

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission Investigative : Case No. 14-205-GA-COI  
Audit of Brainard Gas Corporation, Northeast :  
Ohio Natural Gas Corporation and Orwell :  
Natural Gas Company. :  
: :  
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**DIRECT TESTIMONY OF MARTIN K. WHELAN**

**Submitted on Behalf of Brainard Gas Corporation, Northeast Ohio Natural Gas Corporation and Orwell Natural Gas Company**

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1 **I. INTRODUCTION**

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

3 **A.** Martin K. Whelan. 5640 Lancaster-Newark Road, Pleasantville, Ohio 43148.

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

5 **A.** I am the President of Northeast Ohio Natural Gas Corporation (“Northeast”), Brainard  
6 Gas Corporation (“Brainard”), an Orwell Natural Gas Company (“Orwell”).

7 **Q. On whose behalf are you testifying in this proceeding?**

8 **A.** I am testifying on the behalf of Northeast, Brainard, and Orwell, which I will refer to  
9 collectively as the “Companies”.

10 **Q. Please describe your professional experience and qualifications.**

11 **A.** I have 15 years of experience in Heavy Highway Construction, with an emphasis on the  
12 installation of underground utilities including sanitary sewers, storm sewers, electric,  
13 waterlines and gas lines. For the last 14 years, I have been involved with the operations  
14 of Northeast, Orwell and Brainard, and have attended various industry seminars and  
15 classes related to the distribution of natural gas.

1 I began working for Orwell in September of 2002 as Project Manager in charge of  
2 pipeline construction. I was also involved with operations and earned the title of  
3 Operations Manager prior to being transferred to Northeast in January 2004 with the title  
4 Vice President, Chief Operating Officer.

5 I am currently President of the Companies. I am responsible for all aspects of the day-t-  
6 day operations of the Companies including pipeline construction, pipeline maintenance,  
7 pipeline safety, and metering.

8 **Q. What is the purpose of your testimony?**

9 **A.** I am testifying in support of the Stipulation and Recommendation that was filed in this  
10 case on October 30, 2015 (“Stipulation”).

11 **Q. Please describe the background regarding this case.**

12 **A.** On November 13, 2013, the Commission issued an Opinion and Order in *In re Northeast*  
13 *Ohio Natural Gas Corp. and Orwell Natural Gas Company*, Case Nos. 12-209-GA-GCR  
14 et al. (“2012 GCR Order”). In the 2012 GCR Order, the Commission stated that an  
15 investigative audit of the Companies was warranted based on evidence regarding the  
16 Companies’ “management structure, personnel responsibilities”, “decisions and practices  
17 of and between the Companies and their affiliates, and the Companies’ management  
18 structure.” The Commission ordered that “an investigative audit be undertaken of the  
19 Companies and all affiliates and related entities.” 2012 GCR Order at 64. The  
20 Commission ultimately selected Rehmann Corporate Investigative Services, LLC  
21 (“Rehmann”) as the auditor to perform the investigation in the above captioned case. On  
22 January 23, 2015, Rehmann submitted its report to the Commission (“Audit Report”).

23 **Q. Describe how the Stipulation addresses issues raised in the Audit Report.**

- 1    **A.**    Rehmann made a number of recommendations regarding potential ways the Companies  
2           could enhance internal control structures and improve the Companies' GCR processes.  
3           These recommendations include:
- 4           • Use an intercompany company agreement for all intercompany expenditures and sales  
5           transactions.
  - 6           • Implement internal controls that address related party transactions.
  - 7           • Work with Staff to develop a new GCR spreadsheet to assist in the monthly GCR  
8           calculation.
  - 9           • Develop a thorough review process for substantiating costs and volumes included in the  
10          monthly GCR calculations to ensure consistency and reliability in the GCR rate.
  - 11          • Develop a mechanism for saving and securing the final versions of GCR calculations  
12          used in the monthly GCR filing.
  - 13          • Develop internal procedures to ensure that the Gas Supply Sheet provides an accurate,  
14          complete, and traceable record of competitive bids.
  - 15          • Provide training to employees regarding ways to identify and avoid potential conflicts of  
16          interest.
  - 17          • Develop procedures to ensure that all employees review, sign, and abide by the code of  
18          conduct.
  - 19          • Develop formal job descriptions for management personnel.
  - 20          • Establish an in-house internal audit department that reports to the Board of Director's  
21          Audit Committee.
  - 22          • Develop a vehicle-use policy to ensure that the only individuals using company-owned  
23          vehicles are employees of the Companies.

1 **Q. Does the Stipulation address the vast majority of the recommendations contained in**  
2 **the Audit Report?**

3 **A.** Yes. The Companies have agreed to implement a number of internal controls, policies,  
4 and procedures that address the issues Rehmann addressed in its Audit Report. The  
5 various measures that the Companies have agreed to implement are consistent with the  
6 recommendations contained in the Audit Report. Implementing these measures will help  
7 ensure that the Companies have reliable and accurate GCR rates, and help the Companies  
8 avoid potential conflicts of interest between affiliates.

9 **Q. What criteria have the Commission used to in considering the approval of**  
10 **stipulations.**

11 **A.** My understanding is that stipulations must satisfy three criteria: (1) the stipulation must  
12 be the product of serious bargaining among capable, knowledgeable parties, (2) the  
13 stipulation does not violate any important regulatory principle or practice, and (3) the  
14 stipulation, as a package, must benefit ratepayers and the public interest.

15 **Q. Does the stipulation satisfy these three criteria?**

16 **A.** Yes.

17 **Q. Please explain why.**

18 **A.** First, the Stipulation is the product of serious bargaining among capable, knowledgeable  
19 parties. The Stipulation is the result of months of negotiation between OCC, Staff, and  
20 the Companies. These parties regularly appear before the Commission and have  
21 experience with all of the issues in this case due to their participation in the Companies'  
22 prior GCR cases. In addition, all parties were represented throughout the proceeding by  
23 counsel that is experienced with Commission proceedings. Further, although OCC is not

1 a Signatory Party, OCC was involved in the negotiation process throughout this  
2 proceeding.

3 Second, the Stipulation does not violate any important regulatory principle or practice.  
4 The Stipulation represents an agreement by the Companies to adopt the vast majority of  
5 the recommendations set forth in the Audit Report. Staff, as a Signatory Party, agrees to  
6 the Companies' plan to implement the recommendations set forth in Audit Report. This  
7 is a proper resolution of a Commission-ordered investigation because the Companies  
8 have adopted the majority of the auditor's recommendations, and have committed to  
9 address the issues that led to the investigation.

10 Third, the Stipulation benefits ratepayers and the public interest because the Companies  
11 have agreed to implement various measures that will ensure accurate and reliable GCR  
12 rates, prevent inappropriate affiliate transactions, and avoid potential conflicts of  
13 interests. The Companies' regulated customers will greatly benefit from the commitments  
14 the Companies are making in this case.

15 **Q. Does this conclude your testimony?**

16 **A.** Yes. I reserve the right to supplement my testimony.

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing was served on May 3, 2016 via electronic mail upon the following:

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Summary: Testimony Direct testimony of Martin Whelan filed on the behalf of the Companies electronically filed by Mr. Devin D. Parram on behalf of Northeast Ohio and Brainard Gas and Orwell Natural Gas