

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion Energy) Case No. 21-0296-GA-ATA
Ohio for Approval of Changes in Rules and)
Regulations regarding Heat Content)
Conversion)

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion Energy) Case No. 21-0297-GA-UNC
Ohio for Approval of Reliability)
Enhancement Program)

**TESTIMONY OF ELLA R. HOCHSTETLER
IN SUPPORT OF THE STIPULATION ON BEHALF OF
THE EAST OHIO GAS COMPANY D/B/A DOMINION ENERGY OHIO**

March 28, 2022

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1 **I. INTRODUCTION**

2 **Q1. Please state your name and business address.**

3 A. My name is Ella R. Hochstetler, and my business address is 2100 Eastwood Ave, Akron,
4 Ohio 44305.

5 **Q2. By whom are you employed?**

6 A. I am employed by The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO) as
7 Director of the DEO Regulatory and Pricing Group.

8 **Q3. Are you familiar with the Company's Application in this proceeding?**

9 A. Yes. I am familiar with the Company's Application filed in this proceeding on April 1,
10 2021 (the Application).

11 **Q4. What is the purpose and scope of your testimony?**

12 A. My testimony supports the Stipulation and Recommendation filed on March 18, 2022
13 (the Stipulation) and provides certain facts relevant to the Commission's criteria for
14 evaluating stipulations to explain why the Stipulation is reasonable and should be
15 approved without modification.

16 **II. THE STIPULATION**

17 **Q5. What does the Stipulation resolve?**

18 A. The Stipulation resolves DEO's request for regulatory approvals related to the 2021
19 Master Heat Content Agreement (2021 HCA) negotiated between DEO and the Ohio Oil
20 & Gas Association (OOGA).

21 **Q6. Who are the Signatory Parties?**

22 A. The Company and the Staff of the Public Utilities Commission of Ohio (Staff).

1 **Q7. Does the Stipulation resolve all issues raised in this proceeding?**

2 A. Yes. The Stipulation is a just, reasonable, and comprehensive settlement of all issues in
3 this proceeding, and as discussed below, meets the criteria that the Commission uses to
4 determine whether to approve a stipulation.

5 **Q8. Can you briefly describe the relief that the Application requested?**

6 A. First, the Application requests approval of regulatory impacts and tariff revisions related
7 to the 2021 HCA. Specifically, the Application requests approval of a modification to the
8 Ohio Production Btu Adjustment factor applied to conventional local production, which
9 is one component of DEO's Unaccounted-for-Gas (UFG) percentage. The proposed
10 modification would increase the conventional local production volumes credited to
11 customer accounts and marketer pools, thereby increasing the corresponding component
12 of DEO's UFG Percentage. Second, the Application also requests approval to establish,
13 on a three-year pilot basis, a Reliability Enhancement Program, under which DEO would
14 pay a Reliability Enhancement Fee of \$1.00 per Mcf to qualifying conventional
15 producers and recover that fee from customers through Transportation Migration Rider-
16 Part B (TMR-B).

17 **Q9. Why did DEO consider these proposals to be beneficial to ratepayers?**

18 A. Local production historically is a primary and essential source of supply for certain areas
19 of DEO's system, due to hydraulic limitations on the transportation of natural gas from
20 upstream pipelines. In addition, conventional local production generally has a higher
21 heating value than gas delivered via interstate pipelines. However, Ohio conventional gas
22 production has declined precipitously, from nearly 120 billion cubic feet (Bcf) in 1993 to
23 just over 33 Bcf in 2020. Furthermore, the low-price environment for natural gas has
24 made it difficult for conventional producers to invest in existing and new wells to

1 maintain and increase production. The proposed modification to the Ohio Production Btu
2 Adjustment further recognizes the value of conventional local production. Moreover,
3 both proposals in the Application were designed to help to ensure the continued
4 availability of an operationally important but financially distressed resource. If
5 conventional local production were limited or eliminated in the future, DEO might have
6 to make significant capital investments in its systems, restrict its service, or even abandon
7 service to customers or service areas that rely on such production.

8 **Q10. What did Staff recommend with respect to the Application?**

9 A. In its Review and Recommendation (the Staff Report), Staff did not recommend approval
10 of the modification to the Ohio Production Btu Adjustment and did not believe that fees
11 paid by DEO to local producers under the Reliability Enhancement Program should be
12 collected from ratepayers.

13 **Q11. Does the Stipulation adopt the Staff's recommendations?**

14 A. In part. Paragraph 1 of the Stipulation indicates that the Stipulation recommends approval
15 of the Application, subject to the findings and recommendations of the Staff Report,
16 except as otherwise specifically provided for in the Stipulation. Paragraph 2 confirms that
17 to resolve all issues and reach resolution in this proceeding, DEO withdraws its request to
18 initiate the Reliability Enhancement Program on a pilot basis and to recover the
19 associated costs through TMR-B. However, Paragraph 3 indicates that the Staff Report
20 recommendation not to approve DEO's request to modify the Ohio Production Btu
21 Adjustment factor in the calculation of the UFG Percentage based on the 2021 HCA shall
22 hereby be withdrawn. Consequently, subject to the conditions set forth in the Stipulation,
23 DEO and Staff recommend approving DEO's Application to the extent it pertains to the

1 2021 HCA and Ohio Production Btu Adjustment and the tariff modifications proposed by
2 DEO and reflected in Exhibit 1 to the Application.

3 **Q12. Did DEO agree in principle with the Staff Report recommendation concerning the**
4 **Reliability Enhancement Program?**

5 A. No. But to reach a compromise between the parties and help resolve all issues in this
6 proceeding, DEO agreed to withdraw that particular proposal.

7 **Q13. Does the Stipulation address any other issues?**

8 A. Yes. Paragraph 4 of the Stipulation reflects an additional commitment by DEO. Within
9 five years of the date on which the Commission approves the Stipulation, DEO shall
10 make a filing with the Commission submitting the modified Ohio Production Btu
11 Adjustment factor, and any proposed changes thereto, for Staff's review and, in Staff's
12 discretion, any recommendations for consideration by the Commission. Paragraph 4
13 further provides that to the extent DEO requests any additional authorization or
14 modification to the authorization granted in this proceeding, DEO shall not request or file
15 a motion seeking expedited review or an otherwise accelerated procedural schedule,
16 unless mutually agreed by Staff.

17 **Q14. Did the Application propose this commitment?**

18 A. No. DEO's Application did not propose this commitment. In addition, the Staff Report
19 did not recommend this commitment. DEO voluntarily made this commitment in an
20 effort to resolve all issues in this proceeding.

21 **III. THE CRITERIA FOR EVALUATING STIPULATION**

22 **Q15. What criteria does the Commission use to decide whether to approve a Stipulation?**

23 A. My understanding is that the Commission has applied the following three criteria in
24 evaluating stipulations: First, is the Stipulation a product of serious bargaining among

1 capable, knowledgeable parties? Second, taken as a package, does the Stipulation benefit
2 customers and the public interest? Third, does the Stipulation violate any important
3 regulatory principle or practice?

4 **A. THE STIPULATION IS THE PRODUCT OF SERIOUS BARGAINING.**

5 **Q16. In your opinion, is the Stipulation supported by parties representing a range of**
6 **interests?**

7 A. Yes. The Stipulation is signed by the Company and the Commission's Staff.

8 **Q17. Do you believe that the Stipulation was the product of serious bargaining?**

9 A. Yes. Staff and the Company engaged in serious bargaining to produce the Stipulation. A
10 settlement meeting was held virtually on February 4, 2022. During that meeting, DEO
11 offered settlement terms, answered questions, and invited comments on the proposed
12 terms. After that meeting, DEO circulated a draft stipulation for Staff's review and
13 comment. DEO encouraged feedback and answered questions on the drafted language.
14 Changes to the draft language were proposed and taken into account. All agreed upon
15 terms and conditions were incorporated into the Stipulation.

16 **Q18. Were the parties represented by capable, knowledgeable persons?**

17 A. Yes. Both Staff and the Company were represented by attorneys with years of experience
18 in regulatory matters before this Commission, and both parties either employed or had
19 access to technical experts with comparable experience.

20 **Q19. Does the Stipulation reflect compromises from the relief requested in DEO's**
21 **Application?**

22 A. Yes. As discussed in my testimony, the parties' negotiations resulted in a compromise
23 that differs materially from the relief requested in DEO's Application.

1 **B. THE STIPULATION BENEFITS CUSTOMERS AND IS IN THE PUBLIC INTEREST.**

2 **Q20. Does the Stipulation benefit customers and is it in the public interest?**

3 A. Yes. As described below, the Commission’s approval of the Stipulation will benefit
4 customers in DEO’s service territory and is in the public interest.

5 **Q21. What facts support the conclusion that the Stipulation benefits customers and is in
6 the public interest?**

7 A. The Stipulation benefits DEO’s customers and is in the public interest in a number of
8 ways including the following:

- 9 1) Supporting the reliability of service, which I understand is consistent with R.C.
10 4905.22 and R.C. 4929.02(A)(1);
- 11 2) Supporting the state’s competitiveness in the global economy, which I understand
12 is consistent with R.C. 4929.02(A)(10);
- 13 3) Encouraging market access for supply-side natural gas services and goods, which
14 I understand is consistent with R.C. 4929.02(A)(4);
- 15 4) Promoting diversity of natural gas supplies and suppliers, which I understand is
16 consistent with R.C. 4929.02(A)(3); and
- 17 5) Avoiding significant capital commitments and the loss of customers and revenues.

18 **Q22. How does the Stipulation support the reliability of service?**

19 A. Although I am not a lawyer, I am aware that DEO is tasked with providing safe,
20 adequate, and reliable natural gas service. As mentioned above, the 2021 HCA will
21 provide support to an operationally important but financially vulnerable resource—
22 conventional local production. Specifically, the modification to the Ohio Production Btu
23 Adjustment will do that by further recognizing the value of the higher heating content
24 associated with conventional local production relative to interstate pipeline and the
25 important role of conventional local producers in the reliability of DEO’s service in areas
26 like Marietta, Wooster, Canton, and the surrounding regions.

1 **Q23. How does the Stipulation support the state’s competitiveness in the global economy?**

2 A. The 2021 HCA will directly support an important sector of Ohio’s economy, namely
3 conventional local producers. Moreover, improving the viability of Ohio’s conventional
4 production industry will help maintain customer access to a source of low-cost higher-
5 Btu natural gas. Finally, in certain areas of DEO’s system, pressure limitations and
6 existing line capacity restrict DEO’s ability to add new commercial and small industrial
7 loads. Increasing production may permit the service of additional load.

8 **Q24. How does the Stipulation encourage market access for supply-side natural gas**
9 **services and goods?**

10 A. The 2021 HCA will create economic incentives for convention local producers to
11 maintain or increase investment in production, with only modest impacts on the cost of
12 service. Additionally, DEO and OOGA will continue to consult under the 2021 HCA to
13 identify and execute capital projects that facilitate market access for local production,
14 enhancing for producers to sell and customers to benefit from their product.

15 **Q25. How does the Stipulation promote diversity of natural gas supplies and suppliers?**

16 A. The 2021 HCA will provide support to an important contributor to the provision of
17 commodity sales service to customers. The value provided by these supplies and
18 suppliers, particularly in constrained areas, is not adequately recognized in the market
19 price for gas, and many producers are financially distressed. Although most customers do
20 not directly transact with local producers, they derive a direct economic benefit as
21 marketer portfolios reflect the low cost and availability of conventional production.

1 **Q26. How does the Stipulation avoid significant capital commitments and the loss of**
2 **customers and revenues?**

3 A. If local production ceases in these constrained areas, expensive solutions will be needed
4 simply to avoid abandonment of service, leaving customers more dependent on other
5 sources of supply for their heating needs.

6 **Q27. Do customers also benefit from DEO’s commitment to make a future filing, within**
7 **five years of the date on which the Commission approves the Stipulation, submitting**
8 **the modified Ohio Production Btu Adjustment factor, and any proposed changes**
9 **thereto, for Staff’s review?**

10 A. Yes. Customers benefit from the Commission and its Staff having another opportunity to
11 review the Ohio Production Btu Adjustment factor and any changes thereto that DEO
12 may propose to further address the reliability of service for areas served by conventional
13 local production.

14 **C. THE STIPULATION DOES NOT VIOLATE ANY IMPORTANT REGULATORY**
15 **PRINCIPLE OR PRACTICE.**

16 **Q28. Does the Stipulation violate any important regulatory principle or practice?**

17 A. No. On the contrary, it encourages compromise as an alternative to litigation and supports
18 DEO’s ability to provide safe, adequate, and reliable service, which I understand will
19 assist DEO in meeting its obligations under R.C. 4905.22 (“furnish necessary and
20 adequate service and facilities”) and further the state policy in R.C. 4929.02(A)(1)
21 (“[p]romote the availability to consumers of adequate, reliable, and reasonably priced
22 natural gas services and goods”). For these reasons and given the benefits provided to
23 ratepayers, which I described above, the Stipulation does not violate any important
24 regulatory principle or practice.

1 **IV. CONCLUSION**

2 **Q29. What is your recommendation to the Commission?**

3 A. I recommend that the Commission approve the Stipulation. The Stipulation represents a
4 fair, balanced, and reasonable compromise that provides significant benefits for DEO's
5 customers, thereby meeting the Commission's criteria for adopting settlements.

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

7 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a courtesy copy of the foregoing pleading was served by electronic mail this 28th day of March, 2022, to the following:

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/s/ Christopher T. Kennedy
One of the Attorneys for The East Ohio Gas
Company d/b/a Dominion Energy Ohio

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Summary: Testimony Testimony of Ella R. Hochstetler in Support of the Stipulation electronically filed by Christopher T. Kennedy on behalf of The East Ohio Gas Company d/b/a Dominion Energy Ohio