

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Northeast	)	
Ohio Natural Gas Corp. for an Increase in	)	Case No. 18-1720-GA-AIR
Gas Distribution Rates	)	
	)	
In the Matter of the Application of Northeast	)	Case No. 18-1721-GA-ATA
Ohio Natural Gas Corp. for Tariff Approval	)	
	)	
In the Matter of the Application of Northeast	)	Case No. 18-1722-GA-ALT
Ohio Natural Gas Corp. for Approval of	)	
Alternative Regulation	)	

**DIRECT TESTIMONY  
OF  
KEN OOSTMAN  
IN SUPPORT OF THE UNOPPOSED STIPULATION**

**Submitted on behalf of  
  
NORTHEAST OHIO NATURAL GAS CORP.**

**Filed September 3, 2019**

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

2    A.     Ken Oostman, 5640 Lancaster-Newark Road, Pleasantville, Ohio 43148.

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

4    A.     I am President of Northeast Ohio Natural Gas Corp. (“NEO” or the “Company”).

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

6    A.     I am testifying on behalf of NEO in support of the unopposed Stipulation.

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

8    A.     I became President of NEO in June 2019. Prior to joining NEO, I served as Vice President  
9           of Technical Services for TransCanada. I have also served as Vice President of  
10          Engineering for Columbia Pipeline Group, and Vice President of Operations and Vice  
11          President of Technical Services at New Mexico Gas Company. I have been in the energy  
12          industry for 26 years and held a variety of positions including operations director for  
13          Meade, a pipeline construction company; senior project manager for EN Engineering, an  
14          international engineering and consulting firm; as well as numerous positions with Nicor  
15          Gas, a large local gas distribution company near Chicago, Illinois. I earned my degrees in  
16          business administration and mechanical engineering from Valparaiso University, Indiana,  
17          in 1988 and 1993, respectively. I am also a licensed professional engineer, am active in  
18          the Ohio Gas Association (OGA), American Gas Association (AGA), and a member of the  
19          National Society of Professional Engineers (NSPE).

20   **Q.     Describe the duties of your current position.**

21   A.     I am currently President of NEO. As President, I am responsible for all aspects of NEO’s  
22          strategies, operations, personnel, compliance and financial health.

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

1 A. I am testifying in support of the Stipulation and Recommendation (“Stipulation”) that was  
2 filed in the above-captioned matters on September 3, 2019. I will provide an overview of  
3 the key terms and conditions of the Stipulation, and also explain how the Stipulation meets  
4 the criteria used by the Commission when considering stipulated agreements.

5 **Q. Please summarize the Stipulation.**

6 A. The Stipulation is a comprehensive resolution of the case and would settle all of the issues  
7 raised in the above-captioned proceedings. The Stipulation incorporates the findings and  
8 recommendations of the Staff Report, filed on June 25, 2019, except as otherwise agreed  
9 in the Stipulation. Among other things, the Stipulation provides:

- 10 • The withdraw of proposed IRP Rider.
- 11 • A stipulated return on equity of 10.0%, well below the range of 11.33% to 12.33%  
12 supported by Company witness Scheig and 10.83% requested by the Company in  
13 its Application. This stipulated return is also the midpoint of the Staff Report’s  
14 recommended range of 9.5% to 10.5%.
- 15 • Agreement as to the depreciation policies to be used by NEO in the future.
- 16 • The creation of a new class for GS customers who have annual usage less than 200  
17 Mcf in order to mitigate against disproportionate rate impacts for customers.
- 18 • Agreement on a new set of tariffs which will standardize what were once four  
19 different set of dated tariffs.
- 20 • Agreement as to the items to be included in NEO’s Rate Base as of September 30,  
21 2018 and the associated Revenue Requirement.

22  
23 **Q. What criteria have the Commission used in considering approval of a stipulation**  
24 **among signatory parties in a proceeding?**

25 A. My understanding is that a stipulation must satisfy three criteria: (1) the stipulation must  
26 be the product of serious bargaining among capable, knowledgeable parties; (2) the

1 stipulation must not violate any important regulatory principle or practice; and (3) the  
2 stipulation must, as a package, benefit ratepayers and the public interest.

3 **Q. Does the Stipulation in this case satisfy these criteria?**

4 A. Yes.

5 **Q. Is the Stipulation the product of serious bargaining among capable, knowledgeable**  
6 **parties?**

7 A. Yes. Staff, NEO, the Office of the Ohio Consumers' Counsel ("OCC"), and Ohio Partners  
8 for Affordable Energy ("OPAE") (collectively, the "Signatory Parties") have a history of  
9 participation and experience in AIR, ATA, and ALT cases. The Stipulation is the product  
10 of an open process in which all parties were represented by counsel and technical experts.  
11 The Signatory Parties reached the Stipulation after a thorough investigation by Staff and  
12 engaging in negotiation discussions. The Signatory Parties are very knowledgeable of all  
13 the relevant issues in these cases, and they used this knowledge to reach the Stipulation,  
14 which represents a comprehensive compromise of issues raised by parties with diverse  
15 interests. I believe that the Stipulation recommended for Commission adoption presents a  
16 fair and reasonable result.

17 **Q. Does the Stipulation violate any important regulatory principle or practice?**

18 A. No. There is no party who opposes the Stipulation. This resulted because there is no  
19 provision of the Stipulation which violates any important regulatory practice or principle.  
20 In fact, this Stipulation furthers several important Commission principles such as an  
21 appropriate allocation of costs between customers, appropriate rate design, fair and  
22 reasonable tariff provisions, and providing a reasonable return on equity for Ohio utilities.

23 **Q. Does the Stipulation, as a package, benefit customers and ratepayers?**

1 A. Yes. As discussed above, the Stipulation provides for an unopposed agreement between  
2 all concerned parties regarding all aspects of NEO's rates and tariffs. That includes, among  
3 other things, to reduce the requested return on equity from 10.83% to 10.0%, creation of a  
4 new GS-1 class to avoid undue rate increases on certain customers, revised depreciation  
5 policies which will benefit customers, and agreement on the items which should be  
6 included in Rate Base.

7 As evidence of the reasonable nature of this compromise, the Stipulation is  
8 unopposed and both the OCC and the OPAE have signed indicating their non-opposition  
9 to the Stipulation. Beyond the actual parties to this proceeding, not a single member of the  
10 public contested NEO's proposal at any of three separate public hearings. This Stipulation  
11 is even more beneficial to customers than NEO's original proposal, and as such benefits  
12 customers. It should accordingly be given substantial consideration by the Commission  
13 and approved without modification.

14 **Q. Do you recommend that the Commission adopt the Stipulation?**

15 A. Yes. I believe the Stipulation represents a fair and reasonable compromise of diverse  
16 interests and provides a fair result for customers.

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

18 A. Yes, it does.

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Summary: Testimony Direct Testimony of Ken Oostman in Support of the Unopposed Stipulation electronically filed by Mr. Mark T Keaney on behalf of Northeast Ohio Natural Gas Corp.