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May 6, 2016

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

RE: *In the Matter of the Joint Application of Southeastern Natural Gas company and
Madison energy Cooperative Association, Inc. to Substitute natural Gas Service and
Transfer Assets and Customers, Case No. 15-1508-GA-ATR.*

Enclosed please find the Staff's Comments regarding the Joint Application of Southeastern
Natural Gas Company and Madison Energy Cooperative Association, Inc. to Substitute Natural
Gas Service and Transfer Assets and Customers.

Respectfully submitted,

Barbara Bossart
Chief, Reliability and Service Analysis Division
Service Monitoring and Enforcement Department
Public Utilities Commission of Ohio
180 East Broad Street
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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Joint Application)	
of Southeastern Natural Gas Company)	
and Madison Energy Cooperative)	Case No. 15-1508-GA-ATR
Association, Inc. to Substitute Natural)	
Gas Service and Transfer Assets)	
and Customers.)	

Staff Comments and Recommendation

Background

On August 26, 2015 Southeastern Natural Gas Company (Southeastern) and Madison Energy Cooperative Association, Inc. (MECA) (collectively, "joint applicants") submitted a Joint Application to authorize the transfer of assets and all residential and commercial customers from Southeastern to MECA and to approve the substitution of natural gas service by MECA instead of Southeastern. Southeastern is a public utility as defined in R.C. 4905.02 and a natural gas company as defined in R.C. 4905.03. MECA is a member-owned, not-for-profit cooperative as defined by R.C. 4905.02(A) (2). The transfer involves approximately 1,500 customers in Athens, Morgan, Perry and Union Counties in Ohio currently served by Southeastern. Southeastern and MECA state that MECA intends to invest capital into the Southeastern system over the next three to five years to improve and upgrade the system and service levels beyond regulatory standards and that at this time, MECA does not intend to change the current base rate for Southeastern customers.

Staff learned that on or about on September 7, 2015, letters were sent to multiple customers of SENG advising them that the service lines for those customers would be disconnected as of November 30, 2015. On September 30, 2015, Staff filed a letter in this docket that requested the Commission require Southeastern to maintain all of its services and facilities, including those not currently included as part of the transfer application, until such time as the commission has authorized an abandonment of such lines. On October 7, 2015, the Commission directed SENG to send letters to that customer to whom it sent a letter of abandonment of service lines advising them that their lines would not be abandon until such time that SENG has approval from the Commission. On February 19, 2016, Southeastern filed a status report requesting that the Commission approve the pending transfer of certain lines and customers from Southeastern to MECA. The status report also stated that Southeastern had provided all customers with a written notice of the pending abandonment and a check to assist with the conversion to an alternate fuel source. Southeastern further reported all but one check was cashed and is unable to ascertain the whereabouts of the customer associated with the final check. The status report also stated that Southeastern has reached out to the two customers who had concerns about the discontinuance of service and advised them that they would not disconnect service until this summer and would work with those customers on their conversion to another energy source. Southeastern also stated that it will file an abandonment application for the Roberts A line in a separate case at the appropriate time as suggested by the Staff.

Staff Comments and Recommendations

As a gas cooperative not within the jurisdiction of the Public Utilities Commission of Ohio, MECA's customers would not be eligible for various regulatory consumer protections and assistance programs including but not limited to Percentage of Income payment Plan (PIPP), winter disconnection protections, complaint procedures and options, and minimum customer service levels and standards. However, MECA does provide some mitigating programs and protections such as payment arrangements and Home Energy Assistance Program (HEAP). HEAP would offer an additional \$375 for emergency assistance and an additional \$181 for regular assistance to cooperative customers.

Staff is concerned with large PIPP arrearage balances following customers as past due balances subject to disconnection upon the transfer to MECA. Staff recommends any PIPP arrearage of transferred customers not follow the customers as a debt but is absorbed by Southeastern through its over collection of that amount found in the GCR audit as described below. PIPP customers with a credit balance, however, should have their credit follow the transfer to MECA.

In Case Nos. 15-215-GA-GCR and 15-415-GA-PIP, Staff completed audits of Southeastern's gas cost recovery (GCR) and PIPP riders. As a result of the GCR audit, Staff and Company have agreed that customers will receive an adjustment of \$193,340. In the PIPP audit, Staff found that Southeastern had a balance of \$6,585 as of December 31, 2014, and based on Staff Data Request in Case No. 15-1508-GA-ALR, the PIPP arrearages have grown to \$17,684.19 as of March 31, 2016.

Staff has conducted a financial review of the transfer of assets and has found no reason to oppose the transaction. In addition, because customers will be afforded an opportunity to voice any concerns regarding consumer protection and quality of service by voting for a Trustee to represent their new membership, Staff found no reason to oppose the transfer of assets in this application.

Staff recommends that Southeastern determine the PIPP balance based on March 2016 billing, taking into consideration Staff's recommended PIPP balance of \$6,585, as of January 1, 2015. With restated PIPP balance, Staff recommends that the under-collected PIPP balance be netted against the over-collection GCR amount of \$193,340. This net amount would then be divided by the number of customers as of March 2016 and the result would be credited to each customer's bill prior to Commission's granting of the transfer.

Upon the Commission's approval of this Joint Application and the consummation of the transaction, the assets and MECA's service to the customers will no longer be subject to the Commission's jurisdiction except for pipeline safety. Finally, Staff recommends that MECA notify all Southeastern customers of their rights and responsibilities as members of MECA.