to the Companies,
178 the vendor would need to not only determine if they were interested in
179 determining the services but would also need to have their legal advisors
180 review the document prior to the document being signed and submitted.
181

182 21. Q. How did the timeframe between winning the bid and delivery date add to
183 the unreasonable timeline?

184 A. Due to at best a four business day turnaround to deliver the gas, and the
185 three day pre-qualification cursory evaluations show that the RFP is
186 unachievable and there is no need to even bother with the pre-qualification.
187

188 22. Q. Is Company witness Whelan's explanation of the timeline for bidders to
189 submit their bids misleading?

190 A. Yes. Company witness Whelan ignores the pre-qualification timeline of
191 three days. This arbitrary and unnecessarily short timeframe instantly
192 reduced the vendor pool by two-thirds of the initial vendors.
193

194 23. Q. Did the RFP provide an explanation of the selection process?

195 A. Yes.
196

197 24. Q. Was the selection process clear?

198 A. No. The RFP was not clear; the document had many ambiguous statements
199 and was not intuitive to the readers of what the solicitor was requesting.

200

201 25 Q. Based on the criteria of an effective RFP process, was the RFP the
202 Companies issued an effective RFP?

203 A. No.

204

205 26. Q. Of the fifteen marketers issued the RFP, how many marketers responded
206 with a proposal?

207 A. One.

208

209 27. Q. Who was the lone bidder?

210 A. John D. Oil & Gas Marketing (JDOG), a related company that during the
211 audit period was owned by Richard Osborne, CEO and President of Gas
212 Natural, Inc., the parent of the Companies. After the audit period, JDOG
213 was purchased by Gas Natural, Inc. JDOG was the marketing firm
214 purchasing gas for the Companies prior to the RFP process. Per the RFP
215 Attachment A, Schedule 1, Local Production, “the successful bidder must
216 account for such supplies John D will continue to manage under 64 base
217 contracts covering 218 receipt points in 7 separate market areas.” This
218 clause in the RFP process creates a distinct advantage to JDOG in this
219 process.

220

221 28. Q. Has Staff had concerns with the dealings between the Companies and
222 JDOG in the past?

223 A. Yes. In Case No. 10-209-GA-GCR, Staff raised multiple concerns
224 regarding JDOG and what appeared to be unusual dealings, including but
225 not limited to a 15 year gas sales agreement, unsigned contracts and JDOG
226 using Orwell's name and creditworthiness.

227

228 29. Q. Were these concerns addressed in the stipulation filed on August 18, 2011
229 and signed in the Opinion and Order on October 26, 2011?

230 A. Yes. The stipulation stated that the Companies will not permit the available
231 lines of credit to be employed to acquire natural gas for nonutility related
232 companies and that an RFP process would be implemented with the
233 coordinated effort among the Companies, Staff and OCC.

234

235 30. Q. Was Staff and OCC given an opportunity to provide comments on the
236 Companies' RFP?

237 A. Yes, however, Staff's comments were not implemented into the final RFP.

238

239 31. Q. Did the draft proposal of the RFP provided to Staff have the three day
240 turnaround for the qualified bidders included?

241 A. No. The draft provided to Staff in April 2012, contained the section on
242 qualified bidders, however, the date was listed as “[Date A]”. Staff did not
243 know the Companies were going to impose such a short timeframe for
244 submitting the qualified bidder legal document.

245

246 32. Q. Were there changes Staff recommended to the draft RFP that were not
247 implemented in the final version?

248 A. Yes. Roger Sarver representing Staff provided Andrew Sonderman, the
249 attorney representing the Companies at the time, concerns about
250 Attachment A, Schedule 1, Local Production. Through email
251 correspondence (Attachment 1), Mr. Sarver voices Staff’s concerns that the
252 inclusion of the section limits bidders strategic approach and limits them
253 with contracts held by JDOG.

254

255 33. Q. Was Attachment A, Schedule 1: Local Production altered to not limit
256 bidders’ strategic approach by contracts that were held by JDOG?

257 A. No.

258

259 34. Q. Does Staff believe the issues stated above created an atmosphere where
260 JDOG would be the only bidder?

261 A. Yes. By creating initial hurdles (such as the 3 day turnaround time for the
262 pre-qualification information and truncated timeframe between winning the

bid and actual delivery), the Companies reduced the interest level of many of the marketers. Additionally, by limiting the procurement strategies to include local production contracts by JDOG, the Companies created an advantageous market for their own related party. This is evident with JDOG being the only vendor to submit a bid.

35. Q. Does Staff believe this is an example of the Companies management putting related/affiliated parties ahead of the needs of their customers?

A. Yes. Staff warned the Companies in June, 2012, that the Companies' RFP was heavily favored to their own related/related party and would result in limited interest from vendors. The Companies ignored Staff's recommendation and the RFP resulted in JDOG, their related marketer, being the only vendor to submit a bid.

36. Q. Does this conclude your testimony?

A. Yes.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Patrick Donlon, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the following parties of record, this 1st day of July, 2013.

/s/Devin D. Parram

Devin D. Parram

Assistant Attorney General

Parties of Record:

Joseph P. Serio
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215
serio@occ.state.oh.us

Mark Yurick
Zachary D. Kravitz
Taft, Stettinius & Hollister
65 East State Street, Suite 1000
Columbus, OH 43215
myurick@taftlaw.com
zkravitz@taftlaw.com

PD -1

April 2012
Version

INTRODUCTION

from
Gas Natural Service Company, LLC, is issuing this request for bid supply proposals (RFP) as a purchaser on behalf of Northeast Ohio Natural Gas Corp., LLC ("NEO"); Orwell Gas Company, LLC ("Orwell") and Brainard Gas Corporation ("Brainard"). Orwell; NEO and Brainard are local natural gas distribution companies ("LDCs"), located in Northeastern, Eastern and Central Ohio. Gas Natural Service Company, LLC ("ServiceCo") is seeking bids from qualified agents to arrange for supply of all or part of the full natural gas requirements of the LDCs for the bid period extending from July 1, 2012 to March 31, 2012. It is ServiceCo's intention that subsequent bid periods will run from April 1 through the following March 31. The RFP is being conducted by ServiceCo in conjunction with Brainard, NEO and Orwell and in consultation with the Staff of the Public Utilities Commission of Ohio ("Staff"), and the Ohio Office of Consumers' Counsel ("OCC").

QUALIFIED BIDDERS

A Bidder must execute and submit Attachment A on or before [Date A] in order to be accepted as a "Qualified" bidder. Only "Qualified Bidders" will be permitted to submit valid Bids in response to the RFP. Further, only Qualified Bidders will be given access to historic load information for each LDC and allowed to review the LDC's current portfolio of interstate and intrastate pipeline transportation and storage agreements. Suppliers that are affiliated with, or related parties of, the LDCs will be allowed to bid subject to the same qualification requirements as non-affiliated and unrelated qualified bidders. Therefore, ServiceCo has established procedures to protect all Bidders' confidential information and to ensure that ServiceCo, in consultation with the LDCs, selects the "best bid(s)," based on price and security of service, without knowledge of a Bidder's identity.

REQUEST FOR NATURAL GAS SUPPLY & BALANCING SERVICE

July 1, 2012 – March 31, 2013 Gas Supply: The LDCs have, in aggregate, ____/month of gas load for the summer period (April through October measured over the last two years). The LDCs had actual average daily deliveries for retail sales customers in aggregate of ____/day of gas load for the 2011 - 2012 winter period from November 1 through March 31. The LDCs are interconnected with intrastate pipelines that have connections to other intrastate and interstate pipelines.

Load to be met on any day

<u>Delivery Point</u>	<u>Buyer</u>		<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>
TCO Gate (Area 7-4) to COBRA								
NTD	ONG		18,750	35,000	43,000	28,500	31,750	15,000
TCO Gate (Area 7-4) to COBRA								
NTD	BGC		4,650	5,050	4,660	4,395	4,170	2,000
TCO Pool	NEO		19,500	37,000	66,000	77,000	60,000	42,000
	Total TCO Gate		42,900	77,050	113,660	109,895	95,920	59,000
Cobra NTD	NEO		4,000	5,400	4,400	3,300	3,100	1,300
Cobra Holmesville	NEO		35,000	58,000	60,000	50,000	35,000	12,800
Cobra Churchtown	NEO		10,000	28,000	30,000	27,000	16,800	7,000
	Total Cobra		49,000	91,400	94,400	80,300	54,900	21,100
DEO to Contract # 12098	ONG (Sidley)		1,250	1,700	2,400	2,850	2,975	2,000
DEO to Contract # 12046	ONG		8,875	20,500	25,000	22,850	17,500	11,275
DEO to Contract # 11944	NEO		65,000	117,600	134,500	126,000	91,300	67,200
	Total DEO		75,125	139,800	161,900	151,700	111,775	80,475
North Coast Gas Transmission	ONG		34,125	82,000	83,990	65,000	78,973	40,000
	Total		34,125	82,000	83,990	65,000	78,973	40,000

	NCGT							
Local Production (MCF)								
	BGC		173	90	52	10	41	29
	ONG		3720	2822	3102	2955	1578	2818
	NEO		36187	53125	47592	27732	26274	17471

KEY: BGC: Brainard; ONG: Orwell; NEO: Northeast Ohio; Cobra NTD: Cobra North Trumbull;

ServiceCo notes that because of the LDCs responsibility to acquire supplies at the lowest cost consistent with reliable delivery it has contracted for certain supplies for 2012 in the interstate and local markets on behalf of the LDCs that will remain in place. Information regarding these arrangements will be provided to Qualified Bidders prior to submission of their bids. o/c

ServiceCo requests bids for agency services to arrange for ServiceCo's purchase of full requirements gas supply and for providing balancing services (as described in Schedule 1 to Attachment A) to each LDC's city-gate(s). LDCs have existing interstate and intrastate transportation contracts that they will assign to the successful bidder(s), as qualified Asset Management Contracts. Qualified Bidders will be allowed to review all of the LDCs' current interstate and intrastate gas transportation contracts, as well as historic (5 years) monthly load data, *supra*.

SELECTION OF THE BEST BID

ServiceCo and the LDCs will select the "best bid(s)" based on the level of the agency fee and the lowest identified gas price for the month plus security of supply. Ohio-produced gas is to be arranged for purchase when the purchase price for such gas inclusive of transportation cost is equal to or less than the purchase price available for purchases of interstate gas supplies inclusive of transportation cost.

The LDCs serve high priority residential customers, with variable load. Therefore, supply security will be considered along with price. ServiceCo is requesting full requirements service for the LDCs. Bidders that are selected through the RFP are expected to provide balancing service(s), including management of the LDCs' duty to nominate and schedule as required at specific delivery points.

ServiceCo prefers to contract on behalf of the LDCs under the North American Energy Standards Board ("NAESB") contract, version 2006.

CREDIT

Successful Bidder(s) will contract with ServiceCo, on behalf of the LDCs. ServiceCo will provide a parental guarantee and credit support from Gas Natural, Inc.

Only Qualified Bidders will be allowed to submit bids for consideration in the RFP process. Interested Gas Suppliers must execute Attachment A, "Bidder Pre-Qualification Agreement". An executed Attachment A must be submitted, electronically or in writing, on or before [Date A] to:

James E. Sprague, CPA
Walthall, Drake & Wallace LPA
6300 Rockside Road, Suite 100
Cleveland, Ohio 44131
(216) 573-2300 (voice)
(216) 573-0771
j.sprague@walthall.com

Mr. Sprague will review each Attachment A. Bidders that have provided all required information will be assigned a "Qualifying Bidder Number" no later than [Date A plus 10 days]. Bidders must use this number when submitting their responses to this RFP. Bidders must not include identifying information in their bids. If identifying information is included, the bid will be rejected.

BIDS AND BID EVALUATION

All Bids will be opened on [Date A plus 22 days] concurrently by ServiceCo and the following persons, in the presence of Mr. James E. Sprague, CPA..

Mr. Darryl L. Knight, on behalf of Orwell and Brainard; and
Mr. Martin K. Whelan, on behalf of NEO

Bids will be simultaneously made available to Staff and OCC Representatives.

Qualified bidders will be informed of the status of their bid (accepted or declined) no later than [Date A plus 23 days]. Winning bidder(s) will be expected to enter into a contract with ServiceCo, on substantially the same terms as their Bid and the RFP criteria, on or before [Date A plus 30 days].

Draft ServiceCo transmittal to past and potential bidders

Date

Person

Title

Company

Address 1

Address 2

Re: Invitation to Bid and Request for Gas Supply Proposals

Dear Name:

Gas Natural Service Company, LLC ("ServiceCo") and its affiliated Local Distribution Companies operating in Ohio, Orwell Gas Company ("Orwell"); Northeast Ohio Natural Gas Corporation ("NEO"); and/or Brainard Gas Corporation ("Brainard"), invites your company to respond to our Request for Gas Supply Proposals ("RFP"). Orwell, NEO and Brainard may also be referred to jointly as "LDCs".

Description of the RFP Process

In consultation with the Staff of the Public Utility Commission of Ohio ("PUCO") and the Ohio Office of Consumers' Counsel ("OCC"), we developed the attached RFP to retain the services of an agent/asset manager who will prospectively arrange for ServiceCo to acquire gas supply in the interstate and Ohio markets for the LDCs and provide balancing and other services listed in the attached RFP and discussed in the "Bidder Pre-Qualification Agreement" (Attachment A to this RFP) from June 1, 2012 to October 31, 2012 (Summer Service). ServiceCo will issue a second such RFP in September 2012 for the arrangement of gas supply and provision of balancing services as described in the RFP from November 1, 2012 to April, 30, 2013 ("Winter Service"). Depending on market conditions, thereafter ServiceCo will issue successive RFPs for Summer and Winter Service, or for Annual Service.

Interested bidders that timely submit the information required in Attachment A to the RFP will be issued a confidential bidder's number and given access to the LDC's historical load data, as well as sales and transportation contracts. All pre-qualified bidders have the right (but of course not the obligation) to submit a bid, using their confidential number. All bids and bidding information are confidential. Pre-qualified bidders must not include any identifying information, other than their confidential number, in order to have their bid(s) considered in the RFP.

SCHEDULE

Interested Parties must execute and submit Attachment A	Date A
Qualifying Bidders receive their confidential Bidder ID	Date A plus 10 days
DEADLINE FOR SUBMITTING A BID FOR SUMMER SERVICE	Date A plus 20 days

Marty and
Darryl Knight

All timely bids from pre-qualified bidders will be opened concurrently on [Date A plus 22 days] in the presence of James E. Sprague, CPA by Mr. Martin K. Whelan and Mr. Darryl L. Knight, two representatives of the LDCs. Representatives of the Staff of the PUCO and the OCC may be present. On that same day the LDCs will select the winning bid(s) by balancing supply diversity and security of supply with lowest total price (for arranging supply and transportation which ServiceCo will purchase on behalf of the LDCs; and for providing the balancing and nomination services by delivery point described in the Bidder Pre-Qualification Agreement). Successful Bidder(s) will be notified on [Date A plus 23 days] and will be expected to enter into a contract (ServiceCo prefers to use NAESB, version 2006) that substantially conforms to the terms of its bid and the parameters of the RFP on or before [date A plus 30 days].

If you have questions about the RFP, please contact Mr. James E. Sprague (his contact information appears on Attachment A). He will pass the questions on to ServiceCo without disclosing the requester's identity and the LDCs and provide you with an answer as quickly as possible. In order to be fair to all interested bidders, we will post all questions and answers (again, without identifying the requester) to the RFP portal on GNI's website.

On behalf of ServiceCo; Orwell; NEO; and Brainard, thank you for your time and attention. We hope you become a qualified bidder and we look forward to doing business with you.

Best regards,

Darryl Knight
Representative
Gas Natural Service Company

Same
Day
Selection
How if
that
going
be
done?

ATTACHMENT A BIDDER PRE-QUALIFICATION AGREEMENT

THIS BIDDER PRE-QUALIFICATION AGREEMENT ("Agreement") is made and entered into this ____ day of May ____, 2012 by ____ ("Bidder"). The execution and timely submission of this Agreement is a prerequisite for submitting a Bid(s) in response to a Request for Proposals ("RFPs") for Summer Service. Gas Natural Service Company, LLC ("ServiceCo") issued the RFP for the arrangement of full requirements gas supply, balancing service and nominations by specific delivery point which ServiceCo will contract for on behalf of Northeast Ohio Natural Gas Company, LLC ("NEO"); Orwell Gas Company, LLC ("Orwell"); and Brainard Gas Corporation ("Brainard") (jointly the "LDCs"). The LDCs will distribute the gas supply (acquired through the RFP) to their retail sales customers.

BIDDER MUST EXECUTE AND SUBMIT THIS AGREEMENT, ON OR BEFORE [Date A] TO QUALIFY AS A BIDDER IN THE RFP PROCESS CONDUCTED BY SERVICECO. AN EXECUTED AGREEMENT MUST BE TIMELY SUBMITTED TO:

James E. Sprague CPA
Walthall Drake & Wallace
Certified Public Accountants
6300 Rockside Road, Suite 100
Cleveland, Ohio 44131
(216) 573-2300 (voice)
(216) 573-0771
j.sprague@walthall.com

RECITALS

WHEREAS, Bidder desires to participate in ServiceCo's Summer Service RFP to provide gas supply and balancing services to the LDCs from June 1, 2012 through October 31, 2012; and

WHEREAS, ServiceCo, as LDCs' agent, desires to permit Bidder to participate in the RFP process, on a fair and equal basis.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Bidder by signing this Agreement agrees as follows:

1. Definitions: Each of the following terms when used in this Agreement with initial letters capitalized has the meaning ascribed to it below:

(a) "Balancing and other Services" shall include balancing services, nomination services by delivery point and review and approval of invoices submitted by suppliers to ServiceCo for payment as more fully described in Schedule 1, attached hereto.

(b) "Bidder Representative" means any employee, agents, consultants, advisors or representatives of Bidder or any of Bidder's affiliates.

who does this - bidder

- (c) "Definitive Agreement" means a legally binding agreement setting forth all material terms and conditions and other provisions relating to a Transaction, signed by authorized representatives of each successful bidder and of ServiceCo, but does not include any prior oral or written agreements or promises.
- (d) "OCC" means The Office of the Ohio Consumers' Counsel, or any successor agency.
- (e) "ServiceCo Representative" means any employee, agent, affiliate, consultant, advisor or representative of ServiceCo or Gas Natural Inc.
- (f) "PUCO" means the Public Utilities Commission of Ohio, or any successor agency.
- (f) "Staff Representative" means any employee of PUCO.
- (g) "OCC Representative" means any employee of the Ohio Office of the Consumers' Counsel ("OCC").
- (h) "Transaction" means a possible transaction or series of transactions involving purchase by ServiceCo as buyer on behalf of the LDCs, jointly or severally, arranged by Bidder (or an affiliate of Bidder) for delivered gas supply and the provision of balancing and other services as defined herein, arising or resulting from the RFP for Summer Service.

2. Representations and Warranties: Bidder Representative represents, warrants and covenants to ServiceCo as follows:

- (a) The execution and delivery of a Bid in response to the Summer Service RFP shall have been duly authorized by all necessary action on the part of Bidder by the time of receipt of ServiceCo. If Bidder Representative intends to execute this Agreement, or submit a Bid, using an electronic signature, Bidder Representative hereby agrees and acknowledge that its use of electronic transmission and electronic signature in connection with the submission of this Agreement and a subsequent Bid is fully voluntary and that Bidder intends to be fully and legally bound thereby as though such Agreement and Bid were executed and submitted in writing. By submitting a Bid, Bidder's Representative offers to enter into a Definitive Agreement providing for the Transaction contemplated by the Bid on substantially the same terms and conditions set forth in the RFP and the accepted Bid. Bids submitted in response to this RFP shall be the good faith best Bid of the Bidder's Representative. Bidder's Representative shall, with respect to a Bid accepted in the RFP enter into good faith negotiations with ServiceCo to finalize, and use reasonable efforts to finalize on or before [Date A plus 30 days], a Definitive Agreement providing for the Transaction contemplated in the accepted Bid, and on substantially the same terms and conditions set forth in the RFP and the accepted Bid.

→ Copy of this document

- (b) Neither Bidder nor Bidder's Representative shall disclose to any other potential Bidder in the RFP process the fact that Bidder's representative is participating in the RFP process, or the price or any other terms or conditions of the Bid that Bidder's Representative proposes to or does in fact submit in connection with the RFP. The laws of the state of Ohio shall govern the interpretation and performance of this bidder pre-qualification agreement and RFP process including any conflict of laws rule which would apply the law of another

Anti-Trust

what's the intent of this paragraph
confidentially

jurisdiction, and the parties thereto shall agree that the courts of the state of Ohio shall have exclusive jurisdiction to determine any dispute arising hereunder. . However, ServiceCo will make reasonable efforts to obtain confidential treatment of such information, unless Bidder's Representative agrees to the disclosure of Bidder's confidential information.

- (c) To the knowledge of each Bidder's Representative who has actually participated in the preparation of a Bid submitted on behalf of Bidder, there is no uncured violation by Bidder of applicable state or federal antitrust laws or other applicable laws or regulations that pertain to competitive bidding practices; the sale or arrangement for sale of natural gas in interstate or intrastate commerce or the arrangement of transportation of natural gas in interstate or intrastate commerce.
- (d) Neither Bidder nor Bidder's Representative has entered into, and will not enter into any understanding, agreement, plan or scheme pertaining to the RFP, whether express or implied, formal or informal, oral or written, with ServiceCo, Brainard, NEO , Orwell, or any related party to these entities, any competitor or potential competitor of Bidder, with respect to prices, terms or conditions of sale, output, production, distribution, territories, or customers, which understanding, or agreement, plan or scheme pertaining to the RFP would be in violation of law.
3. Acknowledgements: Bidder's Representative understands, acknowledges and agrees that: (i) except as may be expressly provided in a Definitive Agreement, any and all information furnished by or on behalf of ServiceCo in connection with the RFP process, including without limitation, information contained in the RFP, is being or will be provided by or on behalf of ServiceCo without any representation or warranty, express or implied, as to the information so provide, including, without limitation, accuracy or completeness; (ii) except as otherwise provided in a Definitive Agreement, ServiceCo shall incur no liability to Bidder or Bidder's Representative relating to or arising from the use of or reliance upon any such information or any errors or omissions therein; and (c) the information and processes described by ServiceCo in the RFP Process are merely statements of ServiceCo's current intention, and those statement create no obligation or actionable promise on the part of ServiceCo.
4. Bidder's Representative understands, acknowledges and agrees that the utilities reserve the right in their sole discretion to accept or reject all bids for any reason, and to issue a new Invitation to Bid. No enforceable contract or agreement providing for a Transaction shall be deemed to exist unless and until a Definitive Agreement for a Transaction has been executed and delivered. Bidder also agrees that unless and until a Definitive Agreement between Bidder or Bidder's Representative and ServiceCo, acting as agent for one or more of the LDCs, with respect to a Transaction has been executed and delivered, and then only in accordance with the terms thereof and applicable law, neither ServiceCo nor GNI, has or shall have any legal obligation to Bidder's Representative of any kind whatsoever with respect to such Transaction, whether by virtue of this Agreement, the RFP or any other written, electronic, oral expression with respect to the RFP or such Transaction.
5. Bidder and Bidder's Representative understand, acknowledge and agree that, subject to applicable legal and regulatory requirements, and subject to the RFP:

who for NEO,
Orwell and
Brainard
would
do this

(a) ServiceCo shall be free to conduct the process for any Transaction, including, without limitation, the RFP Process, as ServiceCo in its sole discretion chooses (including, without limitation, negotiating with other prospective providers of agency and Schedule A services and the execution and delivery by ServiceCo of a Definitive Agreement with any such person without prior notice to Bidder or any other person); and

what does other prospect providers mean?

(b) The RFP and any procedures relating to the RFP process may be changed at any time without notice to Bidder or any other person except that the Staff Representative and OCC Representative shall receive such prior notice.

When will this occur?

6. ServiceCo shall make purchases of interstate and Ohio-produced gas as arranged by the successful Bidder(s) on behalf of the LDCs.

ServiceCo shall make purchases

7. Bidder shall not assert, and hereby knowingly, voluntarily and unconditionally forever waives and disclaims any right to assert, in any other regulatory or judicial forum, any claim or complaint regarding or related to the conduct or result of the RFP. The obligations, waivers and disclaimers of the foregoing sentence are fundamental to this Agreement and ServiceCo's decision to allow Bidder to participate in this RFP and enter into this Agreement are made in express reliance on such obligations, waivers and disclaimers.

Explain what the bidder is doing here?

8. Indemnification for Bidder Conduct: Bidder will indemnify, defend and hold harmless ServiceCo, each LDC, their parent company Gas Natural Inc. and their officers, directors, employees, attorneys, agents and successors and assigns, from and against any and all demands, suits, penalties, obligations, damages, claims, losses, liabilities, payments costs and expenses, including reasonably legal, accounting and other expenses in connection therewith and costs and expenses incurred in connection with investigations and settlement proceedings, which arise out of, are in connection with, or relate to, the following:

(a) any breach or violation in any material respect of any covenant, obligation or agreement of Bidder set forth in this Agreement;

or

(b) any breach or inaccuracy in any material respect of any of the representations or warranties made by Bidder in this Agreement.

9. Non-Waiver By ServiceCo: No failure or delay by ServiceCo in exercising any right, benefit, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, benefit, power or privilege hereunder. A term of this Agreement may be waived only if and to the extent expressly waived in writing signed by duly authorized representatives of both parties hereto.

10. Duly Authorized Bidder: Bidder's Representative affirms that it has the power and authority to electronically or physically execute and deliver this Agreement, and that this Agreement constitutes a legally valid and binding obligation enforceable against it in accordance with its terms, except as it may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights generally.

11. No Provisions for Assignment: This Agreement shall not be assignable by Bidder.

12. For all purposes of this Agreement, ServiceCo is the agent for the LDCs and shall have no liability of any kind whatsoever hereunder. The liability of the LDCs hereunder, if any, whether in respect of a breach or otherwise, shall be several and not joint.

13 Choice of Ohio Law: This Agreement shall be governed in all respects, whether as to validity, construction, capacity, performance or otherwise, by and under the laws of the State of Ohio (without giving effect to principles of conflicts of laws). Each party hereto irrevocably consents to the non-exclusive personal jurisdiction and venue of a State of Ohio court of competent jurisdiction sitting in Lake County, Ohio. In any action, claim or proceeding arising out of or in connection with this Agreement. Each of the parties hereto expressly and irrevocably waives and agrees not to assert: (1) the defense of lack of personal jurisdiction, forum non conveniens or any similar defense with respect to the maintenance of any such action or proceeding in Ohio; and (2) the right to trial by jury in any such action or proceeding.

15 Bidder's Knowledge: Bidder shall ensure that each Bidder's Representative is informed of the restrictions contained in this Agreement and that each such person adheres to this Agreement as it applies to Bidders, as if such person were a party hereto. Bidder shall be responsible for any breach of this Agreement by or caused by any Bidder representative.

16 Severability: All provisions of this Agreement are severable. Should any provision of this Agreement be held to be invalid or unenforceable, such provision shall be; (1) invalid or unenforceable only to the extent of such invalidity or unenforceability without invaliding or rendering unenforceable any other provision hereof; and (2) revised or reformed, to the maximum extent permitted under applicable law, in a manner resulting in rights, duties and obligations most closely representing the intention of the parties hereto as expressed herein.

17 Term: The term of this Agreement shall commence on the date hereof and shall continue for the duration of the RFP process, and for the duration of any regulatory or other litigation relating thereto or two years, whichever is longer.

18 Entire Agreement: This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior understandings, agreements and writings with respect to the subject matter hereof, whether written or oral, save and except for any written agreement with respect to confidentiality obligations. This Agreement may not be altered, amended, modified or otherwise changed by any prior, contemporaneous, or subsequent agreements, understandings, discussions or course of dealings unless the same is reduced to a writing that specifically refers to this Agreement and is signed by duly authorized representative of the parties signing below. This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

IN WITNESS WHEREOF, Bidder's Representative has executed this Agreement as of the date written above.

Bidder Legal Name: _____

Bidder Representative: _____
Signature of Duly Authorized Bidder Representative

Name: _____

Address: _____

Telephone: _____

Email: _____

After timely submitting this executed Agreement, ServiceCo will provide you with a confidential Bidder Code on or before [Date A plus 10 days] and information that will allow you to access the RFP portal on GNI's website. If you are pre-qualified to submit a Bid, you will be able to download from GNI's website: ServiceCo's portfolio of intrastate and interstate transportation and storage contracts; existing gas supply contracts that will remain in place (because the supplies are needed for reliable operations in certain parts of NEO's system, and in some instances are the only source of supply to specific service areas) and historic load data.

Provide a complete list
of all these contracts

Yes, will be provided
w/ bid packets where
there's capacity or commodity

Attachment A, Schedule 1

Local Production:

✓ Local Production is currently under contract with John D. Oil & Gas Marketing.
✓ Successful bidder must account for such supplies John D will continue to manage under
64 Base contracts covering 218 receipt points in 7 separate market areas.
Breakdown is as follows.

NEO Cobra:
35 Receipt points and 18 producers.

NEO on system:
88 receipt points and 26 producers

Orwell Clarion River:
22 receipt points and 4 producers

Orwell Walker:
1 receipt point and 1 producer

Orwell:
70 receipt points and 14 producers

Brainard:
2 receipt points and 1 producer.

With these, monthly remittance statements are prepared by John D. working with up to ten chart integrators.

On the Orwell system there are also three (3) master meters that have more than one producer behind and John D prorates quantities into the system and calculates line loss behind each meter.

Payment is managed and made to each producer by John D on a monthly basis.
Invoices are prepared and made to each LDC on a monthly basis.
All producer questions received by LDCs are referred to John D, files maintained by John D, which also supplies charts.

✓ Agent is required to evaluate and secure additional local production that can enhance each system, seeking out producers or pipelines that may feed systems.

✓ In sum, LDC's receive all quantities of gas and one invoice with Backup per system per month.

if JDOG win bid, how much document will be available for audits?

What does that mean
What will JDOG m

What does bidder must
acc for m...?

Great
Plains

Why?

Interstate Purchases:

✓ Agent must negotiate and maintain contracts with 16 marketers and continue to try and expand this number and to increase the number of Marketers bidding on the LCD's needs to ensure the most competitive pricing environment. *A list of these 16?*

✓ Agent must negotiate and Manage contracts with 6 interstate pipelines and 5 intrastate pipelines. *A List of pipes*

Agent must monitor NYMEX pricing daily and communicate such information back to the LDC's for purchasing decisions.

Store and Manage data on historical usage.

✓
✓ Agent must supply Monthly Nominations to the LDC's on volumes required with Backup for their approval. Once approval is given, supply volumes are then sent to all marketers for Bid. *Who is Agent? why are volumes bid out?*

Best Cost bid is awarded by Gas Natural Service Corp. and LDCs. All bids are recorded and filed. *what is best cost? Please define*

Confirmations to be signed and filed.

Gas Purchase Summary sheet to be maintained daily with any updates passed on to the LDC's. This sheet includes current and up to date pricing, quantities being delivered, pipeline imbalances and Marketers providing the gas.

Nominations to the pipelines to be made and monitored. Breakdown of Receipt Meters as follows:

Brainard:

One receipt meter off of Cobra.

✓ Orwell Walker:

One receipt meter off of Columbia Gas of PA.

Orwell Clarion River:

*What LDC
are these for?*

One receipt meter off of National Fuel.

Orwell Natural Gas:

Three receipt meters off of Cobra. One receipt meter off of North Coast. 29 receipt meters off of Dominion.

NEO:

7 receipt meters off of TCO. 28 receipt meters off of Cobra. 1 receipt meter off of Tennessee Gas. 61 receipt meters off of Dominion.

✓ In addition, Nominations must be made on the LDC's behalf from these receipt meters to delivery meters on Orwell Trumbull (45 delivery meters and 36 smaller farm taps) And Cobra (36 delivery meters)

✓ Quantities Nominated in must be matched with quantities Nominated out to ensure balances are maintained with each pipeline. This is done on a daily basis and communicated to the LDC's if / when additional purchases are needed or if there is too much gas on system and needs to be sold off.

✓ At month end, quantities delivered into each system must be matched to quantities nominated for accuracy; invoices are also matched to delivered quantities and once verified passed on for payment with backup. All paperwork is filed and maintained by us.

All pipelines must be monitored daily for any supply disruptions or notifications / maintenance schedules to ensure a steady supply of gas.

✓ Any new delivery point or receipt point on Cobra, Orwell Trumbull or Dominion, must be set up through agent. Taps must be scheduled with each pipeline and all communication recorded and stored.

bidder ?

~~Market Manager~~

Service Co

GNI LOGO

Jonathan Hor

REQUEST FOR GAS SUPPLY PROPOSALS

INTRODUCTION

Gas Natural Service Company, LLC, is issuing this Request for Gas Supply Proposals ("RFP"), as a purchaser on behalf of Northeast Ohio Natural Gas Corp., LLC ("NEO"); Orwell Gas Company, LLC ("Orwell") and Brainard Gas Corporation ("Brainard"). Orwell; NEO and Brainard are local natural gas distribution companies ("LDCs"), located in Northeastern, Eastern and Central Ohio. Gas Natural Service Company, LLC ("ServiceCo") is seeking bids from qualified agents to arrange for supply of all or part of the full natural gas requirements of the LDCs for the six month period extending from May 1, 2012 to October 31, 2012. The RFP is being conducted by ServiceCo in conjunction with Brainard, NEO and Orwell and in consultation with the Staff of the Public Utilities Commission of Ohio ("Staff"), and the Ohio Office of Consumers' Counsel ("OCC").

① Who are members Gas Net what are qualification

QUALIFIED BIDDERS

A Bidder must execute and submit Attachment A on or before [Date A] in order to be accepted as a "Qualified" bidder. Only "Qualified Bidders" will be permitted to submit valid Bids in response to the RFP. Further, only Qualified Bidders will be given access to historic load information for each LDC and allowed to review the LDC's current portfolio of interstate and intrastate pipeline transportation and storage agreements. Suppliers that are affiliated with, or related parties of, the LDCs will be allowed to bid subject to the same qualification requirements as non-affiliated and unrelated qualified bidders. Therefore, ServiceCo has established procedures to protect all Bidders' confidential information and to ensure that ServiceCo, in consultation with the LDCs, selects the "best bid(s)," based on price and security of service, without knowledge of a Bidder's identity.

② What are the qualifications for these "Qualified Bidders"

REQUEST FOR NATURAL GAS SUPPLY & BALANCING SERVICE

June 1, 2012 - October 31, 2012 Gas Supply: The LDCs have, in aggregate, ____ /month of gas load for the summer period (measured over the last two years). The LDCs had actual and estimated average daily deliveries for retail sales customers in aggregate of ____ /day of gas load for the 2011 - 2012 winter period (February through March 31 2012 were estimated). The LDCs are interconnected with intrastate pipelines that have connections to other intrastate and interstate pipelines.

③ What are these procedures
Who are the related party bidders?

J D O G

④ Why if the bidders are bidding on Jun - Oct does the proposal contain inform for the month of Nov - Apr?

<u>Delivery Point</u>	<u>Buyer</u>		<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>
TCO Gate (Area 7-4) to COBRA								
NTD	ONG		18,750	35,000	43,000	28,500	31,750	15,000
TCO Gate (Area 7-4) to COBRA								
NTD	BGC		4,650	5,050	4,660	4,395	4,170	2,000
TCO Pool	NEO		19,500	37,000	66,000	77,000	60,000	42,000
	Total TCO Gate		42,900	77,050	113,660	109,895	95,920	59,000
Cobra NTD	NEO		4,000	5,400	4,400	3,300	3,100	1,300
Cobra Holmesville	NEO		35,000	58,000	60,000	50,000	35,000	12,800
Cobra Churchtown	NEO		10,000	28,000	30,000	27,000	16,800	7,000
	Total Cobra		49,000	91,400	94,400	80,300	54,900	21,100
DEO to Contract # 12098	ONG (Sidley)		1,250	1,700	2,400	2,850	2,975	2,000
DEO to Contract # 12046	ONG		8,875	20,500	25,000	22,850	17,500	11,275
DEO to Contract # 11944	NEO		65,000	117,600	134,500	126,000	91,300	67,200
	Total DEO		75,125	139,800	161,900	151,700	111,775	80,475
North Coast Gas Transmission	ONG		34,125	82,000	83,990	65,000	78,973	40,000

ONG plus LP

66,720

142,022

157,492

147,805

132,776

71,093

	Total NCGT		34,125	82,000	83,990	65,000	78,973	40,000
Local Production (MCF)								
	BGC		173	90	52	10	41	29
	ONG		3720	2822	3102	2955	1578	2818
	NEO		36187	53125	47592	27732	26274	17471

KEY: BGC: Brainard; ONG: Orwell; NEO: Northeast Ohio; Cobra NTD: Cobra North Trumbull;

How ²/₀ Much — ServiceCo notes that because of the LDCs responsibility to acquire supplies at the lowest cost consistent with reliable delivery it has contracted for certain supplies for 2012 in the interstate and local markets on behalf of the LDCs that will remain in place. Information regarding these arrangements will be provided to Qualified Bidders prior to submission of their bids.

ServiceCo requests bids for agency services to arrange for ServiceCo's purchase of full requirements gas supply and for providing balancing services (as described in Schedule 1 to Attachment A) to each LDC's city-gate(s). LDCs have existing interstate and intrastate transportation contracts that they will assign to the successful bidder(s), as qualified Asset Management Contracts. Qualified Bidders will be allowed to review all of the LDCs' current interstate and intrastate gas transportation contracts, as well as historic (5 years) monthly load data, *supra*.

→ Bidders supply Service Co w/ gas and balancing service

SELECTION OF THE BEST BID

ServiceCo will select the "best bid(s)" based on the level of the agency fee and the lowest identified gas price for the month plus security of supply. The LDCs serve high priority residential customers, with variable load. Therefore, supply security will be given equal weight with price. ServiceCo is requesting full requirements service for the LDCs. Bidders that are selected through the RFP are expected to provide balancing service(s), including management of the LDCs' duty to nominate and schedule as required at specific delivery points.

ServiceCo prefers to contract on behalf of the LDCs under the North American Energy Standards Board ("NAESB") contract, version 2006.

CREDIT

Successful Bidder(s) will contract with ServiceCo, on behalf of the LDCs. ServiceCo will provide a parental guarantee and credit support from Gas Natural, Inc.

Only Qualified Bidders will be allowed to submit bids for consideration in the RFP process. Interested Gas Suppliers must execute Attachment A, "Bidder Pre-Qualification Agreement". An executed Attachment A must be submitted, electronically or in writing, on or before [Date A] to:

James E. Sprague, CPA
Walthall, Drake & Wallace LPA
6300 Rockside Road, Suite 100
Cleveland, Ohio 44131
(216) 573-2300 (voice)
(216) 573-0771
j.sprague@walthall.com

Who does Orwell, NEO
and Brainard →
Ohio Comp
audits ?

Mr. Sprague will review each Attachment A. Bidders that have provided all required information will be assigned a "Qualifying Bidder Number" no later than [Date A plus 10 days]. Bidders must use this number when submitting their responses to this RFP. Bidders must not include identifying information in their bids. If identifying information is included, the bid will be rejected.

BIDS AND BID EVALUATION

All Bids will be opened on [Date A plus 22 days] concurrently by ServiceCo and the following persons, in the presence of Mr. James E. Sprague, CPA..

Mr. Darryl L. Knight, on behalf of Orwell and Brainard; and
Mr. Martin K. Whelan, on behalf of NEO
M _____, on behalf of Staff
M _____, on behalf of OCC

Qualified bidders will be informed of the status of their bid (accepted or declined) no later than [Date A plus 23 days]. Winning bidder(s) will be expected to enter into a contract with ServiceCo, on substantially the same terms as their Bid and the RFP criteria, on or before [Date A plus 30 days].

Send bid concurrent to
Staff Attn: Address
OCC Attn: Address

Sarver, Roger

From: Sarver, Roger
Sent: Friday, June 22, 2012 8:52 AM
To: Sonderman, Andrew (ASonderman@keglerbrown.com)
Subject: RE: Brainard Gas Corporation, Orwell Ntural Ga Company, Northeast Ohio Ntural GAs Revised Competitive Gas Supply Bid Documents

Andy,

The intent of the 2010 Orwell and Northeast GCR Opinion and Order was to void all related party/affiliate agreements. However, the current language in this proposal seems to tie Orwell, Northeast and Brainard to the JDOG contracts through this RFP process. My concern is that the RFP process, as currently structured, from the interstate requirements, to local producers, to the nomination for local supplies will not provide for an effective competitive bid and will ultimately defeat the entire purpose of the RFP process. The purpose of the competitive bid proposal is to allow the market to function freely, based on an RFP that mirrors the currently operational requirements of these three companies to lower commodity costs through improved efficiencies.

In the end, it will be the Companies responsibility for how the RFP is structured and the selection of the winning bid. Staff will review the entire process in the course of its audits and will recommend to the Commission what it feels is in the best interest of the utilities' customers.

Roger

From: Sonderman, Andrew [<mailto:ASonderman@keglerbrown.com>]
Sent: Wednesday, June 20, 2012 8:36 AM
To: Sarver, Roger
Subject: RE: Brainard Gas Corporation, Orwell Ntural Ga Company, Northeast Ohio Ntural GAs Revised Competitive Gas Supply Bid Documents

Roger, with all due respect the Commission is holding these utilities to a least cost standard presuming the deliverability is of comparable firmness. We would expect the asset manager to present recommended purchases based on comparative delivered price for volumes that have firm deliverability.

With respect to being limited by the contracts held by John D, we do not see the price parameter you discuss as a limitation. The customer is entitled to have the local gas if it is equal to or less than the delivered price of interstate gas. As a corollary, if the local gas under contract to John D is not equal to or lower in delivered price than interstate options, then the asset manager can and should reject the local gas option.

Another thing to take into account: if local gas gets shut in even though it meets the delivered cost test, this impacts the local producer, not just John D. It is a matter of state energy policy to promote the production of Ohio indigenous gas supplies.

We believe it does not constrain the asset manager's flexibility to have the manager take these factors into account; the asset manager should be doing so as a matter of course.

One way to test this concern is to go ahead with the bid solicitation and see the results. If potential asset managers submit qualifying bids we will know that the perceived constraints were not considered a limiting factor by the bidders. If we do not receive qualifying bids, we can revisit this issue when issuing a new request for bids.

As things now stand, the earliest we could hope for is to conduct the bidding in July for supplies commencing August 1. Can we give this a try?

Andrew J. Sonderman
Director
Kegler Brown Hill & Ritter LPA
Capitol Square, Suite 1800
Columbus, Ohio 43215
(614) 462-5496 (Direct)
asonderman@keglerbrown.com

From: Sarver, Roger [<mailto:Roger.Sarver@puc.state.oh.us>]
Sent: Friday, June 15, 2012 11:14 AM
To: Sonderman, Andrew
Subject: RE: Brainard Gas Corporation, Orwell Ntural Ga Company, Northeast Ohio Ntural GAs Revised Competitive Gas Supply Bid Documents

Andy,

It sounds like a pricing parameter for the asset manager, which may limit their approach. These potential asset managers could meet the majority of local production requires through volumes coming in from TCO or purchase from other producers or suppliers on Cobra or purchase from JDOG.

Staff is looking for clear direction in this RFP that the bidders can determine the supply mix of local and interstate that best suits their strategic approach and not have it limited in any way by the contracts held by JDOG.

Roger

From: Sonderman, Andrew [<mailto:ASonderman@keglerbrown.com>]
Sent: Friday, June 15, 2012 11:01 AM
To: Sarver, Roger
Subject: RE: Brainard Gas Corporation, Orwell Ntural Ga Company, Northeast Ohio Ntural GAs Revised Competitive Gas Supply Bid Documents

Roger, sorry I was out yesterday afternoon. I see it as the obligation of the asset manager to compare delivered cost of all available supplies, local and interstate. If there is a delivered price differential, then the lower priced supply is to be selected by the asset manager and presented to ServiceCo for purchase on behalf of the Ohio utilities. If there is a "tie", there is a preference for the local gas production, and the asset manager should present that to ServiceCo as the recommended purchase for the three utilities.

Please call if you want to discuss this further; obviously I'm anxious to get this process under way.
Thanks.

Andrew J. Sonderman
Director

Kegler Brown Hill & Ritter LPA
Capitol Square, Suite 1800
Columbus, Ohio 43215
(614) 462-5496 (Direct)
asonderman@keglerbrown.com

From: Sarver, Roger [<mailto:Roger.Sarver@puc.state.oh.us>]
Sent: Thursday, June 14, 2012 4:07 PM
To: Sonderman, Andrew
Subject: RE: Brainard Gas Corporation, Orwell Ntural Ga Company, Northeast Ohio Ntural GAS Revised Competitive Gas Supply Bid Documents

Andy,

Under Attachment A, Schedule 1, Local Production "Ohio-produced gas is to be arranged for purchase when the purchase price for such gas including transportation cost is equal to or less than the purchase price available for purchases of interstate gas supplies including transportation cost."

What requirement does this place on the winning bidder?

Roger

From: Sonderman, Andrew [<mailto:ASonderman@keglerbrown.com>]
Sent: Friday, June 01, 2012 2:32 PM
To: Margard, Werner; Parram, Devin; JOE SERIO (SERIO@occ.state.oh.us); 'LARRY SAUER' (SAUER@occ.state.oh.us); Sarver, Roger; Greg Slone (Slone@occ.state.oh.us); BRUCE HAYES (HAYES@occ.state.oh.us)
Cc: j.sprague@walthall.com; 'Marty Whelan'; Darryl L. Knight (gotgas@orwellgas.com); tsmith13@sprynet.com
Subject: Brainard Gas Corporation, Orwell Ntural Ga Company, Northeast Ohio Ntural GAS Revised Competitive Gas Supply Bid Documents

Gentlemen:

Attached to this e-mail is the revised Bid Package reflecting the comments and suggestions Staff and OCC made at the meeting in my office to discuss the first draft. I have endeavored to make modifications to address your concerns, including requiring documentation for all bid-related decisions; clarification that local gas production is only to be arranged for purchase by the asset manager when it is equal to or lower in delivered price than interstate supplies; ServiceCo to maintain all invoice records; simultaneous provision of bid documents to Staff and OCC. The successful bidder will be chosen by the LDCs within 4 days of bid opening.

Please note that this is set up under the assumption that bids can be solicited in June for deliveries commencing in July for this year, with bids in subsequent years for April 1 through March 31.

I request that you give me any comments as soon as possible so that we can meet the above schedule. Thanks for your input.

MY BIO

V-CARD

WEBSITE

RFP as emailed

Sarver, Roger

From: Sonderman, Andrew <ASonderman@keglerbrown.com>
Sent: Monday, October 01, 2012 3:50 PM
To: Sarver, Roger
Cc: cbates@orwellgas.com; 'Stephanie Patton'; Larry Brainard (lbrainard@orwellgas.com)
Subject: Brainard/Northeast/Orwell Invitation to Bid and Request for Proposals
Attachments: RFP AND ATTACHMENTS NO LOGO.pdf

Roger, Staff Initial Data Request 26 to Orwell requested a copy of the RFP. Attached is the Request for Gas Supply Proposals provided to each of the 15 invited marketers.

The text of the Invitation to bid from James Sprague, our bid procedure administrator, to each of the candidates is as follows:

From: James E. Sprague
Sent: Monday, October 01, 2012 10:07 AM
To: [redacted]
Subject: Invitation to Bid and Request for Gas Supply Proposals

Dear Mr. [redacted]:

Gas Natural Service Company, LLC ("ServiceCo") and its affiliated Local Distribution Companies operating in Ohio, Orwell Gas Company ("Orwell"); Northeast Ohio Natural Gas Corporation ("NEO"); and/or Brainard Gas Corporation ("Brainard"), invites your company to respond to our Request for Gas Supply Proposals ("RFP"). Orwell, NEO and Brainard may also be referred to jointly as "LDCs".

Description of the RFP Process

In consultation with the Staff of the Public Utility Commission of Ohio ("PUCO") and the Ohio Office of Consumers' Counsel ("OCC"), ServiceCo developed the attached RFP to retain the services of an agent/asset manager who will prospectively arrange for ServiceCo to acquire gas supply in the interstate and Ohio markets for the LDCs and provide balancing and other services listed in the attached RFP and discussed in the "Bidder Pre-Qualification Agreement" (Attachment A to this RFP) from November 1, 2012 to March 31, 2013 ("Bid Period"). ServiceCo will issue successive RFPs thereafter for annual bid periods from April 1 through March 31.

Interested bidders that timely submit the information required in Attachment A to the RFP will be issued a confidential bidder's number and given access to the LDC's historical load data, as well as sales and transportation contracts. All pre-qualified bidders have the right (but of course not the obligation) to submit a bid, using their confidential number. All bids and bidding information are confidential. Pre-qualified bidders must not include any identifying information, other than their confidential number, in order to have their bid(s) considered in the RFP.

SCHEDULE

Interested Parties must execute and submit Attachment A	October 3, 2012
Qualifying Bidders receive their confidential Bidder ID	October 5, 2012
DEADLINE FOR SUBMITTING A BID	October 23, 2012

All timely bids from pre-qualified bidders will be opened concurrently on October 25, 2012 in the presence of the undersigned, James E. Sprague, CPA by Mr. Martin K. Whelan and Mr. Darryl L. Knight, two representatives of the

LDCs. Designated representatives of the Staff of the PUCO and the OCC will receive all timely bids from pre-qualified bidders to be opened simultaneously with this bid opening. Within three (3) business days the LDCs will select the winning bid(s) by considering supply diversity and security of supply along with lowest total price (for arranging supply and transportation which ServiceCo will purchase on behalf of the LDCs; and for providing the balancing and nomination services by delivery point described in the Bidder Pre-Qualification Agreement). Successful Bidder(s) will be notified on that date and will be expected to enter into a contract (ServiceCo prefers to use NAESB, version 2006) that substantially conforms to the terms of its bid and the parameters of the RFP on or before October 31, 2012.

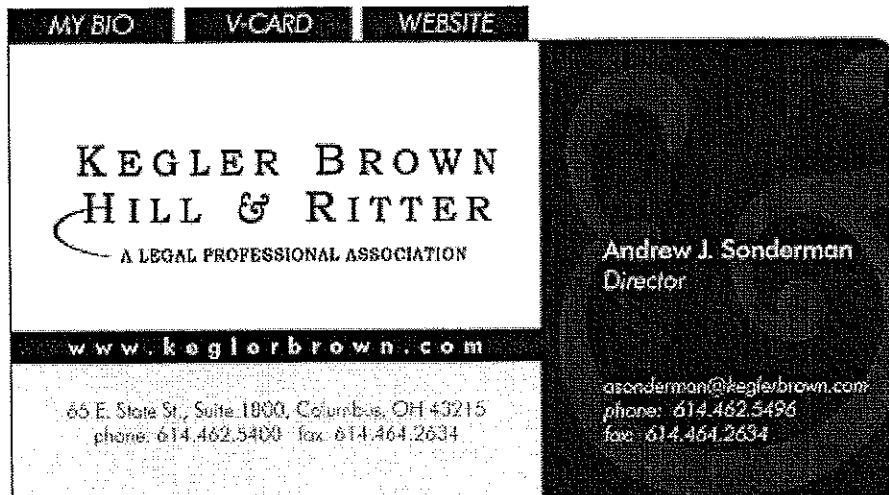
If you have questions about the RFP, you will be able to post your questions anonymously on our data room website. As administrator of the data room, I will pass the questions on to ServiceCo without disclosing the requester's identity and the LDCs will provide you with an answer as quickly as possible. In order to be fair to all interested bidders, we will post all questions and answers (again, without identifying the requester) to the RFP portal on our Data Room website.

On behalf of ServiceCo; Orwell; NEO; and Brainard, thank you for your time and attention. We hope you become a qualified bidder and submitting a competitive bid.

Best regards,

James E. Sprague, CPA
Walthall, Drake & Wallace LPA
For
Gas Natural Service Company

Attachments



GAS NATURAL SERVICE COMPANY, LLC REQUEST FOR GAS SUPPLY PROPOSALS

INTRODUCTION

Gas Natural Service Company, LLC, is issuing this Request for Gas Supply Proposals ("RFP"), as a purchaser on behalf of Northeast Ohio Natural Gas Corp., LLC ("NEO"); Orwell Gas Company, LLC ("Orwell") and Brainard Gas Corporation ("Brainard"). Orwell; NEO and Brainard are local natural gas distribution companies ("LDCs"), located in Northeastern, Eastern and Central Ohio. Gas Natural Service Company, LLC ("ServiceCo") is seeking bids from qualified agents to arrange for supply of all or part of the full natural gas requirements of the LDCs for the bid period extending from November 1, 2012 to March 31, 2013. It is ServiceCo's intention that subsequent bid periods will run from April 1 through the following March 31. The RFP is being conducted by ServiceCo in conjunction with Brainard, NEO and Orwell and in consultation with the Staff of the Public Utilities Commission of Ohio ("Staff"), and the Ohio Office of Consumers' Counsel ("OCC").

QUALIFIED BIDDERS

A Bidder must execute and submit Attachment A on or before **October 3, 2012** in order to be accepted as a "Qualified" bidder. Only "Qualified Bidders" will be permitted to submit valid Bids in response to the RFP. Further, only Qualified Bidders will be given access to historic load information for each LDC and allowed to review the LDC's current portfolio of interstate and intrastate pipeline transportation and storage agreements. Suppliers that are affiliated with, or related parties of, the LDCs will be allowed to bid subject to the same qualification requirements as non-affiliated and unrelated qualified bidders. Therefore, ServiceCo has established procedures to protect all Bidders' confidential information and to ensure that ServiceCo, in consultation with the LDCs, selects the "best bid(s)," based on price and security of service, without knowledge of a Bidder's identity.

REQUEST FOR NATURAL GAS SUPPLY & BALANCING SERVICE

November 1, 2012 – March 31, 2013 Gas Supply: Attached is a schedule showing the combined purchases of the LDCs for the last full calendar year, 2011. The LDCs are interconnected with intrastate pipelines that have connections to other intrastate and interstate pipelines.

<u>Delivery Point</u>	<u>Buyer</u>		<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>
TCO Gate (Area 7-4) to COBRA								
NTD	ONG		18,750	35,000	43,000	28,500	31,750	15,000

TCO Gate (Area 7-4) to COBRA								
NTD	BGC		4,650	5,050	4,660	4,395	4,170	2,000
TCO Pool	NEO		19,500	37,000	66,000	77,000	60,000	42,000
	Total TCO Gate		42,900	77,050	113,660	109,895	95,920	59,000
Cobra NTD	NEO		4,000	5,400	4,400	3,300	3,100	1,300
Cobra Holmesville	NEO		35,000	58,000	60,000	50,000	35,000	12,800
Cobra Churchtown	NEO		10,000	28,000	30,000	27,000	16,800	7,000
	Total Cobra		49,000	91,400	94,400	80,300	54,900	21,100
DEO to Contract # 12098	ONG (Sidley)		1,250	1,700	2,400	2,850	2,975	2,000
DEO to Contract # 12046	ONG		8,875	20,500	25,000	22,850	17,500	11,275
DEO to Contract # 11944	NEO		65,000	117,600	134,500	126,000	91,300	67,200
	Total DEO		75,125	139,800	161,900	151,700	111,775	80,475
North Coast Gas Transmission	ONG		34,125	82,000	83,990	65,000	78,973	40,000
	Total NCGT		34,125	82,000	83,990	65,000	78,973	40,000
Local Production (MCF)								
	BGC		173	90	52	10	41	29

	ONG		3720	2822	3102	2955	1578	2818
	NEO		36187	53125	47592	27732	26274	17471

KEY: BGC: Brainard; ONG: Orwell; NEO: Northeast Ohio; Cobra NTD: Cobra North Trumbull;

ServiceCo notes that because of the LDCs responsibility to acquire supplies at the lowest cost consistent with reliable delivery it has contracted for certain supplies for 2012 in the interstate and local markets on behalf of the LDCs that will remain in place. Information regarding these arrangements will be provided to Qualified Bidders prior to submission of their bids.

ServiceCo requests bids for agency services to arrange for ServiceCo's purchase of full requirements gas supply and for providing balancing services (as described in Schedule 1 to Attachment A) to each LDC's city-gate(s). LDCs have existing interstate and intrastate transportation contracts that they will release to the successful bidder(s), as qualified Asset Management Contracts. Qualified Bidders will be allowed to review all of the LDCs' current interstate and intrastate gas transportation contracts.

SELECTION OF THE BEST BID

ServiceCo and the LDCs will select the "best bid(s)" based on the level of the agency fee and the lowest identified gas price for the month plus security of supply. Ohio-produced gas is to be arranged for purchase when the purchase price for such gas inclusive of transportation cost is equal to or less than the purchase price available for purchases of interstate gas supplies inclusive of transportation cost.

The LDCs serve high priority residential customers, with variable load. Therefore, supply security will be considered along with price. ServiceCo is requesting full requirements service for the LDCs. Bidders that are selected through the RFP are expected to provide balancing service(s), including management of the LDCs' duty to nominate and schedule as required at specific delivery points.

ServiceCo prefers to contract on behalf of the LDCs under the North American Energy Standards Board ("NAESB") contract, version 2006.

CREDIT

Successful Bidder(s) will contract with ServiceCo, on behalf of the LDCs. ServiceCo will provide a parental guarantee and credit support from Gas Natural, Inc.

Only Qualified Bidders will be allowed to submit bids for consideration in the RFP process. Interested Gas Suppliers must execute Attachment A, "Bidder Pre-Qualification Agreement". An executed Attachment A must be submitted, electronically on or before **October 3, 2012** to:

James E. Sprague, CPA
Walthall, Drake & Wallace LPA
6300 Rockside Road, Suite 100
Cleveland, Ohio 44131
(216) 573-2300 (voice)
(216) 573-0771
j.sprague@walthall.com

Mr. Sprague will review each Attachment A. Bidders that have provided all required information will be assigned a "Qualifying Bidder Number" no later than **October 5, 2012**. Bidders must use this number when submitting their responses to this RFP. Bidders must not include identifying information in their bids. If identifying information is included, the bid will be rejected. Bids must be submitted electronically to the Data Room Website no later than **October 23, 2012**.

BIDS AND BID EVALUATION

All Bids will be opened on **October 25, 2012** concurrently by ServiceCo and the following persons, in the presence of Mr. Sprague:

Mr. Darryl L. Knight, on behalf of Orwell and Brainard; and
Mr. Martin K. Whelan, on behalf of NEO

Bids will be simultaneously made available to designated PUCO Staff and OCC Representatives.

Qualified bidders will be informed of the status of their bid (accepted or declined) no later than **October 28, 2012**. Winning bidder(s) will be expected to enter into a contract with ServiceCo, on substantially the same terms as their Bid and the RFP criteria, on or before **October 31, 2012**.

Combined Purchases for IDC's last 12 months

	January	February	March	April	May	June	July	August	September	October	November	December
Columbia Gas Transmission												
Northeast Ohio Natural Gas	154,200.0	13,504.0	115,804.0	67,206.0	15,500.0	0.0	0.0	11,250.0	18,100.0	58,572.0	101,460.0	91,944.0
Orwell Natural Gas	40,300.0	30,450.0	26,350.0	14,250.0	4,991.0	5,090.0	10,013.0	1,441.0	0.0	5,007.0	18,059.0	40,387.0
Brainard Gas	4,960.0	3,625.0	3,100.0	3,300.0	0.0	1,000.0	0.0	0.0	0.0	1,100.0	3,000.0	7,750.0
Total TCO	199,460.0	47,579.0	145,254.0	84,756.0	20,491.0	6,090.0	10,013.0	12,691.0	18,100.0	64,679.0	122,519.0	140,081.0
Dominion East Ohio												
Northeast Ohio Natural Gas	112,915.0	103,132.0	91,460.0	43,160.0	38,356.0	21,169.0	18,387.0	17,622.0	22,754.0	30,741.0	63,365.0	80,990.0
Orwell Natural Gas	20,720.0	20,649.0	15,660.0	9,864.0	7,184.0	4,262.0	2,703.0	2,323.0	2,672.0	3,603.0	9,098.0	13,334.0
Total DEO	133,635.0	123,781.0	107,120.0	53,024.0	45,540.0	25,431.0	21,090.0	19,945.0	25,426.0	34,344.0	72,463.0	94,324.0
Cobra Pipeline												
Northeast Ohio Natural Gas	31,000.0	47,850.0	18,325.0	14,000.0	27,000.0	32,000.0	35,000.0	32,000.0	35,000.0	32,000.0	30,000.0	34,875.0
Orwell Trumbull Pipeline												
Orwell Natural Gas	77,557.0	69,600.0	39,240.0	20,250.0	27,225.0	5,000.0	0.0	6,000.0	7,000.0	30,000.0	43,600.0	86,800.0
Brainard Gas	627.0	497.0	79.0	29.0	154.0	63.0	52.0	60.0	2.0	74.0	185.0	406.0
Total OTP	78,184.0	70,097.0	39,319.0	20,279.0	27,379.0	5,063.0	52.0	6,060.0	7,002.0	30,074.0	43,785.0	87,206.0
Tennessee Gas Pipeline												
Northeast Ohio Natural Gas	3,875.0	2,030.0	1,085.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,480.0
Columbia of PA												
Walker Gas	2,745.0	2,337.0	1,488.0	750.0	17.0	0.0	0.0	0.0	2.0	9.0	364.0	1,229.0
National Fuel												
Clarion River Gas	3,100.0	2,900.0	3,937.0	2,400.0	527.0	500.0	496.0	496.0	510.0	744.0	1,500.0	3,100.0
Total DTH all systems	451,999.0	296,574.0	316,528.0	175,209.0	120,954.0	69,084.0	66,651.0	71,192.0	86,040.0	161,850.0	270,631.0	363,295.0
Local Production (MCF)												
Northeast Ohio Natural Gas	22,456.6	21,571.0	13,458.2	14,840.0	8,163.7	6,298.9	5,701.7	6,595.6	5,977.5	10,718.1	16,078.3	20,177.4
Orwell Natural Gas	75.0	426.8	-510.5	1,578.4	2,827.7	3,733.2	4,452.0	3,983.5	1,863.0	3,622.8	2,712.9	1,237.2
Walker Gas	1,336.0	1,336.0	844.0	1,345.0	836.0	374.0	306.0	297.0	856.2	945.0	1,777.0	1,772.0
Clarion River Gas	938.5	612.9	504.4	783.9	615.2	564.3	630.7	722.8	394.0	1,295.0	931.6	1,160.5
Total MCF Local Production	24,806.1	23,946.7	14,296.1	18,547.3	12,442.6	11,070.4	11,090.4	11,598.9	9,090.7	16,580.9	21,499.8	24,347.1

ATTACHMENT A **BIDDER PRE-QUALIFICATION AGREEMENT**

THIS BIDDER PRE-QUALIFICATION AGREEMENT ("Agreement") is made and entered into this ____ day of October ____, 2012 by ____ ("Bidder"). The execution and timely submission of this Agreement is a prerequisite for submitting a Bid(s) in response to a Request for Proposals ("RFPs") for Service from November 1, 2012 through March 31, 2013. Gas Natural Service Company, LLC ("ServiceCo") issued the RFP for the arrangement of full requirements gas supply, balancing service and nominations by specific delivery point which ServiceCo will contract for on behalf of Northeast Ohio Natural Gas Company, LLC ("NEO"); Orwell Gas Company, LLC ("Orwell"); and Brainard Gas Corporation ("Brainard")(jointly the "LDCs"). The LDCs will distribute the gas supply (acquired through the RFP) to their retail sales customers.

BIDDER MUST EXECUTE AND SUBMIT THIS AGREEMENT, ON OR BEFORE **October 3, 2012** TO QUALIFY AS A BIDDER IN THE RFP PROCESS CONDUCTED BY SERVICECO. AN EXECUTED AGREEMENT MUST BE TIMELY SUBMITTED ELECTRONICALLY TO:

James E. Sprague CPA
Walthall Drake & Wallace
Certified Public Accountants
6300 Rockside Road, Suite 100
Cleveland, Ohio 44131
(216) 573-2300 (voice)
(216) 573-0771
j.sprague@walthall.com

RECITALS

WHEREAS, Bidder desires to participate in ServiceCo's RFP to provide gas supply and balancing services to the LDCs from November 1, 2012 through March 31, 2013; and

WHEREAS, ServiceCo, as LDCs' agent, desires to permit Bidder to participate in the RFP process, on a fair and equal basis.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Bidder by signing this Agreement agrees as follows:

1. Definitions: Each of the following terms when used in this Agreement with initial letters capitalized has the meaning ascribed to it below:
 - (a) "Balancing and other Services" shall include balancing services, nomination services by delivery point and review and approval of invoices submitted by suppliers to ServiceCo for payment as more fully described in Schedule 1, attached hereto.
 - (b) "Bidder Representative" means any employee, agents, consultants, advisors or representatives of Bidder or any of Bidder's affiliates.

- (c) "Definitive Agreement" means a legally binding agreement setting forth all material terms and conditions and other provisions relating to a Transaction, signed by authorized representatives of each successful bidder and of ServiceCo, but does not include any prior oral or written agreements or promises.
 - (d) "OCC" means The Office of the Ohio Consumers' Counsel, or any successor agency.
 - (e) "ServiceCo Representative" means any employee, agent, affiliate, consultant, advisor or representative of ServiceCo or Gas Natural Inc.
 - (f) "PUCO" means the Public Utilities Commission of Ohio, or any successor agency.
 - (f) "Staff Representative" means any employee of PUCO.
 - (g) "OCC Representative" means any employee of the Ohio Office of the Consumers' Counsel ("OCC").
 - (h) "Transaction" means a possible transaction or series of transactions involving purchase by ServiceCo as buyer on behalf of the LDCs, jointly or severally, arranged by Bidder (or an affiliate of Bidder) for delivered gas supply and the provision of balancing and other services as defined herein, arising or resulting from the RFP for Summer Service.
2. Representations and Warranties: Bidder Representative represents, warrants and covenants to ServiceCo as follows:
- (a) The execution and delivery of a Bid in response to the Summer Service RFP shall have been duly authorized by all necessary action on the part of Bidder by the time of receipt of ServiceCo. Bidder Representative agrees to execute this Agreement, and submit a Bid if it chooses to do so, using an electronic signature. Bidder Representative hereby agrees and acknowledge that its use of electronic transmission and electronic signature in connection with the submission of this Agreement and a subsequent Bid is fully voluntary and that Bidder intends to be fully and legally bound thereby as though such Agreement and Bid were executed and submitted in writing. By submitting a Bid, Bidder's Representative offers to enter into a Definitive Agreement providing for the Transaction contemplated by the Bid on substantially the same terms and conditions set forth in the RFP and the accepted Bid. Bids submitted in response to this RFP shall be the good faith best Bid of the Bidder's Representative. Bidder's Representative shall, with respect to a Bid accepted in the RFP enter into good faith negotiations with ServiceCo to finalize, and use reasonable efforts to finalize on or before **October 31, 2012**, a Definitive Agreement providing for the Transaction contemplated in the accepted Bid, and on substantially the same terms and conditions set forth in the RFP and the accepted Bid.
 - (b) Neither Bidder nor Bidder's Representative shall disclose to any other potential Bidder in the RFP process the fact that Bidder's representative is participating in the RFP process, or the price or any other terms or conditions of the Bid that Bidder's Representative proposes to or does in fact submit in connection with the RFP. The laws of the state of Ohio shall govern the interpretation and performance of this bidder pre-qualification agreement and RFP process including any conflict of laws rule which would apply the law of another

jurisdiction, and the parties thereto shall agree that the courts of the state of Ohio shall have exclusive jurisdiction to determine any dispute arising hereunder. However, ServiceCo will make reasonable efforts to obtain confidential treatment of such information, unless Bidder's Representative agrees to the disclosure of Bidder's confidential information.

- (c) To the knowledge of each Bidder's Representative who has actually participated in the preparation of a Bid submitted on behalf of Bidder, there is no uncured violation by Bidder of applicable state or federal antitrust laws or other applicable laws or regulations that pertain to competitive bidding practices; the sale or arrangement for sale of natural gas in interstate or intrastate commerce or the arrangement of transportation of natural gas in interstate or intrastate commerce.
 - (d) Neither Bidder nor Bidder's Representative has entered into, and will not enter into any understanding, agreement, plan or scheme pertaining to the RFP, whether express or implied, formal or informal, oral or written, with ServiceCo, Brainard, NEO , Orwell, or any related party to these entities, any competitor or potential competitor of Bidder, with respect to prices, terms or conditions of sale, output, production, distribution, territories, or customers, which understanding, or agreement, plan or scheme pertaining to the RFP would be in violation of law.
3. Acknowledgements: Bidder's Representative understands, acknowledges and agrees that: (i) except as may be expressly provided in a Definitive Agreement, any and all information furnished by or on behalf of ServiceCo in connection with the RFP process, including without limitation, information contained in the RFP, is being or will be provided by or on behalf of ServiceCo without any representation or warranty, express or implied, as to the information so provide, including, without limitation, accuracy or completeness; (ii) except as otherwise provided in a Definitive Agreement, ServiceCo shall incur no liability to Bidder or Bidder's Representative relating to or arising from the use of or reliance upon any such information or any errors or omissions therein; and (c) the information and processes described by ServiceCo in the RFP Process are merely statements of ServiceCo's current intention, and those statement create no obligation or actionable promise on the part of ServiceCo.
 4. Bidder's Representative understands, acknowledges and agrees that the utilities reserve the right in their sole discretion to accept or reject all bids for any reason, retain written documentation of the decision to reject all bids, and to issue a new Invitation to Bid. No enforceable contract or agreement providing for a Transaction shall be deemed to exist unless and until a Definitive Agreement for a Transaction has been executed and delivered. Bidder also agrees that unless and until a Definitive Agreement between Bidder or Bidder's Representative and ServiceCo, acting as agent for one or more of the LDCs, with respect to a Transaction has been executed and delivered, and then only in accordance with the terms thereof and applicable law, neither ServiceCo nor GNI, has or shall have any legal obligation to Bidder's Representative of any kind whatsoever with respect to such Transaction, whether by virtue of this Agreement, the RFP or any other written, electronic, oral expression with respect to the RFP or such Transaction.
 5. Bidder and Bidder's Representative understand, acknowledge and agree that, subject to applicable legal and regulatory requirements, and subject to the RFP:

- (a) ServiceCo shall be free to conduct the process for any Transaction, including, without limitation, the RFP Process, as ServiceCo in its sole discretion chooses (including, without limitation, negotiating with other prospective providers of agency and Schedule A services and the execution and delivery by ServiceCo of a Definitive Agreement with any such person without prior notice to Bidder or any other person) and retain written documentation of an such decision; and
 - (b) The RFP and any procedures relating to the RFP process may be changed at any time without notice to Bidder or any other person except that the Staff Representative and OCC Representative shall receive such prior notice, and ServiceCo shall retain written documentation of the decision to do so.
6. ServiceCo shall make purchases of interstate and Ohio-produced gas as arranged by the successful Bidder(s) on behalf of the LDCs. Ohio-produced gas is to be arranged for purchase when the purchase price for such gas inclusive of transportation cost is equal to or less than the purchase price available for purchases of interstate gas supplies inclusive of transportation cost.
7. The obligations, waivers and disclaimers of the foregoing sentence are fundamental to this Agreement and ServiceCo's decision to allow Bidder to participate in this RFP and enter into this Agreement are made in express reliance on such obligations, waivers and disclaimers.
8. Indemnification for Bidder Conduct: Bidder will indemnify, defend and hold harmless ServiceCo, each LDC, their parent company Gas Natural Inc. and their officers, directors, employees, attorneys, agents and successors and assigns, from and against any and all demands, suits, penalties, obligations, damages, claims, losses, liabilities, payments costs and expenses, including reasonably legal, accounting and other expenses in connection therewith and costs and expenses incurred in connection with investigations and settlement proceedings, which arise out of, are in connection with, or relate to, the following:
 - (a) any breach or violation in any material respect of any covenant, obligation or agreement of Bidder set forth in this Agreement;
 - or
 - (b) any breach or inaccuracy in any material respect of any of the representations or warranties made by Bidder in this Agreement.
9. Non-Waiver By ServiceCo: No failure or delay by ServiceCo in exercising any right, benefit, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, benefit, power or privilege hereunder. A term of this Agreement may be waived only if and to the extent expressly waived in writing signed by duly authorized representatives of both parties hereto.
10. Duly Authorized Bidder: Bidder's Representative affirms that it has the power and authority to electronically or physically execute and deliver this Agreement, and that this Agreement constitutes a legally valid and binding obligation enforceable against it in accordance with its terms, except as it may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights generally.

11. Assignment: This Agreement shall be assignable by Bidder only with the prior written approval of ServiceCo as agent for the LDCs.
12. For all purposes of this Agreement, ServiceCo is the agent for the LDCs and shall have no liability of any kind whatsoever hereunder. The liability of the LDCs hereunder, if any, whether in respect of a breach or otherwise, shall be several and not joint.
- 13 Choice of Ohio Law: This Agreement shall be governed in all respects, whether as to validity, construction, capacity, performance or otherwise, by and under the laws of the State of Ohio (without giving effect to principles of conflicts of laws). Each party hereto irrevocably consents to the non-exclusive personal jurisdiction and venue of a State of Ohio court of competent jurisdiction sitting in Lake County, Ohio. In any action, claim or proceeding arising out of or in connection with this Agreement. Each of the parties hereto expressly and irrevocably waives and agrees not to assert the defense of lack of personal jurisdiction, forum non conveniens or any similar defense with respect to the maintenance of any such action or proceeding in Ohio.
- 15 Bidder's Knowledge: Bidder shall ensure that each Bidder's Representative is informed of the restrictions contained in this Agreement and that each such person adheres to this Agreement as it applies to Bidders, as if such person were a party hereto. Bidder shall be responsible for any breach of this Agreement by or caused by any Bidder representative.
- 16 Severability: All provisions of this Agreement are severable. Should any provision of this Agreement be held to be invalid or unenforceable, such provision shall be; (1) invalid or unenforceable only to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable any other provision hereof; and (2) revised or reformed, to the maximum extent permitted under applicable law, in a manner resulting in rights, duties and obligations most closely representing the intention of the parties hereto as expressed herein.
- 17 Term: The term of this Agreement shall commence on the date hereof and shall continue for the duration of the RFP process, and for the duration of any regulatory or other litigation relating thereto or two years, whichever is longer.
- 18 Entire Agreement: This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior understandings, agreements and writings with respect to the subject matter hereof, whether written or oral, save and except for any written agreement with respect to confidentiality obligations. This Agreement may not be altered, amended, modified or otherwise changed by any prior, contemporaneous, or subsequent agreements, understandings, discussions or course of dealings unless the same is reduced to a writing that specifically refers to this Agreement and is signed by duly authorized representative of the parties signing below. This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

IN WITNESS WHEREOF, Bidder's Representative has executed this Agreement as of the date written above.

Bidder Legal Name: _____

Bidder Representative: _____

Signature of Duly Authorized Bidder Representative

Name: _____

Address: _____

Telephone: _____

Email: _____

After timely submitting this executed Agreement, ServiceCo will provide you with a confidential Bidder Code on or before **October 5, 2012** and information that will allow you to access the RFP Data Room website. If you are pre-qualified to submit a Bid, you will be able to download from the VENUE Data Room website operated by RR Donnelly and Sons Company: ServiceCo's portfolio of intrastate and interstate transportation and storage contracts; and existing gas supply contracts that will remain in place (because the supplies are needed for reliable operations in certain parts of NEO's system, and in some instances are the only source of supply to specific service areas).

Attachment A, Schedule 1

Local Production:

Local Production is currently under contract with John D. Oil & Gas Marketing. Successful bidder must account for such supplies John D will continue to manage under 64 Base contracts covering 218 receipt points in 7 separate market areas. Ohio-produced gas is to be arranged for purchase when the purchase price for such gas including transportation cost is equal to or less than the purchase price available for purchases of interstate gas supplies including transportation cost.

Breakdown is as follows.

NEO Cobra:

35 Receipt points and 18 producers.

NEO on system:

88 receipt points and 26 producers

Orwell Clarion River:

22 receipt points and 4 producers

Orwell Walker:

1 receipt point and 1 producer

Orwell:

70 receipt points and 14 producers

Brainard:

2 receipt points and 1 producer.

With these, monthly remittance statements are prepared by John D. working with up to ten chart integrators.

On the Orwell system there are also three (3) master meters that have more than one producer behind and John D prorates quantities into the system and calculates line loss behind each meter.

Payment is managed and made to each producer by John D on a monthly basis.

Invoices are prepared and made to each LDC on a monthly basis.

All producer questions received by LDCs are referred to John D, files maintained by John D, which also supplies charts.

Agent is required to evaluate and secure additional local production that can enhance each system, seeking out producers or pipelines that may feed systems.

In sum, LDC's receive all quantities of gas and one invoice with Backup per system per month.

Interstate Purchases:

Agent must negotiate and maintain contracts with 16 marketers and continue to try and expand this number and to increase the number of Marketers bidding on the LDC's needs to ensure the most competitive pricing environment.

Agent must negotiate and Manage contracts with 6 interstate pipelines and 5 intrastate pipelines.

Agent must monitor NYMEX pricing daily and communicate such information back to the LDC's for purchasing decisions.

Store and Manage data on historical usage.

Agent must supply Monthly Nominations to the LDC's on volumes required with Backup for their approval. Once approval is given, supply volumes are then sent to all marketers for Bid.

Best Cost bid is awarded by Gas Natural Service Corp. and LDCs. All bids are recorded and filed.

Confirmations to be signed and filed.

Gas Purchase Summary sheet to be maintained daily with any updates passed on to the LDC's. This sheet includes current and up to date pricing, quantities being delivered, pipeline imbalances and Marketers providing the gas.

Nominations to the pipelines to be made and monitored. Breakdown of Receipt Meters as follows:

Brainard:

One receipt meter off of Cobra.

Orwell Walker:

One receipt meter off of Columbia Gas of PA.

Orwell Clarion River:

One receipt meter off of National Fuel.

Orwell Natural Gas:

Three receipt meters off of Cobra. One receipt meter off of North Coast. 29 receipt meters off of Dominion.

NEO:

7 receipt meters off of TCO. 28 receipt meters off of Cobra. 1 receipt meter off of Tennessee Gas. 61 receipt meters off of Dominion.

In addition, Nominations must be made on the LDC's behalf from these receipt meters to delivery meters on Orwell Trumbull (45 delivery meters and 36 smaller farm taps) And Cobra (36 delivery meters)

Quantities Nominated in must be matched with quantities Nominated out to ensure balances are maintained with each pipeline. This is done on a daily basis and communicated to the LDC's if / when additional purchases are needed or if there is too much gas on system and needs to be sold off.

At month end, quantities delivered into each system must be matched to quantities nominated for accuracy; invoices are also matched to delivered quantities and once verified passed on for payment with backup. All paperwork is filed and maintained by ServiceCo.

All pipelines must be monitored daily for any supply disruptions or notifications / maintenance schedules to ensure a steady supply of gas.

Any new delivery point or receipt point on Cobra, Orwell Trumbull or Dominion, must be set up through agent. Taps must be scheduled with each pipeline and all communication recorded and stored.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

7/1/2013 4:55:55 PM

in

Case No(s). 12-0209-GA-GCR, 12-0212-GA-GCR, 12-0309-GA-UEX, 12-0312-GA-UEX

Summary: Testimony Prefiled Testimony of Patrick Donlon electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO