

COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION

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: Pennsylvania Public Utility Commission :
: v. National Fuel Gas Distribution :
: Corporation :
: Filed Supplement No. 61 to Tariff Gas - :
: PA PUC No. 9 to become effective July 30, :
: 2006. Total amount of increase:\$25,892,000: :
: or 6.1 % based upon a future test year :
: ending January 31, 2007. Total number of :
: customers: 214,625. Area served: Certain :
: Cities, Boroughs, and Townships in the :
: Counties of Armstrong, Butler, Cameron, :
: Clarion, Clearfield, Crawford, Elk, Erie, :
: Forest, Jefferson, McKean, Mercer, Venango: :
: and Warren. :
: :
: Public Input Hearing. :
: :
: ----- x

Docket No.
R-00061493.

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PA PUC
SECRETARY'S BUREAU
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Pages 482 through 549

Franklin VFW
411 Ninth Street
Franklin, Pennsylvania

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Wednesday, August 30, 2006

Met, pursuant to notice, at 1:00 p.m.

BEFORE:

JOHN H. CORBETT, JR., Administrative Law Judge
MARK A. HOYER, Administrative Law Judge

APPEARANCES:

ANTHONY D. KANAGY, Esquire
Post & Schell, PC
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(For National Fuel Gas
Distribution Corporation)

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ORIGINAL

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700 Lisburn Road
Camp Hill, Pennsylvania 17011

WITNESS INDEX

<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
Mary Jo White	497	---	---	---
Scott E. Hutchinson	501	---	---	---
Fred McIlhattan	504	---	---	---
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Shirley Hazlett	509	---	---	---
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Bill Liddle	512	---	---	---
Esther Spanberger	515	---	---	---
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R. Dean Sherman	525	---	---	---
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NUMBERS

FOR IDENTIFICATION IN EVIDENCE

Sherman's

No. 1	(News article, 8-21-06) ✓	532	532
No. 2	(News article, 7-13-06) ✓	532	532

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ADMINISTRATIVE LAW JUDGE JOHN H. CORBETT, JR.: We are on the record at this time. This is the time and place that the Pennsylvania Public Utility Commission has set aside for a public input hearing on the base rate filing of National Fuel Gas Distribution Corporation at Docket Number R-00061493.

My name is John Corbett. Beside me is Administrative Law Judge Mark Hoyer. We are the Administrative Law Judges that the Commission has assigned to preside over the hearings and to render a recommended decision for the Commission to consider in this case.

At this time, we want to introduce to you some of the people involved in this case. To the right of Judge Hoyer is Anthony Kanagy, one of the attorneys for National Fuel Gas Distribution Corporation. To my immediate left is Robert Eckenrod, an attorney the Commission's Office of Trial Staff. Next to Mr. Eckenrod is Darryl Lawrence, an attorney from the Office of Consumer Advocate, and to the left of Mr. Lawrence is Sharon Webb from the Office of Small Business Advocate.

JUDGE HOYER: We want to take a minute to summarize for you what this case is about. On May 31st, 2006, NFG filed a supplement to its tariff proposing to increase it's rates by \$25.8 million, or 6.1 percent over present

1 revenues. The company proposed that the rate increase
2 become effective on or about July 30th, 2006.

3 For residential customers, NFG proposed an overall
4 increase in rates of 6.1 percent. This would mean that the
5 average residential customer using 100 mcf of natural gas
6 annually would see his or her average bill rise from
7 \$143.94 per month to \$153.83 per month, or by 6.9 percent.

8 As part of this increase, the company proposed a 72
9 percent increase to the monthly customer charge for
10 residential service. If the Commission approves the
11 proposed rates, the monthly customer charge for residential
12 service will increase from \$12 to \$20.64.

13 After a preliminary investigation, the Commission
14 suspended NFG's proposed tariff supplement until March 2nd,
15 2007 by Order entered on July 20th, 2006 and assigned this
16 case to the Office of Administrative Law Judge for further
17 investigation and hearings.

18 A prehearing conference was held on August 3rd, 2006
19 where the parties established a litigation schedule.
20 Public input hearings were held in Erie on Monday. We held
21 an afternoon and an evening session. An afternoon hearing
22 was held yesterday in Meadville, and last night an evening
23 session was held in Farrell. This is the last scheduled
24 public input hearing. Technical evidentiary hearings will
25 be held in Harrisburg beginning October 17th, 2006.

1 After the parties file their briefs, Judge Corbett
2 and I will issue a recommended decision by December 22nd,
3 2006. By law, the Commission must issue it's decision by
4 March 2nd, 2007.

5 The parties in this case include the Commission's
6 Office of Trial Staff, the Office of Consumer Advocate, the
7 Office of Small Business Advocate and the Community Action
8 Association of Pennsylvania. Thank you.

9 JUDGE CORBETT: Today's public input hearing is
10 important because we want to obtain your thoughts on this
11 case. We want to hear from those people most affected by
12 the current company proposal, you, the customers. We want
13 to hear what you have to say about this matter.

14 Your testimony will have a direct bearing on any
15 settlement the parties may propose, or if the parties are
16 unable to achieve a settlement, then the Commission will
17 consider your testimony, to the extent relevant, in its
18 decision in this case.

19 With this background in mind, let me ask any of the
20 individuals whom we introduced earlier whether they wish to
21 make a statement before proceeding further with the
22 hearing.

23 Mr. Kanagy?

24 MR. KANAGY: Thank you, Your Honor. Good
25 afternoon, everyone. I am here on behalf of National Fuel

1 Gas Distribution Corporation.

2 As you are aware, the subject of the hearing this
3 afternoon is the proposed rate increase by the company. As
4 an overview, there are two types of rate cases that they
5 can file for in Pennsylvania. The first is to recover the
6 cost of gas itself, and the second is for the cost of
7 service, or, in effect, the cost for delivering the gas.
8 The case involves the cost of service, so the actual cost
9 of gas itself is not at issue in this proceeding.

10 I would note that if you have individual questions
11 or concerns about your account, there is a representative
12 from the company here in the back. That representative is
13 not here to testify, but here to help you with your
14 concerns or problems about your case. At this time, I
15 would like him raise his hand. If you have individual
16 questions, please see the gentleman that just stood in the
17 back.

18 This forum presents an opportunity for you to
19 express your views with respect to the company's proposed
20 rate increase. We welcome your comments and thank you for
21 coming.

22 JUDGE CORBETT: Mr. Eckenrod.

23 MR. ECKENROD: Good afternoon. My name is Robert
24 Eckenrod and I am here representing the Commission's Office
25 of Trial Staff. The Office of Trial Staff was basically

1 created in 1986 to represent the public interest in rate
2 proceedings such as this. We litigate in rate proceedings
3 all the time.

4 I currently have a team of expert witnesses that
5 include accountants, economists, financial analysts and
6 engineers who are reviewing the filing to determine if
7 there are any adjustments to NFG's filing that are
8 warranted. We also have been reviewing all of your
9 complaints, informal and formal, and taking what we can
10 from those and applying it to the case.

11 I would also encourage you to come up here today and
12 to testify on the record so we can also use your comments
13 in developing our position. Thank you for coming out, and
14 I look forward to hearing you speak.

15 MR. LAWRENCE: As Judge Corbett stated, my name is
16 Darryl Lawrence. I'm an attorney and I work with the
17 Pennsylvania Office of Consumer Advocate. The OCA is an
18 agency within the control of the Attorney General of
19 Pennsylvania.

20 The OCA represents the ratepayers of this
21 Commonwealth in all proceedings regarding utility matters
22 before the Pennsylvania Public Utility Commission, the
23 appellate courts of Pennsylvania and the administrative
24 agencies of the federal government.

25 The OCA has filed a formal complaint in this

1 proceeding. We have retained a team of outside analysts
2 that are currently looking at NFG's proposed rate increase,
3 and at the appropriate time, we will provide our written
4 comments to the Commission as to how we believe this case
5 should be resolved.

6 This afternoon is about you. We are here to hear
7 from the people in Franklin as to their thoughts, their
8 opinions and their concerns on NFG's proposed rate
9 increase, so please come forward and testify on the record
10 so that your opinions may count as part of the record that
11 the Judges will use in deciding this matter.

12 At the conclusion of this hearing, if any of you
13 have any questions relative to this particular case or
14 anything to do with your utility service that you would
15 like to speak with me about, I will be here as long as it
16 takes. Thank you all for coming out this afternoon.

17 MS. WEBB: Good afternoon, everyone. My name is
18 Sharon Webb and I am here on behalf of the Office of Small
19 Business Advocate. The Office of Small Business Advocate
20 represents the interests of business customers, small
21 business customers, in rate proceedings such as this before
22 the Commission.

23 Our office filed a complaint in this matter and we,
24 like the Office of Consumer Advocate and Trail Staff, have
25 experts that are helping us to analyze and review the

1 economics of the filing. We are working through the issues
2 to form positions.

3 Today is about you and your issues and what you can
4 bring forward. So, I encourage you, as counsel has done,
5 to testify on the record so that we can better understand
6 your issues and use them, if possible, in formulating our
7 final position on the matter and the filing.

8 Thank you all for coming and I look forward to your
9 testimony.

10 JUDGE HOYER: Previously we placed just inside the
11 doorway, sign-in sheets for people to print their names,
12 addresses and telephone numbers if you wish to speak here
13 at the hearing. When called, you will be asked to come
14 forward to testify.

15 The Commission's policy regarding public input
16 hearings gives you three options. The first option, you
17 may testify formally under oath or affirmation and be
18 subject to cross examination.

19 You may make an unsworn statement or unaffirmed
20 statement. Your statement will be off the record and it
21 will be not be subject to cross examination. The court
22 reporter will not transcribe your statement and neither we
23 or the Commission will consider it in any decision.

24 Or, your third option, you may provide information
25 to the parties here off the record after the hearing for

1 their possible use at their discretion in further
2 evidentiary hearings in this case.

3 JUDGE CORBETT: We strongly urge you, as some of
4 the attorneys have indicated, to testify under oath so we
5 and the Commission can review your testimony to the extent
6 it meets the rules of evidence.

7 If you take an oath or affirmation, the court
8 reporter will transcribe your statement. Your statement
9 will then become a part of the official record in this case
10 and may be considered by us as well as by the Commission in
11 deciding this matter.

12 Since you are a witness, the attorneys here may ask
13 you questions about your testimony. You should not become
14 upset by the questioning or feel that you are under
15 personal attack. Such questioning is entirely normal for
16 this type of legal proceeding.

17 We ask you simply that you listen to the questions
18 asked of you and that you answer the questions that may be
19 asked of you to the best of your ability. If any questions
20 are improper, we will let you know.

21 At this time, we will call the names of those people
22 who have signed the witness list. As we call your name,
23 please stand and remain standing until we have called the
24 last name. We will then ask you to take the oath or
25 affirmation of a witness if you wish to testify on the

1 record.

2 JUDGE HOYER: As Judge Corbett just indicated, I am
3 going to call your name. Please stand and then we will
4 administer the oath or affirmation.

5 Senator Mary Jo White, Representative Scott
6 Hutchinson, Representative Fred McIlhattan, Kenneth
7 Zachero, Eugene Sheffer, Shirley Hazlett, Bob Finch, Bill
8 Liddle, Esther Spanberger, Jenny Evans, Robert Guard,
9 George Merritt, John Shaughnesy, Clair Bayne, R. Dean
10 Sherman, Vera Riddle, Margaret Girdich, Glenn Deal, Twyla
11 Kernic, Sunny Fisher.

12 Whereupon,

13 ALL PROSPECTIVE WITNESSES
14 having been duly sworn, testified as follows:

15 JUDGE HOYER: Please be seated.

16 JUDGE CORBETT: A few observations before we call
17 the first witness. First, if you are reading from a
18 prepared statement and you have an extra copy of your
19 statement with you, please give it to the court reporter
20 before you begin to testify. If you have sufficient
21 copies, you can also give a copy to Judge Hoyer and myself
22 as well as the attorneys up here.

23 Second, this is a legal hearing. Everyone who is
24 called to testify is a member of the public. Each witness
25 has the right to give his or her testimony free from any

1 interruptions, comments from others and the like.

2 In order to hear as many witnesses testify as
3 possible in the time that we have, we ask you to hold your
4 applause or demonstration of appreciation until the end of
5 the hearing and all the witnesses have had a chance to
6 testify.

7 Again, it is very important for us to hear what you
8 have to say and we want as many of you as possible to have
9 your statements placed in the record.

10 Third, in order to allow as many of you as possible
11 to participate and give your statements, we ask that you
12 keep your comments to no more than five minutes each. If
13 someone before you has said what you were going to say, you
14 can simply say that you agree with what has already been
15 said. Your comments will have equal weight with what
16 others have already testified to.

17 Finally, we ask that you confine your remarks to the
18 issues involved in this case. I know a number of you may
19 have questions about this proceeding, about this utility or
20 about other utilities. Our purpose here this afternoon is
21 to hear your testimony and to build a record for us to use
22 to make a decision in this case, so we ask you to confine
23 your remarks to giving testimony.

24 If you have questions, there are attorneys up here
25 who will answer your questions after the hearing. There

1 are also representatives here from the utility to answer
2 your questions.

3 With that, I will turn this over to Judge Hoyer.

4 JUDGE HOYER: At present I do not see any members
5 of the television or media. However, if they do arrive and
6 you wish to testify and do not want to be on camera or do
7 not wish your picture taken, please let us know and we will
8 see that you are given the opportunity to make your
9 statement and testify without being filmed.

10 We are going to be calling witnesses in groups of
11 four to facilitate this hearing. We have Senator
12 Hutchinson who is going to first. Excuse me, Senator White
13 is going to be testifying first followed by Representative
14 Hutchinson and then Representative McIlhattan.

15 After those three individuals have spoken at the
16 podium, we are going to call four names. The first name
17 called will approach the podium. Please keep this in mind.
18 When you come up to the podium to testify, state your name
19 and spell it so that the court reporter has an accurate
20 record of your name. Give us your address, state your
21 occupation and indicate whether you are a customer of NFG.

22 We may have to remind you when you come up to
23 testify, to do those things. With that, we are going to
24 begin.

25 Senator White, you may proceed.

1 Whereupon,

2 MARY JO WHITE

3 having previously been duly sworn, testified as follows:

4 DIRECT TESTIMONY

5 THE WITNESS: Good afternoon. My name is Senator
6 Mary Jo White. I represent constituents in the 21st
7 Senatorial District which includes parts of Butler, Erie
8 and Warren Counties, as well as Clarion, Forest and Venango
9 Counties. It is a large rural district and many of my
10 constituents, including me, are National Fuel Gas
11 Distribution Corporation customers.

12 I would first like to thank Chairman Holland and the
13 other Public Utility Commissioners for granting the request
14 of Representative Hutchinson and me to hold this public
15 input hearing in Venango County regarding the National Fuel
16 Gas filing. I would like to thank the Judges and members
17 of the staff and the consumer protection group. Sonny
18 Popowski does a wonderful job protecting our constituents
19 and I am glad that all of your organizations are involved
20 in this proceeding.

21 One of the difficulties of living in a large western
22 district is giving my constituents, many of whom cannot
23 travel to Harrisburg or sometimes even Pittsburgh, an
24 opportunity to be heard on important policy issues that
25 affect them. So, I would like to thank the residents who

1 have taken the time to come to this hearing to share their
2 concerns with the PUC. As you know, a public input hearing
3 is a very important part of the process of the evaluation
4 of the need for a rate increase.

5 I am concerned that this particular proposed rate
6 increase, which National Fuel says will increase a typical
7 residential customer's bill by about \$10 per month, will
8 result in many of my constituents either going without heat
9 or heating with an unsafe source to avoid paying the
10 additional charges. Last winter, my office received
11 numerous calls from constituents, especially older, retired
12 individuals and single heads of households with children,
13 needing assistance to pay their heating bills, and I am
14 afraid this winter will be worse. As you know, we had a
15 relatively mild winter last year. Good luck is not
16 planning, it's just good luck, and I am very much afraid of
17 what will happen.

18 The fact that the company is requesting a 72 percent
19 increase in the monthly basic residential charge, from \$12
20 a month to \$20.64 a month, is particularly disturbing.
21 This means that even if customers reduce the amount of gas
22 they are using in an effort to conserve and reduce costs,
23 they will still have to pay this increased charge. I
24 realize that a company has to make money to stay in
25 business and that the purchased cost is a pass-through over

1 which they have limited control.

2 Nevertheless, it is a company's responsibility to be
3 cost effective and efficient and a rate increase should be
4 requested after all cost cutting and innovative technology
5 options have been considered. Please understand that many
6 people in the area are either on a low or a fixed income
7 and another increase in their heating bill could have a
8 disastrous effect on their finances and perhaps on their
9 safety.

10 Also, those industries with high natural gas needs
11 will be particularly hard hit. This can result in
12 decreased production, job losses and closures. This
13 increase in the distribution charge for fixed costs should
14 be subjected to particular scrutiny since it could have the
15 unintended consequence of discouraging conservation of
16 natural gas in a time of scarce resources.

17 I understand that the distribution company does not
18 make money on the gas it purchases, but the fact that they
19 are moving less gas is only partly due to the cost of that
20 gas. I believe there is a deeper underlying problem, and
21 that is the gas supply. There is simply less of it and an
22 increasing amount is being used to burn electricity.

23 I can understand the use of gas for peak loads, but
24 other than that, burning natural gas to make electricity is
25 like burning dollar bills to heat your house. We must

1 preserve and expand our coal-fired capacity and grow our
2 natural gas supplies. If we do not, the shock to consumers
3 and our economy when the electric rate caps are removed
4 will be cataclysmic. I realize that is not part of this
5 particular process, but it is an over-arching problem that
6 I think the PUC needs to be concerned about.

7 In that light, I also make reference in my written
8 testimony to some government policies, state and federal,
9 that are limiting our access to reserves. For example,
10 there is a prohibition in the United States to drilling in
11 Lake Erie, but the Canadians have been drilling on the
12 other side of the lake for over 50 years without any
13 harmful incidents.

14 DCNR has put restrictions on drilling in state lands
15 that I believe are unduly restrictive. I fail to
16 understand why public property is deserving of a higher
17 standard of protection than private property. We have had
18 oil and gas drilling in this state for over a century. The
19 law is very well established that you don't need a separate
20 agreement for the surface. Nevertheless, that's what DCNR
21 is requiring of drillers on public land.

22 I would welcome the PUC's involvement in these
23 important policy issues as well as in this particular
24 proceeding, and I thank you for coming to the 21st District
25 to hear our concerns. I know that my constituents will

1 state their particular issues more eloquently than I can.
2 I thank you for your presence and your attentions.

3 JUDGE HOYER: Thank you. Any questions?

4 (No response.)

5 (Witness excused.)

6 JUDGE HOYER: Representative Hutchinson.

7 Whereupon,

8 SCOTT E. HUTCHINSON

9 having previously been duly sworn, testified as follows:

10 DIRECT TESTIMONY

11 THE WITNESS: As stated, my name is Scott
12 Hutchinson. I live in Oil City. I represent the 64th
13 Legislative District, which includes all of Venango County
14 and a portion of Butler, and I am a customer of National
15 Fuel Gas.

16 First off, I want to thank the Public Utility
17 Commission and you other ladies and gentlemen who have come
18 here today to hear the concerns and testimony of our local
19 residents and businesses because you make their decision on
20 this rate increase request by National Fuel Gas.

21 The commission is charged with establishing and
22 maintaining reasonable rates, and safe, adequate service in
23 the regulation of the state's public utilities, and it is
24 refreshing that you are willing to gather testimony, not
25 only in the large urban centers like Erie, but also in more

1 remote rural areas like Venango County, whose residents I
2 believe deserve to be heard on this proposal. I think it's
3 especially important because this could be a major sea
4 change in the way residential gas rates are set in
5 Pennsylvania.

6 Secondly, I would like to recognize and thank Dean
7 Sherman and the Energy Price Coalition. Dean will be
8 testifying later, but he has gone above and beyond by
9 forming a local group to shed light on various issues
10 involving energy prices generally, and in particular, he
11 has brought this issue to light, and I want to thank him
12 and his group for his work.

13 I am not going to offer lengthy testimony today. I
14 think this is an opportunity for citizens and employers
15 from our area to have their voice heard and give specific
16 examples about how the rate proposal will affect them.

17 I must say, though, that the relentless rise in
18 heating prices has me deeply concerned as we are turning
19 the bend toward another winter heating season. In
20 addition, employers, particularly manufacturers, who use
21 large amounts of energy, have had to tighten their belts
22 substantially in order to keep their costs down and remain
23 competitive with their production costs.

24 Unfortunately, no matter what the outcome of this
25 round of hearings, I fear that many homeowners are facing a

1 cold and expensive winter ahead, and I am particularly
2 concerned about the de-coupling proposal, or conservation
3 rider it's called, that on the surface seems to penalize
4 those who have had the foresight and have, quite frankly,
5 heeded the advice of the utility itself and invested in
6 energy-saving windows, insulation and alternative heating
7 sources like wood stoves in order to conserve and cut their
8 heating costs.

9 Common sense says that consumers should be optimally
10 rewarded for their efforts towards conservation, and in the
11 end I hope that is how things will end up.

12 I believe that the PUC should take a long hard look
13 at this proposal, particularly because the folks from
14 Northwestern Pennsylvania would be the first and only
15 residents in the entire state to have rates set this way,
16 which could be a huge and mistaken experiment.

17 Momentous policy shifts that may penalize a portion
18 of the state which is already struggling economically more
19 than some of the other portions of the state, could be a
20 proverbial kicking of a man when he is down.

21 Thank you for this opportunity for our local
22 residents, and I look forward to learning more about this
23 proposal in the coming weeks and months. Thank you.

24 JUDGE HOYER: Any questions?

25 (No response.)

(Witness excused.)

JUDGE HOYER: Representative McIlhattan.

Whereupon,

FRED McILHATTAN

having previously been duly sworn, testified as follows:

DIRECT TESTIMONY

THE WITNESS: Thank you very much. My colleagues covered a lot of things that I wanted to share with you. I will make my remarks brief.

The area that I want to hit on a little bit and I think is important to all of us here to today, these rate increase issues are very complicated and difficult for most of us, even we who have the jobs that we have as state representatives and senators. When I get into these issues, I always go to Sonny Popowski, who is the Consumer Advocate, and discuss the issues with Sonny. Sonny and I have had numerous conversations about this rate proposal that is before us with National Fuel Gas.

I won't go into all the details of that because Sonny will be filing that next week -- filing objections and asking that the PUC not grant this rate increase under this type of proposal.

I think the real thing that I want to talk about just briefly, and I think Representative Hutchinson touched upon it, is we are moving to a sea change of how we begin

FORM 2

1 to deal with the rate increases. I think that's a
2 paramount issue, and I think we need to take a very serious
3 look at it.

4 If we are just going to say we can raise the
5 customer charge or we can deal with the cost recovery
6 tariff, what does that do? It makes it a lot easier,
7 probably, for National Fuel Gas, or for other companies
8 that want to follow this trail if we approve it, to really
9 increase their income without going through the difficult
10 hassle of filing these rate increase requests.

11 It takes time, it takes effort, it takes a lot of
12 concern of dealing with the raging public. I'm certainly
13 sure that National Fuel Gas and maybe even the Public
14 Utility Commission would sort of like to find a better way
15 to deal with this issue than having to deal with that type
16 of proposal.

17 I think the thing we need to realize is that in this
18 area and in most areas we represent, the gas company, in
19 this case National Fuel Gas, has a monopoly. I can't walk
20 into the store and say, well, since National Fuel Gas's
21 price is high today, I'm just going to go down the street
22 and buy it from someone else. They have a monopoly, and
23 for a monopoly to raise its prices, it ought to be a
24 difficult challenge for them. The bar ought to be high
25 because they are a monopoly.

1 As I say, in this case, if we approve this
2 procedure, we are opening the door to making it a lot
3 easier for a monopoly to raise its prices. Ladies and
4 gentlemen, that's bad public policy. Thank you very much.

5 JUDGE HOYER: Thank you. Any questions?

6 (No response.)

7 (Witness excused.)

8 JUDGE HOYER: Will the person I call first, please
9 come to the podium, Kenneth Zachero. The next three,
10 please come forward and take the seats to the left of the
11 podium, Eugene Sheffer, Shirley Hazlett and Bob Finch.
12 Whereupon,

13 KENNETH ZACHERO

14 having previously been duly sworn, testified as follows:

15 DIRECT TESTIMONY

16 JUDGE HOYER: Please begin by stating your name,
17 spelling it, your address, your occupation and whether you
18 are a customer. You may proceed.

19 THE WITNESS: Thank you. Again, I would like to
20 thank everyone for taking time out of their busy schedules
21 to come here today.

22 My name is Kenneth Zachero, Z-a-c-h-e-r-o. I
23 currently live up in Erie. I was born in Oil City. My
24 address is 4037 Warsaw Avenue, Erie, PA 16504, and I am a
25 customer of National Fuel. My occupation is I work at a

1 senior center, Mercy Center on Aging. I'm the program
2 assistant up there. I also work part-time as a cashier at
3 Wal-Mart on M Street up in Erie.

4 I come today, I just want to say briefly, to let my
5 voice be heard and also of my age group as well because I
6 seem to be the youngest person here. I think we are often
7 forgotten about.

8 I am recently out of college. I graduated last
9 August. I don't make a whole lot and so I have to work two
10 jobs to kind of make ends meet and still have enough to get
11 by with other stuff.

12 I work with a lot of the seniors who are on fixed
13 incomes. Ten dollars might not be that much to National
14 Fuel, but ten dollars a month can be between whether
15 someone is going to eat or not. Ten dollars means a lot to
16 someone who is on a fixed income, and I think that's what
17 oftentimes National Fuel forgets.

18 For some of us who are fresh out of college trying
19 to get a start, we have loans, student loans, that we have
20 to take care of. We can't afford to also have to worry
21 about unnecessary rate increases on top of all the other
22 stuff that we have worry about because we need to build a
23 nest egg so that we can also have a family when we get
24 older, and National Fuel is trying to take that away from
25 us.

1 That's about all I have to say.

2 JUDGE HOYER: Thank you. Any questions for the
3 witness?

4 (No response.)

5 JUDGE HOYER: Thank you very much.

6 THE WITNESS: Thank you.

7 (Witness excused.)

8 JUDGE HOYER: Eugene Sheffer.

9 Whereupon,

10 EUGENE SHEFFER

11 having previously been duly sworn, testified as follows:

12 DIRECT TESTIMONY

13 JUDGE HOYER: Again, sir, please begin by stating
14 your name, spelling it, your address, occupation and
15 indicate whether you are a customer of NFG

16 THE WITNESS: My name is Eugene Sheffer, spelled
17 S-h-e-f-f-e-r. I live at 1717 Fern Avenue in Rocky Grove.
18 I am retired and I am a customer of National Fuel Gas.

19 I spoke with both of you gentlemen earlier, and you
20 referred me to the man in the blue shirt, and I spoke with
21 him and I trust that he will take my concerns to the
22 company.

23 But, since I'm here, I do have one minor suggestion.
24 I think part of this barndoogle, as I will call it, has to
25 do with rising costs. I suggested to the gentleman that if

1 made his meter readers walk instead of stop at every home
2 and read the meter, it would cost less money in the long
3 run, and I really believe that's true.

4 I am retired. It does make a difference as far as
5 our budget is concerned, how these costs that National Fuel
6 Gas is proposing affects us, and I'm sure it does every
7 senior citizen here.

8 If I may take one more moment, I would encourage
9 every person in this building to learn how to read your
10 meter if you do not know how. It will pay dividends,
11 believe me. Thank you.

12 JUDGE HOYER: Thank you. Any questions?

13 (No response.)

14 (Witness excused.)

15 JUDGE HOYER: Shirley Hazlett.

16 Whereupon,

17 SHIRLEY HAZLETT

18 having previously been duly sworn, testified as follows:

19 DIRECT TESTIMONY

20 JUDGE HOYER: Ms. Hazlett, again, please state your
21 name, spell it, your address, occupation and indicate
22 whether you are a customer of NFG.

23 THE WITNESS: I am Shirley Hazlett, H-a-z-l-e-t-t,
24 15 Rich Street, Oil City, and I am retired.

25 My concerns, a lot of them today have been answered

FORM 2

1 as far as what I had been thinking of, but there's some
2 things in my personal belief. First of all, when my gas
3 bill in November was \$410, I turned my thermostat down to
4 67 and I spent the rest of the winter on the couch covered
5 up. This year it's going to be worse.

6 In a year-and-a-half's time, the year of 2005 up
7 until June, I have spent \$3,285 on gas. Now, this means,
8 being retired and on a fixed income, I really can't afford
9 to repair my house or do all alternatives to bring down
10 those bills. Therefore, it's a catch-22.

11 Plus, if you figure all of that in consideration,
12 it's not going to be too long before I have to give up my
13 house and live in some kind of other alternative just to
14 live, and it's not for health reasons, it's for economy,
15 and that's not right.

16 So, that's my main concern. I probably have a few
17 other ones, but I'll leave it go at that. Thank you.

18 JUDGE HOYER: Thank you. Any questions for the
19 witness?

20 (No response.)

21 (Witness excused.)

22 JUDGE HOYER: Bob Finch.

23 Whereupon,

24 ROBERT FINCH

25 having previously been duly sworn, testified as follows:

DIRECT TESTIMONY

1
2 THE WITNESS: Good afternoon. My name is Robert
3 Finch. I live here in Franklin. My address is 237
4 Washington Street. I'm a retiree and I am a customer of
5 National Fuel Gas.

6 JUDGE HOYER: Would you spell your last name,
7 please?

8 THE WITNESS: Finch, F-i-n-c-h.

9 JUDGE CORBETT: Thank you.

10 THE WITNESS: I thank you for coming. Some of the
11 things I'm concerned about is the proposed surcharge by
12 using less gas. Many people, including myself, we
13 sacrificed last year. We turned our thermostats down, like
14 the lady just said here. We bundled up in sweaters and
15 heavy socks and that sort of thing. It seems to me we
16 should get rewarded for that and not penalized for that
17 when the gas company encourages us to use less gas.

18 The surcharge to me seems no different than paying
19 private industry, when the market goes down for their
20 products, when they have over-inventoried, to pay them for
21 not making their product. What do they do? First of all,
22 they cut costs, and as the last, they start laying people
23 off.

24 I would also like to mention that I'm retired, as I
25 said, but my mom is worse than I am. She only has my dad's

1 -- my deceased father's Social Security, and that's all she
2 lives on, and she lives in her own home.

3 I would also like to mention that I am retired
4 probably from the largest manufacturer in Venango County.
5 It has a heat treating facility that is probably the
6 largest heat treating facility this side of Cleveland.
7 Every time costs go up for them, men get laid off. I don't
8 think the economy in Venango County is such that we can
9 afford to lose that type of employment.

10 I believe that's all I have to say and I thank you
11 very much for listening to me.

12 JUDGE HOYER: Thank you. Any questions for Mr.
13 Finch?

14 (No response.)

15 (Witness excused.)

16 JUDGE HOYER: Bill Liddle, please approach the
17 podium. Esther Spanberger, Jenny Evans and Robert Guard,
18 please come forward and take the three seats to the left of
19 the podium.

20 Whereupon,

21 BILL LIDDLE

22 having previously been duly sworn, testified as follows:

23 DIRECT TESTIMONY

24 JUDGE HOYER: Mr. Liddle, you may proceed.

25 THE WITNESS: My name is Bill Liddle. I live in

1 Erie County, but I work in Venango County in Franklin,
2 Franklin Industries. L-i-d-d-l-e. I'm the chief operating
3 office of Franklin Industries, and many of my employee are
4 on the National Fuel Gas system.

5 I just want to make these following comments. On
6 May the 31st, National Fuel Gas filed a request to increase
7 gas rates by \$25.9 million. It also said they have 210,000
8 customers, so that equals \$123 per customer.

9 On July the 20th, there was another press release
10 and the proposal said it was equal to \$119 per customer. On
11 the very next line, it said the increase is from \$1,728 to
12 \$1,876, or \$146, per customer. Which is the correct
13 number, is my question? There is a \$27 difference or a
14 22.7 percent difference in all these numbers that have been
15 filed by National Fuel Gas, so I would like to know exactly
16 what they are asking for.

17 According to the Company's filing, the increase
18 would provide revenue to compensate for decreased sales.
19 My comment is, since when has any business the right to
20 penalize its customers when sales drop? Sales fluctuations
21 are a fact of business life. Believe me, I know. Would
22 National Fuel Gas propose a reduction in rates if sales
23 increased?

24 NFG also claims the rate increase would provide an
25 operating income that approaches a fair rate of return.

1 Their words, "fair rate of return." A fair rate of return
2 should be the result of NFG's management efforts, not a
3 burden to be carried by its customers.

4 According to third quarter earnings report, summary
5 of operations for the nine months ending June 30, 2006,
6 operating and maintenance expenses were \$322 million. The
7 requested rate hike of \$25.9 million is 8.1 percent of
8 operating expenses. This kind of reduction in expenses or
9 operating costs is well within any good management
10 practices. It should not be passed on to the customer
11 under any circumstances.

12 There are many ways to accomplish this reduction,
13 but the one I would strongly recommend is for NFG to defer
14 part of the balance of the 8 million shares of common stock
15 it plans to repurchase. They have the money for that.

16 I think there is a fundamental, odious, almost
17 unethical problem when a company claims it cannot reduce
18 costs by eight percent while repurchasing stock, with that
19 same company having hammered the customers to conserve for
20 years.

21 Further, Venango County has responded to NFG's
22 conservation requests. I know people who set their
23 thermostat at 55 degrees last winter. I know one lady
24 whose bathroom was at 42 degrees last winter, shivering. I
25 do not see this kind of sacrifice from NFG.

1 I think you are trying to penalize people who do
2 conserve. People who live in public housing get their gas
3 for free. Why don't National Fuel Gas consider maybe
4 charging them a minimal amount? I have been with people
5 who lived in public housing, and they are at 85 degrees.
6 They don't have to worry about their gas bill because they
7 don't have to pay it.

8 So, it seems to me like you are trying to penalize
9 people that do work and pay their own bills and trying to
10 make it harder on them rather than on people who pay
11 nothing.

12 That's about all I have to say.

13 JUDGE HOYER: You may have already indicated your
14 address, but could you give your address for the record?

15 THE WITNESS: Yes, 110 West Front Street, Oil City,
16 PA 16301.

17 JUDGE HOYER: Thank you. Any questions?

18 (No response.)

19 (Witness excused.)

20 JUDGE HOYER: Jenny Evans.

21 Whereupon,

22 JENNY EVANS

23 having previously been duly sworn, testified as follows:

24 DIRECT TESTIMONY

25 THE WITNESS: I want to thank you all for coming,

1 first of all. My name is Jenny Evans. I live at 561
2 Holiday Run Road, Oil City, PA. I work at K-Mart as a
3 retail person.

4 JUDGE HOYER: Are you a customer of NFG?

5 THE WITNESS: Yes, I am. I'm a customer of
6 National Fuel Gas, have been for all my life. My main
7 concern is the surcharge that National Fuel is putting on
8 for the people who pay less because of their conservation.
9 It's kind of like a slap in the face. They are being
10 penalized because they are conserving.

11 I also think that National Fuel needs to look at
12 their management of their company and maybe -- I know I
13 have had to give up a lot of my benefits. Maybe they
14 should give up a few of their benefits and cut the costs of
15 the employees, especially the CEOs and the higher paid
16 employees, and maybe better management of the company would
17 help.

18 I believe that's all. Thank you.

19 JUDGE HOYER: Thank you. Any questions?

20 (No response.)

21 (Witness excused.)

22 JUDGE HOYER: Robert Guard.

23 Whereupon,

24 ROBERT GUARD

25 having previously been duly sworn, testified as follows:

DIRECT TESTIMONY

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THE WITNESS: I'm Robert Guard. I live at 189 Peach Street, Franklin. I have National Fuel, of course, and I conserve all the time. I live in a mobile home, my own.

JUDGE HOYER: Your occupation?

THE WITNESS: I'm retired. I draw Social Security, which that's what I live on, Social Security.

I'm on, what do you call it, budget. I'm new to this. This is just the second year I've been back here, so this is all new to me.

Anyway, I just thought I would have my say. I'm on a budget, and all last summer it was like \$93. Three months ago, I got an increase in which it went from \$93 to \$115 a month. That's year-around. I couldn't figure why. Someone said, you got a \$27 raise, you know, and I'm on Social Security and nothing to live on but that, you know.

I conserve all I can in the summertime. I don't have the heater on at all. In the wintertime, I'm limited to two rooms, you know, and I keep mine down low because I'm outside 90 percent of the time.

That's why I was trying to figure out why mine jumped up so high, you know, just in that short period of time. A lot of people said, well, mine didn't jump up.

You guys are talking about ten dollars, ten dollars.

1 Mine went up \$27 and I couldn't figure out how, but I --
2 you know, I don't know. I'm new at this state, so I don't
3 know really what all is going on but thought I would come
4 up and say my -- you know, what I thought. What's going
5 on? I don't know.

6 Anyway, I appreciate it and I just thought I would
7 put my two cents in, I guess.

8 JUDGE HOYER: Thank you very much. Any questions
9 for the witness?

10 (No response.)

11 (Witness excused.)

12 JUDGE HOYER: George Merritt, please come to the
13 podium. John Shaughnesy, Clair Bayne and R. Dean Sherman,
14 please fill the three seats to the left of the podium.
15 Whereupon,

16 GEORGE MERRITT

17 having previously been duly sworn, testified as follows:

18 DIRECT TESTIMONY

19 THE WITNESS: My name George Merritt, M-e-r-r-i-t-t.
20 I live at 607 Elk Street here in Franklin. I'm a retiree
21 and I am also a National Fuel customer.

22 I am super-pleased that you folks are here today
23 because just since I've been here, I have realized that
24 this request is a part of the sea change that
25 Representative Hutchinson mentioned.

1 As a retiree, or just as I was retiring, I was able
2 to get my house -- my insulation upgraded, my windows fixed
3 and have done a few other things to promote conservation.
4 I thought conservation was a national objective. This
5 rider is a penalty for conservation, which, to me, is just
6 nonsensical.

7 We have been learning about conservation over the
8 years. We expect everybody to participate conservation.
9 Now National Fuel has come up with an idea which slaps us
10 in the face as we try and conserve, whether it's for
11 altruistic reasons or because we don't have enough money to
12 heat our homes.

13 Since, in my perspective, this is a sea change, I
14 think this is too important an event for National Fuel to
15 have its request met at this time. We need to be thinking
16 more about how this approach affects conservation, not just
17 the bottom line of National Fuel.

18 I really got to thinking about National Fuel and its
19 approach when I read in the Erie paper about the company's
20 provision for 20-plus million dollars for five retiring
21 executives. Plus, as I just heard a few minutes ago, the
22 company intends to repurchase stock. It obviously has
23 enough extra that it could forego this rate increase
24 request at this time.

25 I think the PUC should not approve this request, and

1 we need to come up with another system for looking how this
2 company can meet its operating review objectives. Thank
3 you.

4 JUDGE HOYER: Thank you. Any questions?

5 (No response.)

6 (Witness excused.)

7 JUDGE HOYER: John Shaughnesy.

8 Whereupon,

9 JOHN SHAUGHNESY

10 having previously been duly sworn, testified as follows:

11 DIRECT TESTIMONY

12 THE WITNESS: My name is John S-h-a-u-g-h-n-e-s-y.
13 My address is 8 Glenwood Street, Warren, Pennsylvania. I
14 am currently between jobs and I am a customer of National
15 Fuel.

16 I had thought mine would be the briefest testimony
17 this Commission would receive in the current round of
18 hearings, but that may not be the case.

19 Item one, natural gas is the only commodity I know
20 of, and there may be others, that is not subject to the
21 principle of economy of scale.

22 If one orange costs me one dollar, ten oranges will
23 cost me less than ten dollars. Thus, I benefit by buying
24 oranges in quantity.

25 If one ccf of natural gas costs me one dollar, ten

1 ccf of natural gas will cost me not less than ten dollars,
2 not even exactly ten dollars, but more than ten dollars.
3 Thus, I am penalized for buying natural gas in quantity.

4 Item two, of all the absurdities that governmental
5 bureaucracy has foisted on the citizens of this nation and
6 of this commonwealth, the rumored current proposal to add a
7 surcharge to natural gas customers for conserving natural
8 gas is among the most outrageous. Not only will customers
9 be penalized for buying natural gas in quantity, they will
10 also be penalized for not buying natural gas in quantity.
11 This must not be allowed to happen.

12 Item three, natural gas has been designated, and
13 therefore is, a public utility. Therefore, its production
14 and distribution are to benefit the public. That's me and
15 you, everyone else in this room and everyone else in the
16 commonwealth.

17 Its production and distribution are not to benefit
18 the companies that produce and distribute natural gas, nor
19 to benefit the likely overpaid executives of the companies
20 that produce and distribute natural gas, nor to benefit the
21 employees of the companies that produce and distribute
22 natural gas, and certainly not to benefit the stockholders
23 in the companies that produce and distribute natural gas.

24 If the company's stockholders wish to make money,
25 and I've never met a stockholder who didn't, let them

1 invest in Wal-Mart stock or General Motors stock or even
2 Blair Corporation stock. Wal-Mart and General Motors and
3 Blair Corporation do not have a mandate to serve the public
4 good. The companies that produce and distribute natural
5 gas, do.

6 Item four, as a public utilities commission, the
7 Pennsylvania PUC also has a mandate to serve the public
8 good. We are here today to demand that the members of the
9 Pennsylvania PUC show the leadership expected of persons in
10 such positions of public trust and act to benefit, not the
11 gas company executives, not the gas company employees and
12 certainly not the gas company stockholders, but to benefit
13 the public. That's me and you, everyone else in this room,
14 and everyone else in the commonwealth.

15 My final item is a simple question. How do I get to
16 be a member of the Pennsylvania Public Utility Commission?
17 The Pennsylvania Public Utility Commission has the
18 opportunity here to do the right thing. Do not fail us.

19 I have additional copies if anyone would care to
20 have one.

21 JUDGE HOYER: Thank you. Any questions for the
22 witness?

23 (No response.)

24 (Witness excused.)

25 JUDGE HOYER: Clair Bayne.

1 Whereupon,

2 CLAIR BAYNE

3 having previously been duly sworn, testified as follows:

4 DIRECT TESTIMONY

5 THE WITNESS: My name is Clair Bayne, B-a-y-n-e,
6 1268 Grandview Road, Oil City. I'm a National Fuel
7 customer.

8 JUDGE HOYER: Your occupation?

9 THE WITNESS: Occupation, I'm retired.

10 JUDGE HOYER: Thank you.

11 THE WITNESS: I guess, to keep this short, I agree
12 with everything that's been said. I would like to make a
13 comment, however, on the surcharge.

14 We are doing things to conserve so that we use less
15 gas, and then we are being penalized for using less gas.
16 In other words, we are being charged for a product that is
17 not received. Therefore, in my day, that process was
18 called fraud, so you are okaying fraud if you allow this to
19 go through. I guess that's all I have to say.

20 JUDGE HOYER: Thank you. Any questions for the
21 witness?

22 (No response.)

23 THE WITNESS: Thank you.

24 (Witness excused.)

25 JUDGE HOYER: R. Dean Sherman.

1 Whereupon,

2 R. DEAN SHERMAN

3 having previously been duly sworn, testified as follows:

4 DIRECT TESTIMONY

5 THE WITNESS: I'm Dean Sherman, 1856 Bredinsburg
6 Road, Franklin, Pennsylvania. Occupation, I'm retired from
7 Joy Technologies, customer of National Fuel for about 40
8 years.

9 I have a host of documents I would like to present.
10 May I do so at this time?

11 JUDGE HOYER: Please refer to the documents and
12 reference them as you testify.

13 THE WITNESS: Okay.

14 JUDGE HOYER: Do you have copies for everyone?

15 THE WITNESS: Yes, I have copies for everybody.

16 First of all, I would like to present over 1,100 signatures
17 on petitions against the increase or surcharge that
18 National Fuel Gas proposes. Also for each of you, these
19 are newspaper articles that I will refer to shortly. And,
20 I have four petitions that came in after I got here today.

21 (Witness distributing documents.)

22 I am a citizen of Venango County and just a layman.
23 I am a high school graduate. I don't have degrees behind
24 my name, like many of you sitting on that bench if I may
25 say so, and I respect that. However, I do wish to raise

1 some issues in regards to the proposed rate increase
2 requested by National Fuel.

3 I am opposed to any and all increases, including the
4 surcharge, for the following reasons. Before I start, I
5 would like to thank Scott Hutchinson and Mary Jo White. I
6 don't know if Mary Jo is still, but both of them have been
7 very supportive and have done an excellent job on making
8 these copies for all of you, incidently.

9 When I first heard of the proposed surcharge by
10 National Fuel, I called the PUC and talked with Mr. William
11 Hall down there. I'm not sure of his position. I asked
12 him if it would be legal to circulate petitions and ask for
13 a public input hearing so the citizens could have a chance
14 to voice their opinions. He suggested have our State
15 Representative and State Senator write a letter asking for
16 a public input hearing. He said the petitions were
17 perfectly legal, so that is why we are here today.

18 As I stated earlier, there are over 1,100, probably
19 closer to 1,200 signed petitions with people who were quite
20 angry. As I sat out there and asked for signatures, I got
21 all kinds of replies, believe me.

22 You will see one article there, a newspaper article,
23 where even the GOP met and said, forget it, telling the
24 National Fuel, forget it, you are not going to get that
25 raise. I hope they are right.

1 Also you will see another article there about the
2 well drillers. The certainly do have the money to go ahead
3 and drill. They can afford to drill.

4 Number one, it has already been shown and
5 established at other input hearings that National Fuel is
6 financially healthy.

7 Number two, according to an article in our local
8 newspaper, dated, and that's the one that you might have
9 the copy of there, August 21st, 2006, rising natural gas
10 prices are a boon for drilling companies in Western
11 Pennsylvania. So, as you can see, they can afford to
12 drill. I talked to a man from Saegertown who drills gas
13 wells for a living. He reported to me that there are all
14 kinds of natural gas right under our feet not more than
15 maybe 10, 15 miles from where we are sitting right now.

16 However, he said, instead, what they are doing is
17 putting gas in tubes and sending it out west. We import
18 ours from either Tennessee or the Gulf of Mexico, which, to
19 me, does not make sense.

20 Since this natural gas exists right under our feet,
21 I believe it makes more sense to explore and drill locally
22 and save the cost of importing it in from other areas. This
23 savings, could then be passed on to National Fuel
24 customers, reducing their monthly bills.

25 Number three, Pennsylvania ranks second in senior

1 citizen population. I ask the members of the panel to
2 please look around this room. You see a lot of grey hair.
3 You see a lot of people coming up to testify and they say,
4 occupation, retired. Keep that in mind.

5 I found out that Pennsylvania ranks second in senior
6 citizen population, and in all the public input hearings
7 that I've gone to -- this is the second one. I went to one
8 in Erie, and there were a lot of seniors up there. The
9 same thing, they are on a fixed income, and simply put,
10 they cannot afford a raise in their gas bill.

11 Number four, as citizens, we all seek fairness. You
12 heard it reported in another input hearing that the five
13 top executives of National Fuel make in excess of \$5
14 million dollars annually, and this figure is above the
15 fringe benefits they all enjoy. The only work they do is
16 direct other people what to do. We urge the reduction of
17 executives' salaries. Perhaps they should contribute to
18 the so-called good neighbor policy so other people can pay
19 their gas bills.

20 Number five, we request that you disallow the rate
21 case expenses which would include attorney and legal fees.

22 Number six, while I was collecting petition
23 signatures, I noticed that some who either worked for or
24 previously worked for National Fuel seemed very
25 apprehensive about signing. It did arouse my suspicions.

1 What were they afraid of?

2 Number seven, in deciding this case, I wonder if it
3 would make a difference if the members of the PUC were
4 elected.

5 Number eight, since National Fuel is constantly
6 seeking to raise their rates, if they find it difficult to
7 make it financially, I would suggest that they seek a
8 merger with a more financially sound company. The monopoly
9 they have should be stopped. Competition is always good.

10 Number nine, it was mentioned in the Erie meeting,
11 that a bill was signed enabling National Fuel to shut off
12 gas for those unable to pay their bill during the winter
13 months. This needs investigated and repealed.

14 Number ten, when I worked at the Joy Manufacturing
15 Company locally here, we had an incentive program for the
16 employees whereby they were compensated for ideas on cost
17 reduction. I would like to suggest the same be
18 incorporated by National Fuel for their employees to submit
19 ideas for reducing customers' monthly bills. I believe
20 that one of the ideas to be considered should be for the
21 executives to contribute to that good neighbor policy, as I
22 mentioned before, so that those who are less fortunate can
23 meet their monthly expenses during the winter months.

24 Number 11, a lot of senior citizens live in highrise
25 apartments. As a result of any increase imposed by

1 National Fuel, their rent would be increased to compensate
2 for this rate increase. They simply cannot afford this on
3 a fixed income.

4 Finally, number 12, most of the citizens of this
5 county have followed, as you have already heard, have
6 followed the suggestions given by National Fuel to help
7 conserve energy. They have installed new windows,
8 insulated, bought new energy efficient furnaces, installed
9 wood stoves and so on. Now they are being penalized by the
10 request for a surcharge by National Fuel. This is simply
11 unfair and should be denied.

12 In closing, there is just one word I want to instill
13 upon the members of this panel and the PUC. It's a word
14 that I gave to, if can mention her name back there, Sandy.
15 I mentioned it to her. I also mentioned it to Julie, who
16 is at the corporate office of National Fuel. That word is
17 simply compassion.

18 You see, folks, it's hard, when you're making a
19 million dollars a year, to remember where you came from
20 before you started making that million dollars. That's all
21 I have to say.

22 JUDGE HOYER: Did you wish to make the newspaper
23 articles exhibits?

24 THE WITNESS: Yes.

25 JUDGE HOYER: Perhaps you could identify what

1 papers, where they are from and the date?

2 THE WITNESS: Okay.

3 JUDGE HOYER: Do you have copies there that you
4 could refer to?

5 THE WITNESS: I think I might have the original out
6 in the car. I'm not sure.

7 JUDGE HOYER: Let me just show you what you handed
8 me.

9 THE WITNESS: This would be the Herald, our local
10 paper. This one is the Oil City edition.

11 JUDGE HOYER: The News Herald from?

12 THE WITNESS: They both are in Oil City.

13 JUDGE HOYER: The date of the paper?

14 THE WITNESS: The date is on this one. This one is
15 July 13, 2006.

16 JUDGE HOYER: We are going to mark these proposed
17 exhibits. The first exhibit from the News Herald, Monday
18 August 21st, 2006, appears to be an article entitled Rising
19 Natural Gas Prices, a Boon for Companies in Western PA. We
20 will mark that as Sherman Exhibit 1.

21 The second newspaper article from the Oil City
22 Derrick, dated July 13th, 2006, the article headline is GOP
23 lawmakers denounce NFG proposal. We will label this as
24 Sherman Exhibit 2. Is there any objection to the
25 admissibility of either of these two newspaper articles

1 into the record?

2 (Whereupon, the documents were marked
3 as Sherman Exhibit Nos. 1 and 2 for
4 identification.)

5 MR. KANAGY: No, Your Honor.

6 JUDGE HOYER: The articles are admitted.

7 (Whereupon, the documents marked as
8 Sherman Exhibit Nos. 1 and 2 were
9 received in evidence.)

10 As far as the petitions, you have circulated copies
11 of two petitions. They are copies, not originals. Have
12 you filed the originals with the Secretary?

13 THE WITNESS: No.

14 JUDGE HOYER: Do you have those here today?

15 THE WITNESS: I have those at home?

16 JUDGE HOYER: You have those at home?

17 THE WITNESS: Yes.

18 JUDGE HOYER: Then I would encourage you to file
19 those with the Pennsylvania Public Utility Commission's
20 Secretary's. We will not take them in as exhibits, but
21 thank you for providing us with copies. If you did have
22 them here today, we could file them for you.

23 THE WITNESS: Okay.

24 JUDGE HOYER: Any questions for the witness?

25 (No response.)

(Witness excused.)

JUDGE HOYER: Will the following individual please approach the podium, Vera Riddle. These three individuals please occupy the seats to the left of the podium, Margaret Girdich, Glenn Deal and Ms. Kernic.

Whereupon,

VERA RIDDLE

having previously been duly sworn, testified as follows:

DIRECT TESTIMONY

THE WITNESS: My name is Vera Riddle. I live at 1119 Buffalo Street, Franklin, and I'm retired and I am a National Fuel customer. I want to thank you gentlemen for coming up and hearing all of our problems today.

JUDGE HOYER: Before you begin, ma'am, could you spell your last name for the court reporter, please?

THE WITNESS: R-i-d-d-l-e.

JUDGE HOYER: Thank you.

THE WITNESS: Okay. It's a simple one. My concern, like so many other ones that was up here today, is the surcharge. Once that's put on, it's never going to be removed. It's just going to be there forever.

We already pay way more than I think we should pay for their services anyway when the electricity company gets half that.

Another thing that I have a big complaint about is

1 they only read our meter every other month. How does this
2 -- that's saves them money, don't it? So, if they were
3 reading the meter every month, then maybe, but they still
4 shouldn't get this surcharge.

5 What I'm concerned about is my landlord is putting
6 me in a new furnace this year, so I know I am going to be
7 using less gas. In other words, I'm going to get penalized
8 because my landlord decided he was going be generous and
9 put me in a new furnace. That don't make a lot of sense,
10 does it?

11 I just think this is -- I never heard of such a
12 thing. I just really think it's downright absurd, it
13 really is.

14 JUDGE HOYER: Thank you. Any questions for the
15 witness?

16 (No response.)

17 (Witness excused.)

18 JUDGE HOYER: Margaret?

19 MS. GIRDICH: Girdich.

20 JUDGE HOYER: Girdich.

21 MS. GIRDICH: Everybody has got trouble with that
22 name, G-i-r-d-i-c-h.

23 Whereupon,

24 MARGARET GIRDICH

25 having previously been duly sworn, testified as follows:

1 DIRECT TESTIMONY

2 JUDGE HOYER: Please state your full name for the
3 record?

4 THE WITNESS: Margaret Girdich, G-i-r-d-i-c-h, 1231
5 1/2 Otter Street, Franklin, PA 16323. I'm retired and I am
6 a customer of National Fuel.

7 First of all, I want to say that I am a widow living
8 on a fixed income. Last year I was fortunate enough to
9 have an energy efficient furnace, storm windows, sealed up
10 all the cracks and everything, so I'm still being penalized
11 if we put this surcharge on.

12 I'm like Vera just said, once we get it, we are
13 never going to have it taken off. I think that by now we
14 have all paid enough. We shouldn't have to be paying any
15 more.

16 I have another, kind of a question. I don't have
17 any gas in my house except the furnace, and yet in the
18 summer I'm still paying to have the gas brought into my
19 house. I don't think that's quite right either, but I
20 guess there's not too much I can do about that but pay the
21 bill and not say anything more about it.

22 I think that isn't -- you know, I can't see that
23 that's a real fair charge when I don't -- in the summertime
24 I'm not running my furnace, so why should I have to pay
25 that?

1 I will give you an example although it doesn't have
2 anything to do with National Fuel. My mother is 80 years
3 old. She's a widow. She lives on \$1,200 a month, Social
4 Security and retirement combined. She gets her propane
5 from Farrell Gas. Every month in the winter, she orders
6 \$300 of fuel. When they come to give it to her, she only
7 gets \$230 worth of fuel. That \$70 is a surcharge.

8 Now back to National Fuel. I would like to submit
9 to you some of my gas bills from last fall, and I would
10 like for you to look at the charge, the charge on the back.

11 JUDGE HOYER: Do you have copies for everyone?

12 THE WITNESS: You can just have them.

13 JUDGE HOYER: You just have one of each?

14 THE WITNESS: You can...

15 JUDGE HOYER: Are they different bills?

16 THE WITNESS: Yes.

17 JUDGE HOYER: Okay.

18 THE WITNESS: You can see the charge there.

19 There's me and my wife and I have a son and a daughter. We
20 live on about \$2,500 a month. Last year we decided we were
21 going to use our wood burner.

22 She's helped me, but I do most of the work myself.
23 I go out in the woods, I cut wood. It's hard work. I do
24 it in the summer, I do it in the winter. I do it so we can
25 save money. I do it so we can put more food on the table.

1 I do it so we can put more fuel in our tanks, gasoline, and
2 we need the money in case of emergencies. For National
3 Fuel to penalize me because I use less fuel is just
4 ludicrous.

5 The residential rate increase is 6.9. The
6 commercial customers is 0.1. Why is that? They use more
7 fuel than I do. If anyone should be penalized, it should
8 be them.

9 The surcharge is based on the price of natural gas,
10 the amount of gas used for home and number of residential
11 customers. So, here I am, a customer. Last winter, my
12 average National Fuel bill was between \$23 to \$40 a month.
13 How much more will they charge me?

14 I want to quote Sandra James out of the Erie office.
15 She cites in the Derrick back in July, "Inflation." Well,
16 Ms. James, welcome to the real world. There's a lot of us
17 hurting out here because of inflation.

18 "Uncollectible accounts." Sure, National Fuel lets
19 you get on a budget plan. Your fuel bill might be \$350
20 month, but you got to pay \$50, but then you're in the hole.
21 We got to make up for that in the summer.

22 "Conservation in the Pipeline Safety Act of 2002,"
23 she states that these are primary reasons for extra money.
24 Well, get a loan or something. "The only way the company
25 can make a profit and maintain its services is through

1 delivery charges." Look at my bill there. I use nothing.
2 Why am I still getting charged?

3 They need compassion, is what National Fuel needs,
4 to find some compassion.

5 She states that "An across the board increase will
6 be assessed for customers if natural gas usage decreases to
7 a certain point." "Not certain of the formula yet to be
8 used, but if usage goes up, customers would get a credit."
9 I don't understand. I'm confused.

10 Most of everything that I wanted to say here has
11 been said today. We need to remember these senior
12 citizens. Would you like to have your mother sitting in a
13 corner wrapped up in a blanket and freezing? I've seen my
14 mother do it, and it's not pretty.

15 These people that don't make very much money, as
16 myself and my wife, we deserve to save what we can save.
17 It shouldn't be taken away from us.

18 And last but not least, I suggest that this revenue
19 de-coupling either be rejected or withdrawn, and they need
20 to find compassion.

21 I want to thank my representative, Mr. McIlhattan,
22 for being here to speak today, and thank you, ladies and
23 gentlemen.

24 JUDGE HOYER: Thank you. Any questions for the
25 witness?

1 (No response.)

2 (Witness excused.)

3 JUDGE HOYER: Twyla Kernic.

4 Whereupon,

5 TWYLA KERNIC

6 having previously been duly sworn, testified as follows:

7 DIRECT TESTIMONY

8 THE WITNESS: My name is Twyla Kernic, T-w-y-l-a,
9 K-e-r-n-i-c. I live at 363 Warren Road which is in Sugar
10 Creek Borough. I'm retired and I am also a customer, my
11 husband and I are customers of National Fuel.

12 I really don't feel that I can add anything to this
13 because I think it's all been said. I just hope that
14 National Fuel takes into consideration what has been said
15 here today. That's all I can say.

16 JUDGE HOYER: Thank you. Any questions for the
17 witness?

18 (No response.)

19 (Witness excused.)

20 JUDGE HOYER: Sunny Fischer, please approach the
21 podium. Steve McMurray, please come forward and take a
22 seat.

23 While they are doing that, would the following
24 individuals please rise to be sworn in, Margaret Crick,
25 Gary Hutchinson, and I believe that's it. If you would,

1 please raise your right hand.

2 Whereupon,

3 MARGARET CRICK

4 and

5 GARY HUTCHINSON

6 having been duly sworn, testified as follows:

7 JUDGE HOYER: Thank you. You may be seated.

8 Ms. Fisher, you may begin.

9 Whereupon,

10 SUNNY FISCHER

11 having previously been duly sworn, testified as follows:

12 DIRECT TESTIMONY

13 THE WITNESS: My name is Sunny, S-u-n-n-y, Fischer,
14 F-i-s-c-h-e-r. I live at 1212 Vera Street, Franklin, and I
15 am a customer. I'm also a retired senior citizen.

16 I'm trying to stay in my own home. I'm in what I
17 call a large middle group of consumers who don't qualify
18 for any of the special assistance programs, either the
19 minimal poverty guidelines, like LIHEAP, etcetera, or on
20 the other extreme, as has been mentioned today, I'm not a
21 stockholder in National Fuel and I don't get the benefits
22 of being a monopoly.

23 I came here with some other questions, so I will
24 just use my moment of time to ditto the comments of Mr.
25 Liddle of Franklin Industries who gave some very excellent

1 comments, also Mr. Shaughnesy who talked about the PUC
2 benefitting the public interest and the problems of, of
3 course, a monopoly having stockholders and profit
4 interests, and Mr. Sherman's and so on.

5 I just thank you for your time. I won't take any
6 more. Thank you.

7 JUDGE HOYER: Thank you. Any questions?

8 (No response.)

9 (Witness excused.)

10 JUDGE HOYER: Steve McMurray.

11 Whereupon,

12 STEVE McMURRAY

13 having previously been duly sworn, testified as follows:

14 DIRECT TESTIMONY

15 THE WITNESS: My name is Steve McMurray. I live at
16 604 (inaudible) Lane, Franklin, Pennsylvania. I'm a
17 National Fuel customer.

18 JUDGE HOYER: Try to keep your voice up a little,
19 please.

20 THE WITNESS: Excuse me?

21 JUDGE HOYER: Try to keep your voice up a little
22 bit.

23 THE WITNESS: Oh, okay.

24 JUDGE HOYER: Spell your last name, please.

25 THE WITNESS: M-c-M-u-r-r-a-y, and I am a National

1 Fuel customer. I'm self-employed.

2 Anything that I had to say here today has pretty
3 much already been said. I feel that we are basically all
4 here for the same reason, that we feel that the surcharge
5 should not be approved.

6 I'm another one of the individuals who during the
7 winter last year, turned the thermostat down to the low 60s
8 and was cold.

9 I would also like to be able to draw attention to
10 one of the comments that one of the men made, I think he's
11 already left, in terms of me learning to read the meter. I
12 have my gas bill, and if didn't make a phone call to
13 National Fuel over the wintertime and question my bills --
14 they were twice as high, over twice as high as they should
15 have been when I went out to take my own meter reading and
16 read it back to the person on the phone.

17 That's one of my personal experiences, so did
18 question my bill on a couple of occasions and it turned out
19 that there was an incorrect reading by the individual who
20 read the meter.

21 The only other comment I would really have to make
22 would be that my father is a senior citizen and he's
23 retired and he's had some heart problems. He lives on a
24 fixed income, and it doesn't make it any easier on him to
25 pay higher gas bills. I would certainly go along with the

1 idea, probably as everybody else in this room, to ask the
2 PUC to not approve the surcharge for gas. That's it.

3 JUDGE HOYER: Any questions?

4 (No response.)

5 (Witness excused.)

6 JUDGE HOYER: Margaret Crick, please approach the
7 podium. Gary Hutchinson, please take a seat to the left of
8 the podium.

9 Whereupon,

10 MARGARET CRICK

11 having previously been duly sworn, testified as follows:

12 DIRECT TESTIMONY

13 THE WITNESS: I'm Margaret Crick, C-r-i-c-k. I
14 live at 580 Walnut Street in Meadville. I'm retired, a
15 National Fuel Gas customer. My husband is gone, I'm a
16 widow.

17 I can't say anything that could possibly top what
18 people have said here today. They've said it all, and I
19 agree with them.

20 If you had an evening meeting, you would see a lot
21 more people here. The people that are working are going to
22 be hurt by this too. It's not only us people that are
23 retired. We just have the time to come at this time of the
24 day.

25 My cost of living rises every day. I have had no

1 raise in my income in over ten years. My husband's pension
2 is sealed. He worked for the State of Pennsylvania.
3 Retired workers get cost of living raises. Widows and
4 children don't. We are just supposed to starve. I get
5 nothing for over ten years. I get nothing on my pension
6 over ten years, no raises.

7 Social Security goes to Medicare. Thank God for
8 Social Security and Medicare because without it, I'd be
9 dead. There's no two ways about it. We couldn't live. My
10 daughter helps me every month or I'd be in the street. I
11 couldn't keep my house. I would have lost it years ago.

12 I bought a new furnace three years ago. I borrowed
13 money to put windows in the house this winter. Nothing
14 helped. I pay over \$200 a month in gas, which is more than
15 ten percent of my income all year. I'm on a budget plan.

16 I too, like everybody else, wear long underwear,
17 jerseys, sweatshirts, layered on and I'm wrapped up in a
18 blanket on the couch in the evenings because I'm too cold,
19 partly thanks to medication, to do anything. Those that
20 are old have to sit there wrapped in a blanket, like that
21 man said. There's nothing else you can do.

22 Property taxes kill you. It goes on and on and on.
23 Like I said, everything has been said by others. I'm not
24 going to repeat it.

25 The only thing I use my gas for is heat and water.

1 I cook, dry my clothes with electricity. The only time I'm
2 warm is in bed at night because thank God for the electric
3 blanket. They're getting a raise, too, which is more than
4 we are going to be able to possibly tolerate.

5 I'm a very lucky lady, and I know that. I'm lucky
6 to have my children, I'm lucky to have a house of any kind,
7 even though it's falling down around me and there's nothing
8 I can do about it. You couldn't get anybody to help you if
9 you tried.

10 I get letters every day asking for money for
11 everybody around the country. We have people living in the
12 streets in America. It's shocking. It should never
13 happen. CEOs are getting millions and we're going hungry.
14 Something sure needs to be done.

15 JUDGE HOYER: Thank you. Any questions?

16 (No response.)

17 (Witness excused.)

18 JUDGE HOYER: Gary Hutchinson.

19 Whereupon,

20 GARY HUTCHINSON

21 having previously been duly sworn, testified as follows:

22 DIRECT TESTIMONY

23 THE WITNESS: Gary Hutchinson, H-u-t-c-h-i-n-s-o-n.

24 I live at 106 Dogwood Drive in Franklin. I am a National
25 Fuel customer, have been for years and years. My

1 occupation is I am a Venango County Commissioner, and it is
2 from that approach that I would like to address you.

3 The county commissioners are currently considering
4 updating the heating systems. Some of our heating systems
5 are 50 years old or longer. Many of our employees now work
6 in -- well, one building is over a hundred years old. They
7 are very old buildings, and to update and make the heating
8 be more efficient will cost of large sums of money.

9 The one question I have for National Fuel Gas and
10 something I would like you folks to consider is how can we
11 justify to the taxpayers spending tax dollars to update our
12 facilities to be more efficient so we can pay higher heat
13 bills? That doesn't make any sense. Of course, that has
14 been repeated over and over.

15 Another point I would like to make is that in our
16 county, we have median wage which is one of the lowest in
17 the state. We have a high unemployment rate. This will be
18 a double-whammy on us because not only will you be taking a
19 greater portion of their income, you will be making it more
20 difficult for them to find jobs and better incomes.

21 Many of our industries are dependent upon gas for
22 their manufacturing process which will now be more
23 expensive. It will have that effect on us.

24 Then, of course, there would be the obvious effect
25 that you will have on our fixed income people, of which we

1 have a very large population here in Venango County.

2 I would thank you for giving us this opportunity to
3 be heard. I know that you don't need to remind us that the
4 Public Utility Commission has the public safety in mind,
5 and we hope that you will serve that by denying this rate
6 increase, which is what it really is, for using less gas.
7 It makes no sense. Thank you.

8 JUDGE HOYER: Thank you. Any questions?

9 (No response.)

10 (Witness excused.)

11 JUDGE CORBETT: Is there anyone who wishes to
12 testify whom we have not called?

13 (No response.)

14 As we indicated at the beginning of the hearing,
15 this is our fifth hearing in three days. We have heard
16 from a great number of people and we thank everyone for
17 coming out, taking time out of your lives to come here
18 today.

19 For those of you who have testified, we want you to
20 know that your comments, your testimony, will be considered
21 when we sit down and look at this case and begin drafting a
22 decision for the Commission to consider.

23 Your time has been well worth spent here, and we
24 know that your comments are very heartfelt and something
25 that we will very definitely consider when we sit down and

1 look at this case.

2 Once again, thank you very much for your cooperation
3 this afternoon and your patience. Everyone please drive
4 safely home.

5 (Whereupon, at 2:44 p.m., the hearing was adjourned.)

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C E R T I F I C A T E

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I hereby certify, as the stenographic reporter, that the foregoing proceedings were reported by me and thereafter reduced to typewriting by me or under my direction; and that this transcript is a true and accurate record to the best of my ability.

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