

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)
Gas Company for Approval of an) Case No. 19-1354-GA-ALT
Alternative Rate Plan)

In the Matter of the Application of Ohio) Case No. 19-1355-GA-ATA
Gas Company for Tariff Approval)

**DIRECT TESTIMONY OF CHARLES TURNWALD IN SUPPORT OF THE
APPLICATION**

Frank P. Darr (Reg. No. 0025469)
(Counsel of Record)
Matthew R. Pritchard (Reg. No. 0088070)
MCNEES WALLACE & NURICK LLC
21 East State Street, 17TH Floor
Columbus, OH 43215
Telephone: (614) 469-8000
Telecopier: (614) 469-4653
fdarr@mcneeslaw.com
(willing to accept service by e-mail)
mpritchard@mcneeslaw.com
(willing to accept service by e-mail)

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ATTORNEYS FOR OHIO GAS COMPANY

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I. Introduction

Q1. State your name and business address.

A1. My name is Charles Turnwald. My business address is 200 West High Street,
Bryan, Ohio 43506.

Q2. By whom are you employed and in what capacity?

A2. I am employed by Ohio Gas Company ("Ohio Gas") as the Corporate
Secretary/Treasurer/Controller, and I have been a member of the Board of
Directors since 2018.

Q3. Describe your education and professional experience.

A3. I received a Bachelor's Degree in Business Administration (Accounting) from the
University of Toledo in 1984. Since then, I have worked for Michigan Gas Utilities,
Ohio Gas, and their affiliates in positions of increasing responsibility. I joined Ohio
Gas in 1995 as an assistant controller.

1 **Q4. What are your duties for Ohio Gas?**

2 **A4.** My duties are summarized in Exhibit A to my testimony.

3 **Q5. Have you previously testified before the Public Utilities Commission of Ohio**
4 **(“PUCO” or “Commission”)?**

5 **A5.** No.

6 **Q6. What is the purpose of your testimony in this case?**

7 **A6.** My testimony includes the following:

- 8 • An overview of Ohio Gas Company and its operations;
- 9 • A description of the geographical information system, the costs of the
10 project that are currently deferred for future collection, and the schedules
11 supporting the determination of the customer charge and its proposed
12 amortization;
- 13 • Support for the alternative rate plan that proposes the customer charge to
14 amortize the deferred expenses;
- 15 • Support for the authorization of a tariff sheet for the charge; and
- 16 • Testimony in support of other matters in the Application.

17 **II. Ohio Gas Company**

18 **Q7. Can you provide a summary of the history of Ohio Gas Company?**

19 **A7.** Yes. Ohio Gas Company was incorporated on May 14, 1914 as the Ohio Gas
20 Light & Coke Company. Ohio Gas Light & Coke Company then merged with the
21 Napoleon & Wauseon Gas Company and with the Bryan & Montpelier Gas
22 Company. The Napoleon & Wauseon Gas Company was incorporated on
23 October 3, 1912 and Bryan & Montpelier Gas Company was a partnership formed

1 in the same year. In 1925, Ohio Gas Light & Coke Company purchased the
2 outstanding stock of the Archbold & Stryker Gas Company. In July 1926, Great
3 Lakes Utilities purchased the stock of Ohio Gas Light & Coke Company, and Ohio
4 Gas Light & Coke Company continued to operate as a separate entity under its
5 own name. Ownership changed again in 1945 when Great Lakes Utilities sold its
6 interest in the Ohio Gas Light & Coke Company to the Lannan and Dempsey
7 families of Chicago. On July 25, 1946, Ohio Gas Light & Coke Company was
8 renamed the Ohio Gas Company.

9 Ohio Gas Company purchased the natural gas distribution system that served
10 Paulding, Payne and Antwerp in 1963. Ohio Gas Company acquired the Lyons
11 Gas Company in 1975.

12 In 1985, the Lannan and Dempsey families sold their interests in the Ohio Gas
13 Company to NWO Resources. Also in 1985, Ohio Gas Company acquired the gas
14 distribution assets from The Toledo Edison Company for Defiance and Delta.

15 In 2011, Ohio Gas Company purchased systems that were owned by the Villages
16 of Hamler, Holgate, and Malinta and operated by the Suburban Natural Gas
17 Company.

18 **Q8. What areas are served by Ohio Gas Company?**

19 **A8.** Ohio Gas Company serves approximately 50,000 customers in the six most
20 northwest counties of Ohio. The service territory includes 28 communities, the
21 largest being the City of Defiance.

22 **Q9. How are Ohio Gas Company, its management, and employees engaged with**
23 **the communities in the service territory?**

1 **A9.** Ohio Gas Company's service territory is a very rural area with several small towns.
2 Community involvement is very important to Ohio Gas Company and we make
3 monetary contributions and encourage our employees to be involved. Over the
4 years Ohio Gas Company employees have served on numerous Village Councils,
5 Volunteer Fire Departments, Community Industrial Development organizations,
6 and Community Service Clubs.
7 Ohio Gas Company and its employees support Service Territory Chambers of
8 Commerce, School Post Proms, Athletic Boosters, Libraries, Volunteer Fire
9 Departments, Youth Athletics, Hospice Organizations, Boy Scouts, Cystic Fibrosis
10 Foundation, American Cancer Society, American Heart Association, Special
11 Olympics and Filing Home of Mercy.

12 **Q10. How does Ohio Gas Company interact with its customers?**

13 **A10.** Ohio Gas Company provides several means to assure customer contact and
14 customer satisfaction. It provides customers the opportunity to speak directly with
15 trained company call center employees who can address a wide range of issues.
16 Ohio Gas Company also uses bill inserts to provide to customers important
17 information about their service. The Company also works closely with the
18 communities that participate in the aggregation programs. Additionally, Ohio Gas
19 Company maintains a secure website where customers can read information about
20 safe use of service, acceptable bill paying arrangements, payment assistance
21 programs, and alternative ways to contact the Company for other information.
22 Customers can also make a request to start or stop service, access First Billing, a

1 third party payer, to make a payment to their account and request Ohio Gas
2 Company's no fee Direct Debit service as the method to pay their bill.

3 **Q11. What kinds of services does Ohio Gas Company provide?**

4 **A11.** Ohio Gas Company provides distribution and transportation service to ultimate
5 users of natural gas service.

6 To provide this service, Ohio Gas Company has maintained operating franchise
7 agreements with 28 communities. These agreements define how Ohio Gas
8 Company will conduct its operations within the communities' rights-of-way. In
9 addition to operating franchise agreements, Ohio Gas Company and all 28
10 communities have agreed to Community Energy Partnership ("CEP") ordinances
11 and ordinances authorizing contractual arrangements (between Ohio Gas
12 Company and industrial customers within the municipal boundaries) to be filed with
13 the local communities. Contractual arrangements with industrial customers
14 outside of any municipal boundary are filed with the Commission.

15 The CEP Program is a community-based commodity aggregation program of
16 residential and small commercial customers. Each community acts as the agent
17 for the aggregated customers for the purpose of obtaining a natural gas supply
18 and having that supply delivered to Ohio Gas Company. Ohio Gas Company
19 transports that supply to the end user and bills the ultimate customer for that
20 service under its tariff. From the period of 1997 through 2009, all communities and
21 customers in rural areas adopted the CEP Program. In 2009, Ohio Gas Company
22 completely exited the merchant function.

1 The larger Industrial and Commercial customers on the Ohio Gas Company
2 system obtain their own supply of natural gas and contract for that supply to be
3 delivered to Ohio Gas Company. Ohio Gas Company then transports that supply
4 under contractual authority.

5 **Q12. What kinds of investments has Ohio Gas Company made to its existing**
6 **distribution system?**

7 **A12.** Ohio Gas Company is constantly investing in the gas distribution system to assure
8 that it is safe and reliable. It has maintained and replaced service lines, extended
9 high pressure facilities to connect to pipelines, and extended facilities to newly
10 developed areas. These activities include the efforts begun in 2015 to implement
11 a geographical information system ("GIS") that is the subject of this Application.

12 **Q13. Please describe the GIS.**

13 **A13.** GIS systems are being widely utilized in the utility industry to take advantage of
14 technology to digitize mapping and to develop database information that permits
15 queries and analysis. The GIS system being implemented by Ohio Gas is intended
16 to support its mission in many ways, including a) providing reliable and
17 uninterrupted service to its customers; b) allowing Ohio Gas to take prompt action
18 when concerns arise; c) maintaining Ohio Gas infrastructure through regular
19 inspections, surveys, responses to customer inquiries, and routine maintenance
20 and repair activities; d) providing additional means to effectively respond to
21 inquiries from the Ohio Utilities Protection Service ("OUPS"), including prompt
22 responses to requests for marking the location of underground facilities; and, e)
23 complying with Commission regulations including rates, efficiency, pipeline safety,

1 minimum service standards for providing service, consumer safeguards, and
2 various records management and reporting requirements.

3 **Q14. What is the status of the GIS project?**

4 **A14.** Ohio Gas has completed the first phase of the GIS project.

5 **Q15. The GIS project was initially described as having two phases. Has the**
6 **second phase commenced?**

7 **A15.** Yes.

8 **Q16. Will Ohio Gas be seeking accounting authority to defer the costs associated**
9 **with the second phase of the GIS project?**

10 **A16.** No. Ohio Gas has elected to internally fund the costs of the project from current
11 revenue.

12 **Q17. How did Ohio Gas account for the costs it incurred for the first phase of the**
13 **GIS project?**

14 **A17.** In 2015, Ohio Gas filed an application seeking authority under R.C. 4909.13 to
15 revise its accounting procedures and permit Ohio Gas to defer income statement
16 recognition of the incremental GIS costs incurred by Ohio Gas and apply a carrying
17 charge of 4% in Case No. 15-222-GA-AAM. It proposed to track the deferral
18 balance in Account 182. The Commission approved the application seeking the
19 accounting authorization with some modifications on July 29, 2015.

20 **Q18. What is the current balance of Account 182 for the GIS project?**

21 **A18.** The current balance for the GIS project that is deferred to Account 182 is
22 \$928,433.81 as of June 30, 2019. Exhibit G to the Application sets out the balance
23 and carrying charge calculations.

1 **III. Alternative rate plan application**

2 **Q19.** Please describe the alternative rate plan filed by Ohio Gas.

3 **A19.** The alternative rate plan is set out in Exhibit A to the Application in the plan, Ohio
4 Gas proposes that the Phase I GIS deferral balance be amortized over a two-year
5 period. Except as modified by the proposed Geographical Information System
6 Rider (“GIS Rider”), base rates for General Service and Transportation customers
7 would be unaffected.¹

8 Based on the estimated deferral balance as of January 1, 2020, Ohio Gas has
9 calculated and proposes a GIS Rider rate of \$0.86 per bill.

10 Ohio Gas proposes that the GIS Rider be subject to a final reconciliation
11 associated with the amortization and collection of the Phase I deferral balance. As
12 proposed, the final reconciliation would occur near the end of the two-year
13 amortization period. Ohio Gas would calculate the remaining balance and
14 estimate the anticipated revenue and propose any necessary adjustments to the
15 GIS Rider Rate. Such adjustments may include a reduction in the rider rate. The
16 final reconciliation would not result in a rate greater than that proposed in this
17 Application.

18 Furthermore, Ohio Gas proposes an automatic approval process for the final
19 reconciliation rate. Ohio Gas would file a proposed final reconciliation rate at least
20 60 days before the conclusion of the 24-month amortization period. Staff would

¹ After Ohio Gas sought deferral authority in Case No. 15-222-GA-AAM, it filed an application to increase rates. As part of the application to increase rates, it included labor expense for an employee that was added to assist in operations including the implementation of the GIS. The deferral for which Ohio Gas is seeking recovery in this case does not include any of the labor expense associated with the new employee.

1 have the ability to review the proposed final reconciliation rate and issue a report
2 and recommendation. If the Commission takes no action within 30 days of the
3 final reconciliation filing, then the rate proposed in that filing would be deemed
4 automatically approved on the thirty-first day after the filing.

5 Although the Commission's order providing accounting authority to defer the phase
6 I expenses required an annual report of the deferral balance, it is not clear if this
7 requirement would carry over once amortization of the deferral commences.
8 Nonetheless, Ohio Gas would continue to submit annual reports by June 1 of each
9 year identifying the deferral balance and would submit a final report once the
10 deferral balance is completely amortized.

11 **Q20. What other information is the Company providing to support the**
12 **application?**

13 **A20.** The Company has included Schedules C-2 and C-2.1 from the standard filing
14 requirements for an application seeking an increase in rates. See Exhibit F to the
15 Application.

16 **Q21. Has the Company adjusted the Schedules?**

17 **A21.** Yes. The C-2 and the C-2.1 schedules reflect six months of actuals for 2019
18 (January-June) and six months of estimates (July-December) for operating
19 expenses. Operating revenues for 2019 have been adjusted to normalized
20 weather based on thirty-year average temperatures. Significantly colder than
21 normal temperatures were experienced in the first quarter of 2019 and, through
22 June, actual degree days were 7.08% greater than normal and Mcf sales were
23 5.95% greater than our budget which is based on normal weather. The operating

1 revenue adjustment for normal weather was therefore a 4.37% decrease or
2 \$848,537 less than six months of actuals and six months of estimates. The
3 applicable Gross Receipts Tax, Mcf Tax and Income Tax expenses related to this
4 revenue adjustment were also decreased.

5 The Schedules also reflect an adjustment for amortization of excess deferred
6 income taxes. Amortization of excess deferred income taxes is estimated at
7 \$125,000 for the year of 2019 on a total company basis (\$108,000 for Tax Cuts
8 and Jobs Act of 2017 and \$17,000 for Tax Reform Act of 1986) and \$113,000 on
9 a jurisdictional basis.

10 **Q22. Based on your review of Company records, is the information contained in**
11 **the Application fair and accurate?**

12 **A22.** Yes.

13 **Q23. R.C. 4929.05 provides the Commission shall authorize an applicant to**
14 **implement an alternative rate plan if the natural gas company has made a**
15 **showing and the Commission finds that the following conditions are met:**
16 **(1) The natural gas company is in compliance with R.C. 4905.35 and is in**
17 **substantial compliance with the policy of this state specified in R.C.**
18 **4929.02; (2) The natural gas company is expected to continue to be in**
19 **substantial compliance with the policy of this state specified in R.C.**
20 **4929.02 of the Revised Code after implementation of the alternative rate**
21 **plan; and (3) The alternative rate plan is just and reasonable. Has Ohio Gas**
22 **provided support for the three findings the Commission must make to**
23 **support authorization of an alternative rate plan?**

1 **A23.** Yes. As explained in Exhibits A, B, and C to the Application, Ohio Gas has met
2 the requirements for an authorization to implement an alternative rate plan. I
3 incorporate Exhibits A, B, and C as if they were fully set as part of my testimony.

4 **Q24. Why does the Company recommend an increase in the customer charge as**
5 **opposed to a charge based on volumes of gas provided to the customer?**

6 **A24.** Two reasons stand out. First, collecting the increase through the customer charge
7 is consistent with principles of cost causation. The GIS system is related largely
8 to customer accounts and does not vary by customer based on either the demand
9 for gas or volume of gas the customer uses in a month. Second, a customer
10 charge greatly simplifies the process of amortizing the costs over a defined period
11 of time. As noted in the proposed tariff sheet, Ohio Gas proposes that the charge
12 be in place for 24 months at a rate of \$.86, be adjusted for one month to account
13 for any over or under collection, and then be set to zero.

14 **Q25. Do you believe that the requested increase in the customer charge is just**
15 **and reasonable?**

16 **A25.** Based on the reasons I have stated, it is.

17 **Q26. Are you the supporting witness for the Application and Schedules?**

18 **A26.** Yes.

19 **Q27. Have you identified the Major Issues presented by the Application?**

20 **A27.** Yes. The Major Issues are listed in Exhibit B of my testimony.

21 **IV. Tariff Sheets**

22 **Q28. Has Ohio Gas prepared tariff sheets to implement the proposed GIS Rider?**

1 **A28.** Yes. Current, redlined, and clean tariff sheets are attached to the Application as
2 Exhibit E.

3 **V. Conclusion**

4 **Q29. Based on your review of the Application and the supporting schedules,**
5 **would authorization of proposed charge be just and reasonable?**

6 **A29.** Yes. On behalf of Ohio Gas Company, I am recommending that the Commission
7 approve the Application because the relief being requested is just and reasonable.

8 **Q30. Does this conclude your testimony?**

9 **A30.** Yes.

Exhibit A

1 **Charles Turnwald**

2
3 **Corporate Secretary / Treasurer / Controller & Member on Board of**
4 **Directors since 2018**

5
6 **Direct Department Oversight:** Accounting
7

8 **Gas Supply**

- 9
 - Creates operational plans for gas supply and procurement
 - Manages gas load requirements and contracts for supply needs
 - Short-term and long-term forecasting of gas supply portfolio
 - Marketing functions and rate design of Industrial Pool contract customers
 - Contract administration for pipelines, transportation, storage agreements
 - Calculate monthly gas cost rates to be utilized for customer billing
 - Monitor FERC filings, other gas utilities and other transmission companies

16
17 **Corporate Secretary Primary Duties**

- 18
 - Maintain Corporate Records – Director's Meetings, Annual Meeting, and all
 - 19 Corporate Resolutions.
 - 20 • Lead in maintaining relationships with regulatory legal counsel and PUCO
 - 21 and keeps all Officers informed

22
23 **Treasurer Primary Duties**

- 24
 - Cash Management – Monitor on a daily, monthly, and annual basis the
 - 25 Company's line of credit.
 - 26 • Banking Relationships – Liaison with the Company's Banks
 - 27 • Tax return Preparation – Compilation of Tax Return working papers.
 - 28 • Preparation of annual Company financial forecasts – Prepare forecasted
 - 29 Income Statement, Cash Flow Statement, and Balance Sheet from the
 - 30 individual area budgets.

31
32 **Controller Primary Duties:**

- 33
 - Responsible for the monthly, quarterly, and annual reporting of actual
 - 34 business transactions that present fairly and accurately the financial
 - 35 position, results of operations, and cash flows of the Company.
 - 36 • Prepare consolidated financial statements for Ohio Gas Company and Ohio
 - 37 Gas Energy Services

- 1 • Responsible for establishing and maintaining effective internal controls over
2 financial reporting.
- 3 • Coordinate the monthly closing process with all departments, utilizing the
4 systems of our fully integrated general ledger.
- 5 • Review all cost of gas related transactions of our CEP Pool and Industrial
6 Pool transportation programs, including purchases, deferred gas costs
7 accounting, unbilled revenues, gas in storage activity, and maintenance of
8 gas imbalance schedules.
- 9 • Coordinate the operating and maintenance expense, and capital budgeting
10 process. Work with departmental and area managers to develop and
11 collect details appropriate for the approved annual budget levels.
- 12 • Participate in audits conducted by our external auditors, Grant Thornton,
13 PUCO, Ohio Department of Taxation, and other third parties.
- 14 • Oversee required miscellaneous tax filings such as real and personal
15 property taxes, sales/use taxes, gross receipts taxes, Mcf taxes, and other
16 general taxes. Issue 1099 tax documents to appropriate vendors.
- 17 • Participate in evaluation of new technologies that could improve accounting
18 systems and provide additional efficiencies.
- 19 • Provide data analysis to all departments as needed and provide updates to
20 cost of service study.
- 21 • Advertising & assist with New Business analysis

22 23 **Additional Primary Duties**

- 24 • Member of the Benefits Committee
 - 25 ○ Fiduciary responsibility for the Pension Plan. Liaison with Company
 - 26 ○ actuary regarding Pension Plan liabilities and funding
 - 27 ○ Pension Plan Administration
 - 28 ○ FASB retire life benefit
- 29 • Participates in maintaining Company Tariff including language and rate
30 changes.

Exhibit B

Index of Major Issues

<u>Major Issue</u>	<u>Witness</u>
Costs to be Recovered and Development of the Charge Amount	Charles Turnwald
Tariff	Charles Turnwald

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Case No(s). 19-1354-GA-ALT, 19-1355-GA-ATA

Summary: Testimony Direct Testimony of Charles Turnwald in Support of the Application electronically filed by Mr. Frank P Darr on behalf of Ohio Gas Company