

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :  
Regulation of the Purchased :  
Gas Adjustment Clause Contained :  
Within the Rate Schedules of: :  
Eastern Natural Gas Company : 15-207-GA-GCR  
Pike Natural Gas Company : 15-214-GA-GCR  
Southeastern Natural Gas Company: 15-215-GA-GCR

In the Matter of the :  
Uncollectible Expense Riders of::  
Eastern Natural Gas Company : 15-307-GA-UEX  
Pike Natural Gas Company. : 15-314-GA-UEX

In the Matter of the Percentage :  
of Income Payment Plan Riders of:  
Eastern Natural Gas Company : 15-407-GA-PIP  
Pike Natural Gas Company : 15-414-GA-PIP  
Southeastern Natural Gas Company: 15-415-GA-PIP

- - -

PROCEEDINGS

Before Doug Jennings, Attorney Examiner, held at  
the offices of the Public Utilities Commission  
of Ohio, 180 East Broad Street, Columbus, Ohio,  
on Tuesday, May 24, 2016, at 10:00 A.M.

- - -

Armstrong & Okey, Inc.  
222 East Town Street, 2nd Floor  
Columbus, Ohio 43215  
(614) 224-9481 - (800) 223-9481  
Fax - (614) 224-5724

- - -

APPEARANCES:

Vorys, Sater, Seymour and Pease LLP  
By Mr. Stephen M. Howard  
52 East Gay Street  
PO Box 1008  
Columbus, Ohio 43216-1008

On behalf of Eastern Natural Gas  
Company, Pike Natural Gas Company,  
and Southeastern Natural Gas  
Company.

Mr. Thomas G. Lindgren  
Assistant Attorney General  
30 East Broad Street  
Columbus, Ohio 43215

On behalf of the Staff of the  
Public Utilities Commission  
of Ohio.

- - -

— — —

7

— — —

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

INDEX TO EXHIBITS

- - -

MARKED    ADMT

JOINT EXHIBITS

1	Stipulation and Recommendation	12	12
---	-----------------------------------	----	----

COMPANY EXHIBITS

2	Proof of Publication	13	13
---	----------------------	----	----

- - -

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Tuesday Morning,  
May 24, 2016.  
- - -

ATTORNEY EXAMINER: The Public  
Utilities Commission of Ohio has scheduled for a  
hearing cases in the Matter of the Regulation of  
the Purchased Gas Adjustment Clauses Contained  
Within the Rate Schedules of Eastern Natural Gas  
Company, Pike Natural Gas Company  
and Southeastern Natural Gas Company.

The case numbers respectively are  
15-207-GA-GCR, 15-214-GA-GCR, and 15-215-GA-GCR.

This hearing also addresses the  
uncollectible expense riders of Eastern Natural  
Gas Company, Pike Natural Gas Company.

Their respective case numbers are  
15-307-GA-UEX and 15-314-GA-UEX.

And finally the hearing addresses  
the Percentage of Income Payment Plan Riders of  
Eastern Natural Gas Company, Pike Natural Gas  
Company and Southeastern Natural Gas Company.

Case numbers 15-407-GA-PIP,  
15-414-GA-PIP and 15-415-GA-PIP.

My name is Doug Jennings, I am an  
Attorney Examiner and I have been assigned to

1     preside over the hearing.

2                     At this point I would request  
3     the parties enter an appearance on the record.

4                     MR. HOWARD: Thank you, your Honor.  
5     If the Commission please, would you please have  
6     the record reflect the appearance on behalf of  
7     Eastern Natural Gas Company, Pike Natural Gas  
8     Company and Southeastern Natural Gas Company,  
9     through the law firm of Vorys, Sater, Seymour  
10    and Pease, by Stephen M. Howard, 52 East Gay  
11    Street, Columbus, Ohio 43215. Thank you.

12                    ATTORNEY EXAMINER: Thank you.

13                    MR. LINDGREN: On behalf of the  
14    Commission's Staff, Ohio Attorney General Mike  
15    DeWine by Thomas Lindgren, Assistant Attorney  
16    General, 30 East Broad Street, 16th Floor,  
17    Columbus, Ohio 43215.

18                    ATTORNEY EXAMINER: Thank you. Let  
19    the record reflect that there is no one from  
20    the general public at attendance at today's  
21    hearing.

22                    It's my understanding that the  
23    parties have entered into a stipulation.

24                    MR. LINDGREN: That is correct, your  
25    Honor

1                   ATTORNEY EXAMINER:   Okay.   And do  
2   you have a witness to support the stipulation  
3   you wish to call?

4                   MR. LINDGREN:   Yes.   The Staff would  
5   like to call Roger Sarver to the stand.

6                   (WITNESS SWORN)

7                                 - - -

8                   ROGER SARVER  
9   called as a witness, being first duly sworn,  
10   testified as follows:

11                                 DIRECT EXAMINATION

12   By Mr. Lindgren:

13                   Q.   Good morning, Mr. Sarver.

14                   A.   Good morning.

15                   Q.   Would you please state your full  
16   name for the record?

17                   A.   My name is Roger L. Sarver.   My  
18   business address is 180 East Broad Street,  
19   Columbus, Ohio 43215.

20                   Q.   And, Mr. Sarver, where are you  
21   employed?

22                   A.   I am employed by the Public  
23   Utilities Commission of Ohio as an Energy  
24   Specialist.

25                   Q.   What are your duties as an Energy

1 Specialist?

2 A. My duties include the scheduling of  
3 and the performance of the Gas Cost Recovery,  
4 the Uncollectible and the Percentage of Income  
5 Payment Plan Financial Rider audits.

6 Q. How long have you been in that  
7 position?

8 A. Almost 28 years.

9 Q. Thank you. Are you familiar with  
10 the facts of the cases that are before us today?

11 A. Yes.

12 Q. Thank you. And are you familiar  
13 with the terms of the Stipulation and  
14 Recommendation that the parties to this case  
15 have signed?

16 A. Yes, sir. We worked with the  
17 company and its consultants to reach a  
18 settlement.

19 Q. Thank you. In your opinion is  
20 the settlement a product of serious bargaining  
21 among capable and knowledgeable parties?

22 A. Yes.

23 Q. And does the settlement as a package  
24 benefit ratepayers and the public interest?

25 A. Yes. Through these audits, the GCR,



1 UEX and PIP, there are what I will call some  
2 errors, adjustments, inclusion of costs that  
3 were not previously recorded or recognized for  
4 recovery into the calculations of the companies'  
5 GCR, and the end result is adjustments that  
6 reflect the costs the utilities have incurred to  
7 provide those services to its customers.

8 Q. Thank you. And are you familiar  
9 with the regulatory principles and practices  
10 that apply in this type of case?

11 A. Yes, sir.

12 Q. Then does the settlement package  
13 violate any important regulatory principle or  
14 practice?

15 A. No, sir.

16 Q. Thank you. And is there anything  
17 else that came to your attention in the course  
18 of these audits that you would like to make  
19 the Commission aware of?

20 A. Yes. After the conclusion of the  
21 filing of the Staff Report Staff had brought to  
22 its attention by the Company costs associated  
23 with serving three schools in Scioto County.

24 These schools are served through a  
25 combination of local distribution companies with

1 the gas entering in through Columbia Gas of  
2 Ohio, being transported to Knox Energy, and then  
3 Knox Energy transports it across its system to  
4 Pike, who then serves the local distribution  
5 companies, or serves these schools.

6 And what Staff was unaware of when  
7 it initiated these audits was of these  
8 customers, of their costs and how they were  
9 being recognized for cost recovery through Pike  
10 Waverly's gas cost recovery mechanism.

11 So, we did not note that in our  
12 audit report, we did not, other than in  
13 paragraph under the gas cost recovery matters,  
14 under C, we do make mention of the company  
15 failing to include the costs, and down below  
16 recognizing the Staff was unable to tie the gas  
17 cost, the gas supply cost, charged by Knox.  
18 So we couldn't tie those out.

19 Then we made another observation for  
20 future audits vital to be able to audit the cost  
21 of gas purchased from unregulated cooperatives  
22 and, therefore, all costs sought for recovery  
23 through Pike and Eastern's GCR filings going  
24 forward should be verified through  
25 documentations from non-Knox and non-affiliated

1 parties.

2 Q. Do you have anything to add?

3 A. Well, Staff in its review have noted  
4 some similarities to this in other audits its  
5 done in the past. And Staff questions the need  
6 to insert a third local distribution company in  
7 servicing the schools when Knox Energy's system  
8 is in the immediate vicinity.

9 Staff found in other audits the  
10 least number of entities, pipelines and LDCs the  
11 gas must pass through before reaching customers  
12 results in lower GCR costs.

13 Staff would like to raise this  
14 concern with the Commission that the  
15 proliferation of the practice of inserting  
16 additional entities into the procurement of gas  
17 and/or its delivery only results in the layering  
18 of costs to natural gas customers.

19 We have seen it in the past, and  
20 what we would like to do is bring to the  
21 Commission's attention along with the companies'  
22 that we hope that this practice does not become  
23 the norm.

24 Q. Thank you. Do you have anything  
25 further to add?

1           A.    No, sir.

2           Q.    So with that is it your  
3 recommendation that the Commission adopt this  
4 Stipulation and Recommendation?

5           A.    Yes, sir.

6           MR. LINDGREN:  Thank you.  I have no  
7 further questions.

8           ATTORNEY EXAMINER:  Mr. Howard, any  
9 questions?

10          MR. HOWARD:  No, your Honor, thank  
11 you.

12          ATTORNEY EXAMINER:  Okay.  The  
13 Commission has no questions.  You may be  
14 excused.

15          THE WITNESS:  Thank you.

16          ATTORNEY EXAMINER:  Thank you.

17          MR. LINDGREN:  Your Honor, I would  
18 like to bring to your attention a section in the  
19 Stipulation and Recommendation, Section VII B,  
20 on page 7 that provides that the parties agree  
21 that the audit reports filed in these various  
22 dockets should be deemed part of the record.

23                 And I would also move to admit Joint  
24 Exhibit 1, the Stipulation and Recommendation.

25          ATTORNEY EXAMINER:  Okay.  The Staff

Report will be considered part of the record and admitted along with Joint Exhibit 1.

(EXHIBIT ADMITTED INTO EVIDENCE)

MR. HOWARD: Your Honor, the Company previously filed with the docketing division notices of the GCR hearing, and I have placed before the Bench a multi-page document marked Company Exhibit 2. This contains filings made on January 19, February 22 and March 1 of earlier this year, and we would ask that be admitted into evidence as Company Exhibit No. 2.

The last page of this is the affidavit from Christina Toppel who is the billing manager of Utility Pipeline, Ltd. Thank you.

ATTORNEY EXAMINER: Any comments from Staff?

MR. LINDGREN: No, your Honor.

ATTORNEY EXAMINER: Company Exhibit 2 will be admitted into the record.

(EXHIBIT HEREBY ADMITTED INTO EVIDENCE)

MR. HOWARD: Thank you.

ATTORNEY EXAMINER: Thank you. Anything further?

1                   MR. LINDGREN:  Nothing further, your  
2 Honor.

3                   ATTORNEY EXAMINER:  Thank you.  This  
4 hearing is adjourned.

5                   (At 10:12 A.M. the hearing was  
6 concluded)

7                                 - - -

CERTIFICATE

I do hereby certify that the foregoing  
is a true and correct transcript of the  
proceedings taken by me in this matter on May  
24, 2016, and carefully compared with my  
original stenographic notes.

\_\_\_\_\_  
Michael O. Spencer,  
Registered Professional  
Reporter.

- - -

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**6/7/2016 3:28:14 PM**

**in**

**Case No(s). 15-0207-GA-GCR, 15-0214-GA-GCR, 15-0215-GA-GCR, 15-0307-GA-UEX, 15-0314-GA-U**

Summary: Transcript In the matter of the Regulation of the Purchased Gas Adjustment Clause Contained within the Rate Schedules of: Eastern Natural Gas Company Pike Natural Gas Company Southern Natural Gas Company. In the matter of the Uncollectible Expense Riders of Eastern Natural Gas Company Pike Natural Gas Company. In the matter of: the Percentage of Income Payment Plan Riders of Eastern Natural Gas Company Pike Natural Gas Company Southeastern Natural Gas Company, hearing held on May 24, 2016 electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Spencer, Michael O. Mr.