BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

SUPPLEMENTAL DIRECT TESTIMONY
OF
JED D. HENTHORNE

ON BEHALF OF
NORTHEAST OHIO NATURAL GAS CORP.

____ Management Policies, Practices, and Organization

__X__ Operating Income

__X__ Rate Base

____ Allocations

____ Rate of Return

____ Rates and Tariffs

____ Other

JULY 25, 2019

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I. INTRODUCTION, BACKGROUND, AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. My name is Jed D. Henthorne. I am Vice President Finance and Administration for Hearthstone Utilities, Inc. ("Hearthstone"), the ultimate parent company of Northeast Ohio Natural Gas Corp. ("NEO" or "Company"). I am also President and General Manager for Energy West Montana, Inc. ("EWM") and Cut Bank Gas Company ("CBGC"), utilities in the Hearthstone organization affiliated with NEO. My business address is #1 First Avenue South, Great Falls, Montana 59401.

Q. ARE YOU THE SAME JED HENTHORNE WHO FILED DIRECT TESTIMONY ON BEHALF OF NEO IN THIS PROCEEDING ON JANUARY 11, 2019?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

A. My supplemental testimony is intended to support NEO's objections to the recommendations made by the Staff of the Public Utilities Commission of Ohio ("Staff") in its Report of Investigation ("Staff Report") filed in this proceeding on June 25, 2019. In particular, I will address NEO's objections concerning Staff's adjustments to rate base, test year payroll, benefits and payroll taxes, Hearthstone Services expenses, property taxes, and income taxes.

II. SCHEDULES UPDATING FOR COMPANY OBJECTIONS

Q. HAVE YOU PREPARED UPDATED SCHEDULES REFLECTING ALL OF THE ADJUSTMENTS RELATED TO THE COMPANY'S OBJECTIONS?

A. Yes. The updated schedules are attached as Exhibit JDH-S-1.

III. STAFF'S RECOMMENDATION TO ADJUST RATE BASE

Q. PLEASE DESCRIBE STAFF'S RECOMMENDED ADJUSTMENTS TO RATE BASE.

A. The Staff Report recommended adjustments to several components of rate base for a net total of a $1,780,447 decrease:

- A decrease to plant in service of $1,614,211.[1]
- An increase to reserve for accumulated depreciation of $665,328, which included a reclassification of a regulatory liability from other rate base items in the amount of $1,633,306.[2]
- A decrease to working capital allowance of $588,213.[3]
- A decrease to unamortized rate case costs of $546,000.[4]

Each of these adjustments will be addressed separately below.

Q. PLEASE DESCRIBE IN MORE DETAIL STAFF'S RECOMMENDED ADJUSTMENT TO PLANT IN SERVICE.

A. Staff adjusted plant in service to (1) reclassify assets to the correct FERC account; (2) to remove amounts for assets for which the original purchasing documentation was unable to be produced; and (3) to remove amounts for assets that could not be found during Staff's physical inspection.[5]

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[1] Staff Report at 33, Schedule B-1.

[2] *Id.*

[3] *Id.*

[4] *Id.*

[5] Staff Report at 8–9; Schedule B-2.2.

Q. WHAT OBJECTIONS DOES NEO HAVE TO STAFF'S RECOMMENDED ADJUSTMENTS TO PLANT IN SERVICE?

A. NEO has four objections to Staff's adjustments for which the related adjustments are further delineated on Exhibit JDH-S-1, pp. 4-6, columns J and K.

1. Assets totaling $443,310 (p. 5) related to the opening balances from the purchase of the original Orwell and Brainard systems were able to be physically inspected during Staff's audit. Maps of these systems were not available at the time of the physical inspections. Subsequently NEO has produced maps that show original main lines, service lines, customer counts, and regulator stations. These maps are included as Exhibit JDH-S-3. As such, the $443,310 should be added back to the plant in service balances.

2. Orwell asset #7060021 was unable to be physically inspected during Staff's audit as it was in the repair shop during the time of the inspection. The vehicle is now fully operational and able to be inspected. As such, $31,307 (p. 6) should be added back to the plant in service balances.

3. Spelman asset #7080006 was unable to be physically inspected during Staff's audit as it was at the factory being recalibrated during the time of the inspection. The flame pack is now fully operational and able to be inspected. As such, $4,695 (p. 6) should be added back to the plant in service balances.

4. Staff made adjustments to remove Orwell asset #7060004 and Spelman asset #7060000, both of which are vehicles that were sold after the date certain and prior to the physical inspection date. The Company used an actual date certain rather than a projected date certain for this rate application and, therefore, all assets used and useful as of the date certain should be included in rate base. It is important to note that no capital additions

subsequent to the date certain are included in rate base, including CWIP balances as of the date certain that have since cleared to plant. The vehicles' cost of $36,250 and $35,578 (p. 6) should be added back to the plant in service balances.

Q. PLEASE DESCRIBE IN MORE DETAIL STAFF'S RECOMMENDED ADJUSTMENT TO RESERVE FOR ACCUMULATED DEPRECIATION.

A. Staff adjusted the reserve for accumulated depreciation to (1) reclassify assets to the correct FERC accounts; (2) reclassify the Regulatory Liability for Accrued Removal Costs to the appropriate FERC accounts; (3) remove amounts for assets whose original purchasing documentation was unable to be produced; and (4) remove amounts for assets which could not be found during Staff's physical inspection.[6]

Q. WHAT OBJECTIONS DOES NEO HAVE TO STAFF'S RECOMMENDED ADJUSTMENTS TO RESERVE FOR ACCUMULATED DEPRECIATION?

A. NEO has seven objections to Staff's adjustments for which the related adjustments are further delineated on Exhibit JDH-S-1, pp. 7-9, columns K and L.

1. The accumulated depreciation of $350,172 (p. 8) related to the assets totaling $443,310 discussed above should be added back to the reserve for accumulated depreciation balance.

2. The accumulated depreciation of $26,611 (p. 9) related to Orwell asset #7060021 discussed above should be added back to the reserve for accumulated depreciation balances.

[6] Staff Report at 10; Schedule B-3.1.

3. The accumulated depreciation of $4,695 (p. 9) related to Spelman asset #7080006 discussed above should be added back to the reserve for accumulated depreciation balances.

4. The Staff's adjustments to accumulated depreciation for $36,250 and $35,578 (p. 9) related to Orwell asset #7060004 and Spelman asset #7060000, respectively, discussed above, should be added back to the reserve for accumulated depreciation balances.

5. Staff made adjustments to reclassify balances from Account 391 to Accounts 303, 391.1 and 397. Staff removed $1,665,165 from Account 391 yet only added $1,519,441 to the other three accounts. The $145,724 (p. 9) difference causes an understatement of the reserve for accumulated depreciation balance and should be added back.

6. Staff's adjustments in Schedule B-3 for Accounts 379, 382 and 387 totaling $232,344 (p. 8) are not included in the supporting documentation in Schedule B-3.1. Schedule B-3.1 appears to be correct because there is no corresponding adjustment on the asset side for these accounts. Furthermore, the adjustment would cause all three accounts to have a higher reserve for accumulated depreciation balance than their asset balance. The adjustment included in Schedule B-3.1 appears to be in error and should be removed from the reserve for accumulated depreciation balance.

7. Staff's adjustment to Orwell asset #7030100 was included in both Account 391 and Account 391.1. Furthermore, the adjustment proposed by Staff adds to the accumulated reserve balance rather than subtracts from it. Since the adjustment is the result of disallowing an item not able to be observed during physical inspection, both the asset and associated accumulated depreciation should be removed from rate base. Correcting the

adjustment to simply remove the amounts from the reserve balance causes a $6,662 (p. 9) decrease to Staff's proposed adjustment.

Q. PLEASE DESCRIBE IN MORE DETAIL STAFF'S RECOMMENDED ADJUSTMENTS TO WORKING CAPITAL ALLOWANCE.

A. Staff adjusted working capital allowance by updating the operating and maintenance expenses included in the cash component per Staff's updated Schedule C-2.[7] They also included a tax component in the calculation to include one fourth of operating taxes, including income taxes.

Q. WHAT OBJECTIONS DOES NEO HAVE TO STAFF'S RECOMMENDED ADJUSTMENTS TO WORKING CAPITAL ALLOWANCE?

A. The Company's adjustments to Schedule C-2 for operating and maintenance expenses, other taxes and income taxes combined with the Company's adjustments to rate base cause a necessary corresponding adjustment to increase the working capital allowance component of rate base by $128,060. The Company's calculation of the updated working capital allowance using Staff's methods is shown on Exhibit JDH-S-1, pp. 10-15.

IV. STAFF'S RECOMMENDATION TO ADJUST TEST YEAR PAYROLL, BENEFITS AND PAYROLL TAX EXPENSE

Q. WHAT DID STAFF RECOMMEND WITH RESPECT TO NEO'S LABOR EXPENSE?

[7] Staff Report at 11; Schedule B-5.

A. The Staff Report recommended a downward adjustment of $429,856 to test year payroll, benefits, and payroll tax expenses.[8]

Q. HOW DID STAFF MAKE THIS ADJUSTMENT?

A. The Staff Report notes that NEO adjusted operating income to decrease test year labor expense and payroll tax and increase employee benefits based on a pro forma annualized labor calculation using projected payroll as of June 2019.[9] Staff, however, adjusted operating income, benefits, and payroll tax by annualizing direct labor expenses based on NEO's actual employee levels as of April 2019 and average hourly rates for the latest known 12 month period between May 2018 through April 2019.[10]

Q. WHY DOES NEO OBJECT TO STAFF'S RECOMMENDED ADJUSTMENT?

A. NEO objects to Staff's use of NEO's actual employee levels in April 2019 as doing so was inconsistent with other adjustments recommended by Staff. In particular, when calculating adjustments to NEO's test year revenues, Staff considered customer counts through June 2019.[11] Yet, when calculating NEO's labor expenses, Staff used a completely different period (i.e., actual employee levels as of April 2019). In addition, Staff used the average hourly pay rate for each employee during the test period. As such, Staff's recommended adjustment to test year payroll, benefits, and payroll tax expenses is improper. Staff should have used the same period as it used when calculating test year revenues (i.e., June 2019) and should have used the most current rate of pay for each employee instead of the average.

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[8] Staff Report at 14.

[9] *Id*.

[10] *Id*.

[11] *Id*. at 12.

Q. HAS NEO PERFORMED THE CALCULATION TO MAKE THE ADJUSTMENT THROUGH JUNE 30, 2019?

A. Yes. Exhibit JDH-S-1 (pp. 27-30) updates Staff's Schedule C-3.12 and supporting workpapers to reflect the amounts based on its response to Staff DR #66 which updates payroll costs, retirement plan costs and health insurance costs through June 30, 2019, using current employee hourly rates as of June 2019. The change from April to June is significant. The employee count changes from 59 per Staff's count for April to 62, including the hiring of the President and General Manager for NEO. These changes cause the adjustment to the test year to be ($45,240), an increase of $384,616 from Staff's recommended adjustment of ($429,856).[12]

V. STAFF'S RECOMMENDATION TO ADJUST HEARTHSTONE SERVICES EXPENSES

Q. PLEASE DESCRIBE STAFF'S RECOMMENDED ADJUSTMENT TO HEARTHSTONE SERVICES EXPENSES.

A. The Staff Report recommended a $2,031 increase to test year expenses compared to the Company's increase of $50,739.[13]

Q. HOW DID STAFF MAKE THIS ADJUSTMENT?

A. Staff removed Company adjustments of $129,883 related to the normalization of the Corporate CEO and CFO and two additional consultants. In the Company's response to Staff DR #45, it was stated that the adjustment was related to a signed contract that was

[12] *See* Exhibit JDH-S-1, p. 27.

[13] Staff Report at 13.

effective August 1, 2019. This statement was in error and appears to be what Staff relied on in removing the adjustment as being out of period.

Q. WHY DOES NEO OBJECT TO STAFF'S RECOMMENDED ADJUSTMENT?

A. NEO regrets its error in responding to Staff DR #45 and wishes to correct it. The Company's normalization adjustment was based on the amendment to the original contract, which changed the billing rates effective August 16, 2018 through August 15, 2019. The Company adjusted test year expense to include 1.5 months at the original contract rates and 10.5 months at the amended (current) contract rates. The original executed contract and the 2018 amendment are attached as Exhibit JDH-S-2. The 2018 Amendment on page 1 clearly shows that it is in effect from August 16, 2018 through August 15, 2019. Therefore, the Company's adjustment should be reinstated. Applying NEO's allocation from the four-factor formula increases the adjustment to Schedule C-3.9 shared services expense from Staff's $2,031 to $50,073. This calculation is presented on page 20 (C-3.9) of Exhibit JDH-S-1.

VI. STAFF'S RECOMMENDATION TO ADJUST PROPERTY TAXES

Q. PLEASE DESCRIBE STAFF'S RECOMMENDED ADJUSTMENTS TO PROPERTY TAXES.

A. The Staff Report recommended a decrease to property taxes of $83,361 to remove property tax amounts related to its adjustments to plant in service.[14]

Q. WHAT OBJECTIONS DOES NEO HAVE TO STAFF'S RECOMMENDED ADJUSTMENTS TO PROPERTY TAXES?

[14] Staff Report at 14; Schedule C-3.11.

A. After updating Staff's property tax schedules for the Company's recommended adjustments to plant in service, as discussed above, the property tax expense needs an additional $8,715, as seen in Exhibit JDH-S-1, p. 22 (C-3.11).

VII. STAFF'S RECOMMENDATION TO ADJUST INCOME TAXES

Q. PLEASE DESCRIBE STAFF'S RECOMMENDED ADJUSTMENTS TO INCOME TAXES.

A. The Staff Report recommended an increase of $867,597 to income tax expense as a result of its adjustments to revenue, etc.[15]

Q. WHAT OBJECTIONS DOES NEO HAVE TO STAFF'S RECOMMENDED ADJUSTMENTS TO INCOME TAXES?

A. The effect on income taxes from NEO's adjustments to operating income and rate base is a reduction to Staff's amount of $341,583 as seen in Exhibit JDH-S-1, pp. 17 (C-2), 32 (C-4).

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes.

[15] Staff Report at 14–15.

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
OVERALL FINANCIAL SUMMARY
FOR THE TWELVE MONTHS ENDED JUNE 30, 2019

LINE NO (A)	DESCRIPTION (B)	SUPPORTING SCHEDULE REFERENCE (C)	COMPANY PROPOSED AMOUNT (D)	STAFF LOWER BOUND (E)	STAFF UPPER BOUND (F)	COMPANY ADJUSTED AMOUNT (G)
1	Rate Base as of Date Certain	B-1	$ 47,659,758	45,879,311	$ 45,879,311	$ 46,198,488
2	Adjusted Operating Income	C-1	1,341,755	3,183,545	3,183,545	1,903,905
3	Rate of Return Earned (2 / 1)		2.82%	6.94%	6.94%	4.12%
4	Rate of Return Requested	D-1	8.66%	7.80%	8.45%	8.66%
5	Required Operating Income (1 x 4)		4,127,335	3,578,586	3,876,802	4,000,789
6	Income Deficiency (5 - 2)		2,785,580	395,041	693,257	2,096,884
7	Gross Revenue Conversion Factor	A-2	1.265823	1.265823	1.265823	1.265823
8	Revenue Increase Required (6 x 7)		3,526,053	500,052	877,542	2,654,286
9	Revenue Increase Requested	E-4	3,526,053	500,052	877,542	2,654,286
10	Adjusted Operating Revenue	C-1	34,406,306	35,951,448	35,951,448	35,951,448
11	Revenue Requirements (9 + 10)		37,932,359	36,451,500	36,828,990	38,605,734
12	Increase Over Current Revenue (9 / 10)		10.25%	1.39%	2.44%	7.38%

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
CALCULATION OF GROSS REVENUE CONVERSION FACTOR
FOR THE TWELVE MONTHS ENDED JUNE 30, 2019

LINE NO (A)	DESCRIPTION (B)	% OF INCREMENTAL GROSS REVENUES (C)
1	Gross Revenue	100.00%
2	Uncollectibles	0.00%
3	Net Revenue (1 - 2)	100.00%
4	Ohio Gross Receipts Tax	0.00%
5	Income Before Federal Income Taxes (3 - 4)	100.00%
6	Federal Income Taxes (5 x 21%)	21.00%
7	Operating Income Percentage (5 - 6)	79.00%
8	Gross Revenue Conversion Factor (1 / 7)	1.265823

NOTE: CIAC are already netted against gross plant.

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
RATE BASE SUMMARY
AS OF DATE CERTAIN, SEPTEMBER 30, 2018

LINE NO (A)	RATE BASE COMPONENT (B)	SUPPORTING SCHEDULE REFERENCE (C)	COMPANY PROPOSED AMOUNT (D)	STAFF PROPOSED AMOUNT (E)	COMPANY ADJUSTMENTS (F)	COMPANY ADJUSTED AMOUNT (G)
1	Plant in Service	B-2	$ 81,400,317	$ 79,786,106	$ 551,141	$ 80,337,247
2	Reserve for Accumulated Depreciation	B-3	(30,193,042)	(30,858,370)	(360,025)	(31,218,395)
3	Net Plant in Service (1 + 2)		51,207,275	48,927,736	191,116	49,118,852
4	Construction Work in Progress 75% Complete		-	-	-	-
5	Working Capital Allowance	B-5	2,518,358	1,930,145	128,060	2,058,205
6	Contributions in Aid of Construction	B-6	-	-	-	-
7	Other Rate Base Items:					
8	Customer Deposits	B-6	(83,905)	(83,905)	-	(83,905)
9	Customer Advances for Construction	B-6	-	-	-	-
10	Regulatory Liability - Accrued Removal Costs	B-6	(1,633,306)	-	-	-
11	Deferred Income Taxes	B-6	(2,581,973)	(2,581,973)	-	(2,581,973)
12	Excess Deferred Income Taxes	B-6	(2,312,691)	(2,312,691)	-	(2,312,691)
13	Unamortized Rate Case Costs	B-6	546,000	-	-	-
14	Jurisdictional Rate Base (3) Thru (13)		$ 47,659,758	$ 45,879,311	$ 319,176	$ 46,198,488

15 NOTE: CIAC are already netted against gross plant.

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF DATE CERTAIN, SEPTEMBER 30, 2018

WORK PAPER REFERENCE NO(S).: Staff Schedule B-2.2

LINE NO. (A)	FERC ACCT. NO. (B)	COMPANY ACCT. NO. (C)	DESCRIPTION (D)	TOTAL COMPANY (E)	ADJUSTMENTS (F)	ADJUSTED TOTAL (G=ExF) (G)	ALLOC % (H)	ALLOCATED JURISDICTION (I)	COMPANY ADJUSTMENTS (J)	COMPANY ADJUSTED TOTAL (K)
1			Intangible Plant:							
2	301	1010000	Organization	$ -	$ -	$ -	100.00%	$ -		$ -
3	302	1010001	Franchises and Consents	-	-	-	100.00%	-		-
4	303	1010002	Miscellaneous Intangible Plant	-	5,524,723	5,524,723	100.00%	5,524,723		5,524,723
5			Total Intangible Plant	$ -	$ 5,524,723	$ 5,524,723		$ 5,524,723	$ -	$ 5,524,723
6										
7										
8			Production Plant:							
9	325.2	1010003	Producing Leaseholds	$ -	$ -	$ -	100.00%	$ -		$ -
10	326	1010004	Gas Well Structures	-	-	-	100.00%	-		-
11	327	1010005	Field Compressor Station Structures	-	-	-	100.00%	-		-
12	328	1010006	Field Measuring & Regulating Station Structures	-	-	-	100.00%	-		-
13	330	1010007	Producing Gas Wells - Well Construction	143,894	-	143,894	100.00%	143,894		143,894
14	331	1010008	Producing Gas Wells - Well Equipment	1,087	-	1,087	100.00%	1,087		1,087
15	332	1010009	Field Lines	52,539	-	52,539	100.00%	52,539		52,539
16	333	1010010	Field Compressor Station Equipment	-	-	-	100.00%	-		-
17	334	1010011	Field Measuring & Regulating Station Equipment	65,739	-	65,739	100.00%	65,739		65,739
18	337	1010012	Other Equipment	-	-	-	100.00%	-		-
19			Total Production Plant	$ 263,259	$ -	$ 263,259		$ 263,259	$ -	$ 263,259

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF DATE CERTAIN, SEPTEMBER 30, 2018

WORK PAPER REFERENCE NO(S).: Staff Schedule B-2.2

LINE NO. (A)	FERC ACCT. NO. (B)	COMPANY ACCT. NO. (C)	DESCRIPTION (D)	TOTAL COMPANY (E)	ADJUSTMENTS (F)	ADJUSTED TOTAL (G=ExF) (G)	ALLOC % (H)	ALLOCATED JURISDICTION (I)	COMPANY ADJUSTMENTS (J)		COMPANY ADJUSTED TOTAL (K)
1			Transmission Plant:								
2	365.1	1010014	Land & Land Rights	$ 192,530	$ (192,530)	$ -	100.00%	$ -			$ -
3	365.2	1010015	Rights-of-Way	-	-	-	100.00%	-			-
4	366	1010016	Structures & Improvements	-	-	-	100.00%	-			-
5	367	1010017	Mains	3,596,079	(953,775)	2,642,304	100.00%	2,642,304			2,642,304
6	368	1010018	Compressor Station Equipment	-	-	-	100.00%	-			-
7	369	1010019	Measuring & Regulating Station Equipment	-	-	-	100.00%	-			-
8	370	1010020	Communication Equipment	-	-	-	100.00%	-			-
9	371	1010021	Other Equipment	-	-	-	100.00%	-			-
10			Total Transmission Plant	$ 3,788,609	$ (1,146,305)	$ 2,642,304		$ 2,642,304	$ -		$ 2,642,304
11											
12											
13			Distribution Plant:								
14	374	1010022	Land & Land Rights	$ 1,399,108	$ (65,689)	$ 1,333,419	100.00%	$ 1,333,419	9,097	(1)	$ 1,342,516
15	375	1010013	Structures & Improvements	-	56,592	56,591.93	100.00%	56,592			56,591.93
16	376	1010024	Mains-Distribution	40,108,087	(569,102)	39,538,985	100.00%	39,538,985	353,617	(1)	39,892,602
17	378	1010025	Measuring & Regulating Equipment - General	4,114,077	(156,601)	3,957,476	100.00%	3,957,476	20,695	(1)	3,978,171
18	379	1010054	Measuring & Regulating Station Equipment - City Gas Check Stations	205,335	-	205,335	100.00%	205,335			205,335
19	380	1010027	Services	11,206,454	(79,594)	11,126,860	100.00%	11,126,860	18,303	(1)	11,145,163
20	381	1010028	Meters	6,296,325	(105,098)	6,191,227	100.00%	6,191,227	32,988	(1)	6,224,215
21	382	1010029	Meter Installations	1,299	-	1,299	100.00%	1,299			1,299
22	383	1010030	House Regulators	351,845	(14,926)	336,919	100.00%	336,919	8,610	(1)	345,529
23	384	1010031	House Regulator Installations	-	-	-	100.00%	-			-
24	385	1010032	Ind Measuring Regulation	1,323,503	(205,805)	1,117,698	100.00%	1,117,698			1,117,698
25	387	1010033	Other Equipment	25,710	-	25,710	100.00%	25,710			25,710
26			Total Distribution Plant	$ 65,031,743	$ (1,140,223)	$ 63,891,520		$ 63,891,520	$ 443,310		$ 64,334,830

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF DATE CERTAIN, SEPTEMBER 30, 2018

WORK PAPER REFERENCE NO(S).: Staff Schedule B-2.2

LINE NO. (A)	FERC ACCT. NO. (B)	COMPANY ACCT. NO. (C)	DESCRIPTION (D)	TOTAL COMPANY (E)	ADJUSTMENTS (F)	ADJUSTED TOTAL (G=ExF) (G)	ALLOC % (H)	ALLOCATED JURISDICTION (I)	COMPANY ADJUSTMENTS (J)		COMPANY ADJUSTED TOTAL (K)
1			General Plant:								
2	389	1010034	Land & Land Rights	$ -	$ -	$ -	100.00%	$ -			$ -
3	390	1010035	Structures & Improvements	2,062,927	(94,462)	1,968,465	100.00%	1,968,465			1,968,465
4	391	1010036	Office Furniture & Equipment	6,323,651	(6,112,691)	210,960	100.00%	210,960			210,960
5	391.1	-	Office Furniture & Equipment - Computers	-	325,289	325,289	100.00%	325,289			325,289
6	392	1010037	Transportation Equipment	2,425,075	(128,374)	2,296,701	100.00%	2,296,701	103,135	(2),(4)	2,399,836
7	393	1010038	Stores Equipment	-	-	-	100.00%	-			-
8	394	1010039	Tools, Shop & Garage Equipment	655,227	(59,659)	595,568	100.00%	595,568	4,695	(3)	600,263
9	395	1010040	Laboratory Equipment	85,585	(24,301)	61,284	100.00%	61,284			61,284
10	396	1010050	Power Operated Equipment	1,951,046	(50,615)	1,900,431	100.00%	1,900,431			1,900,431
11	397	1010051	Communication Equipment	39,757	65,846	105,603	100.00%	105,603			105,603
12	398	1010052	Miscellaneous Equipment	-	-	-	100.00%	-			-
13	399	1010053	Other Tangible Property	-	-	-	100.00%	-			-
14			Total General Plant	$ 13,543,268	$ (6,078,968)	$ 7,464,300		$ 7,464,300	$ 107,831		$ 7,572,131
15											
16			Total Plant	$ 82,626,879	$ (2,840,773)	$ 79,786,106		$ 79,786,106	$ 551,141		$ 80,337,247
16											
16			(1) Assets now found and mapped								
16			(2) Vehicle was in repair shop during Staff physical inspection; now fully operational.								
16			(3) Flame pack was being recalibrated during Staff physical inspection; now fully operational.								
16			(4) Two vehicles were sold subsequent to the date certain.								

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
RESERVE FOR ACCUMULATED DEPRECIATION
AS OF DATE CERTAIN, SEPTEMBER 30, 2018

Work Paper Reference No(s): Schedule B-3.1

LINE NO. (A)	FERC ACCT. NO. (B)	COMPANY ACCT. NO. (C)	DESCRIPTION (D)	TOTAL COMPANY PLANT (E)	TOTAL COMPANY RESERVE (F)	STAFF RESERVE ADJUSTMENTS (G)	RESERVE TOTAL (H)=(F)+(G)	ALLOC % (I)	ADJUSTED RESERVE JURISDICTION (J)=(H) * (I)	COMPANY ADJUSTMENTS (K)		COMPANY ADJUSTED TOTAL (L)
1			Intangible Plant:									
2	301	1010000	Organization	$ -		$ -	$ -	100.00%	$ -			$ -
3	302	1010001	Franchises and Consents	-		-	-	100.00%	-			-
4	303	1010002	Miscellaneous Intangible Plant	-		1,246,322	1,246,322	100.00%	1,246,322	106,424	(5)	1,352,746
5			Total Intangible Plant	$ -		$ 1,246,322	$ 1,246,322		$ 1,246,322	$ 106,423.98		$ 1,352,746
6												
7												
8			Production Plant:									
9	325.2	1010003	Producing Leaseholds	$ -		$ -	$ -	100.00%	$ -			$ -
10	326	1010004	Gas Well Structures	-		-	-	100.00%	-			-
11	327	1010005	Field Compressor Station Structures	-		-	-	100.00%	-			-
12	328	1010006	Field Measuring & Regulating Station Structures	-		-	-	100.00%	-			-
13	330	1010007	Producing Gas Wells - Well Construction	143,894	143,894	-	143,894	100.00%	143,894			143,894
14	331	1010008	Producing Gas Wells - Well Equipment	1,087	430	-	430	100.00%	430			430
15	332	1010009	Field Lines	52,539	22,110	-	22,110	100.00%	22,110			22,110
16	333	1010010	Field Compressor Station Equipment	-		-	-	100.00%	-			-
17	334	1010011	Field Measuring & Regulating Station Equipment	65,739	61,779	-	61,779	100.00%	61,779			61,779
18	337	1010012	Other Equipment	-		-	-	100.00%	-			-
			Total Production Plant	$ 263,259	228,213	$ -	$ 228,213		$ 228,213	$ -		$ 228,213

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
RESERVE FOR ACCUMULATED DEPRECIATION
AS OF DATE CERTAIN, SEPTEMBER 30, 2018

Work Paper Reference No(s): Schedule B-3.1

LINE NO. (A)	FERC ACCT. NO. (B)	COMPANY ACCT. NO. (C)	DESCRIPTION (D)	TOTAL COMPANY PLANT (E)	TOTAL COMPANY RESERVE (F)	STAFF RESERVE ADJUSTMENTS (G)	RESERVE TOTAL (H)=(F)+(G)	ALLOC % (I)	ADJUSTED RESERVE JURISDICTION (J)=(H) * (I)	COMPANY ADJUSTMENTS (K)		COMPANY ADJUSTED TOTAL (L)
1			Transmission Plant:									
2	365.1	1010014	Land & Land Rights	$ 192,530			$ -	100.00%	$ -			$ -
3	365.2	1010015	Rights-of-Way	-		-	-	100.00%	-			-
4	366	1010016	Structures & Improvements	-		-	-	100.00%	-			-
5	367	1010017	Mains	3,596,079	445,616	(105,375)	340,241	100.00%	340,241			340,241
6	368	1010018	Compressor Station Equipment	-		-	-	100.00%	-			-
7	369	1010019	Measuring & Regulating Station Equipment	-		-	-	100.00%	-			-
8	370	1010020	Communication Equipment	-		-	-	100.00%	-			-
9	371	1010021	Other Equipment	-		-	-	100.00%	-			-
10			Total Transmission Plant	$ 3,788,609	445,616	$ (105,375)	$ 340,241		$ 340,241	$ -		$ 340,241
11												
12												
13			Distribution Plant:									
14	374	1010022	Land & Land Rights	$ 1,399,108	125,741	$ (44,481)	$ 81,260	100.00%	$ 81,260	8,753	(1)	$ 90,013
15	375	1010013	Structures & Improvements	-	-	35,728	35,728.00	100.00%	35,728			35,728.00
16	376	1010024	Mains-Distribution	40,108,087	12,827,960	379,434	13,207,394	100.00%	13,207,394	269,761	(1)	13,477,155
17	378	1010025	Measuring & Regulating Equipment - General	4,114,077	2,070,200	(12,851)	2,057,349	100.00%	2,057,349	20,272	(1)	2,077,621
18	379	1010054	Measuring & Regulating Station Equipment - City Gas Check Stations	205,335	15,003	205,335	220,338	100.00%	220,338	(205,335)	(6)	15,003
19	380	1010027	Services	11,206,454	5,279,010	841,924	6,120,934	100.00%	6,120,934	18,024	(1)	6,138,958
20	381	1010028	Meters	6,296,325	2,165,553	(55,552)	2,110,001	100.00%	2,110,001	27,693	(1)	2,137,694
21	382	1010029	Meter Installations	1,299	1,040	1,299	2,339	100.00%	2,339	(1,299)	(6)	1,040
22	383	1010030	House Regulators	351,845	276,958	(5,941)	271,017	100.00%	271,017	5,669	(1)	276,686
23	384	1010031	House Regulator Installations	-	-	-	-	100.00%	-			-
24	385	1010032	Ind Measuring Regulation	1,323,503	1,168,692	(123,591)	1,045,101	100.00%	1,045,101			1,045,101
25	387	1010033	Other Equipment	25,710	22,729	25,710	48,439	100.00%	48,439	(25,710)	(6)	22,729
26			Total Distribution Plant	$ 65,031,743	23,952,886	$ 1,247,014	$ 25,199,900		$ 25,199,900	$ 117,828.00		$ 25,317,728

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
RESERVE FOR ACCUMULATED DEPRECIATION
AS OF DATE CERTAIN, SEPTEMBER 30, 2018

Work Paper Reference No(s): Schedule B-3.1

LINE NO. (A)	FERC ACCT. NO. (B)	COMPANY ACCT. NO. (C)	DESCRIPTION (D)	TOTAL COMPANY PLANT (E)	TOTAL COMPANY RESERVE (F)	STAFF RESERVE ADJUSTMENTS (G)	RESERVE TOTAL (H)=(F)+(G)	ALLOC % (I)	ADJUSTED RESERVE JURISDICTION (J)=(H) * (I)	COMPANY ADJUSTMENTS (K)		COMPANY ADJUSTED TOTAL (L)
1			General Plant:									
2	389	1010034	Land & Land Rights	$ -		$ -	$ -	100.00%	$ -			$ -
3	390	1010035	Structures & Improvements	2,062,927	684,130	(54,720)	629,410	100.00%	629,410			629,410
4	391	1010036	Office Furniture & Equipment	6,323,651	1,872,962	(1,717,123)	155,839	100.00%	155,839	(2,221)	(7)	153,618
5	391.1	-	Office Furniture & Equipment - Computers			125,919	125,919	100.00%	125,919	1,784	(5),(7)	127,703
6	392	1010037	Transportation Equipment	2,425,075	1,739,985	(119,893)	1,620,093	100.00%	1,620,093	98,439.35	(2),(4)	1,718,532
7	393	1010038	Stores Equipment	-	-	-	-	100.00%	-			-
8	394	1010039	Tools, Shop & Garage Equipment	655,227	404,082	(46,602)	357,480	100.00%	357,480	4,695	(3)	362,175
9	395	1010040	Laboratory Equipment	85,585	34,335	(8,309)	26,026	100.00%	26,026			26,026
10	396	1010050	Power Operated Equipment	1,951,046	927,960	(33,781)	894,179	100.00%	894,179			894,179
11	397	1010051	Communication Equipment	39,757	17,457	17,293	34,750	100.00%	34,750	33,075	(5)	67,825
12	398	1010052	Miscellaneous Equipment	-	-	-	-	100.00%	-			-
13	399	1010053	Other Tangible Property	-	-	-	-	100.00%	-			-
14			Total General Plant	$ 13,543,268	5,680,911	$ (1,837,217)	$ 3,843,694		$ 3,843,694	$ 135,772.84		$ 3,979,467
15												
16			Total Plant	$ 82,626,879	30,307,626	$ 550,744	$ 30,858,370		$ 30,858,370	$ 360,024.82		$ 31,218,395
17												
18			(1) Assets now found and mapped									
19			(2) Vehicle was in repair shop during Staff physical inspection; now fully operational.									
20			(3) Flame pack was being recalibrated during Staff physical inspection; now fully operational.									
21			(4) Staff removed vehicles and depreciation for 2 vehicles sold in Jan and Feb 2019.									
22			(5) Staff entry to reclass account 391 accumulated depreciation transferred $1,665,165 out of 391 and $1,519,441 in to accounts 303, 391.1 and 397 for a difference of									
23			(6) Staff's depreciation adjustment to Schedule B3 is not included on the supporting adjustment Schedule B3.1. Schedule B3.1 appears to be correct because there is no									
24			corresponding adjustment on the asset side for these accounts. Also, this adjustment would cause the accumulated depreciation balance to be more than the asset balance.									
25			(7) Correction to staff's adjustment to Orwell asset #7030100.									

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
WORKING CAPITAL ALLOWANCE
AS OF DATE CERTAIN, SEPTEMBER 30, 2018

WORK PAPER REFERENCE NO(S).: Schedule C-2, Schedule B-5.1, Staff WPB-5

LINE NO. (A)	WORKING CAPITAL COMPONENT (B)	DESCRIPTION OF METHODOLOGY USED TO DETERMINE JURISDICTIONAL REQUIREMENT (C)	PAGE REFERENCE NO. (D)	ADJUSTED JURISDICTIONAL (E)	ADJUSTED JURISDICTIONAL (F)
1	Cash Component				
2	Total Operating Expenses		C-2	8,382,453	
3	Total Maintenance Expenses		C-2	349,791	
4	Total			8,732,244	
5	CASH COMPONENT (4) / 8	1/8 of jurisdictional operating expenses less jurisdictional purchased gas expense	Line 4 ÷ 8		1,091,531
6	Tax Component	1/4 of Operating Taxes	-1 * [(WPB-5 + C-2 Line 26) ÷ 4]		(454,692)
7	Materials and Supplies	13 month average of materials and supplies	B-5.1		937,248
8	Gas In Storage	13 month average of gas in storage and pipeline imbalances	B-5.1		484,118
9	TOTAL ALLOWANCE FOR WORKING CAPITAL		Line 5 through 9		$ 2,058,205

WORK PAPER REFERENCE NO(S).: WPB-5a through WPB-5d

Line No.	Purpose and Description	Reference	Amount
1	To calculate tax expense for B-5 and avoid circular reference errors without using iterative calculations		
2			
3	Tax Expense on B-5	WPB-5.1	$ 299,786

WPB-5a

Calculation of Tax Expense

Line	Description	Reference	Amount
1	Effective Tax Coefficient[1]	$\frac{FIT\ Rate}{1 - .25 * FIT\ Rate * wCOD}$	0.210185384
2			
3	Operating Income Before Federal Tax	WPB-5b	2,203,689
4			
5	RB_0	WPB-5c	46,273,434
6			
7	Weighted Cost of Debt	D-1	1.6800000%
8			
9	Tax Expense	(1) * [(3) - (5)*(7)]	**299,786**

[1] wCOD = Weighted Cost of Debt = 1.68%

WPB-5b

Calculation of Operating Income Before Federal Taxes

Line	Description	Reference	Amount
1	Staff Adjusted Base Revenues	C-2 Line 3	35,951,448
2			
3	Staff Adjusted Operating Expenses	C-2 Line 8	29,002,451
4			
5	Staff Adjusted Depreciation Expense	C-2 Line 10	3,226,327
6			
7	Staff Adjusted Taxes Other than Income	C-2 Line 11	1,518,981
8			
9	Staff Adjusted Operating Income Before Federal Taxes	(1) - (3) - (5) - (7)	**2,203,689**

WPB-5c
Calculation of RB_0

Line	Description	Reference	Amount
1	Staff Adjusted Plant In Service	B-1 Line 1	80,337,247
2			
3	Staff Adjusted Depreciation Reserve	B-1 Line 2	(31,218,395)
4			
5	Staff Adjusted Other Rate Base Items	B-1 Lines 8 through 10	(4,978,569)
6			
7	Staff Adjusted Working Capital excl. Income Tax Component	WPB-5d	2,133,152
8			
9	Value of RB_0	Lines 1 through 7	**46,273,434**

WPB-5d

Calculation of Working Capital w/o Income Tax Component

Line	Description	Reference	Amount
1	Staff Adjusted Cash Element of Working Capital	B-5 Line 1	1,091,531
2			
3	Staff Adjusted Operating Taxes (excluding Current Income Taxes)	- (C-2 Line 11) / 4	(379,745)
4			
5	Staff Adjusted Materials & Supplies Balance	B-5 Line 8	937,248
6			
7	Staff Adjusted Deferred Bad Debt	B-5 Line 10	484,118
8			
9	Staff Adjusted Deferred PIPP	B-5 Line 11	0
10			
11	Balance of Working Capital w/o Income Tax Component	Lines 1 through 9	**2,133,152**

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
JURISDICTIONAL PROFORMA INCOME STATEMENT
FOR THE 12 MONTHS ENDED JUNE 30, 2019

Work Paper Reference No(s): Schedule C-2

LINE NO. (A)	DESCRIPTION (C)	STAFF ADJUSTED REVENUE & EXPENSES (D)	AFTER COMPANY ADJUSTMENTS (E)
1	Operating Revenues		
2	Base	$ 15,587,089	$ 15,587,089
3	Gas Costs	20,270,207	20,270,207
4	Gross Receipts Tax Revenue	-	-
5	Excise Tax Revenue	-	-
6	Other	94,152	94,152
7	Total Operating Revenues	35,951,448	35,951,448
8	Operating Expenses		
9	Operation and Maintenance	28,594,431	29,002,451
10	Depreciation	2,046,478	3,226,327
11	Taxes, Other Than Income	1,485,628	1,518,981
12	Amortization of EDIT	-	-
13	Federal Income Taxes	641,367	299,784
14	Total Operating Expenses	32,767,903	34,047,543
15	Net Operating Income	$ 3,183,545	$ 1,903,905
16	Staff Adjusted Rate Base (Schedule B-1)	$ 45,879,311	$ 46,198,488
17	Rate of Return (Line 15 ÷ Line 16)	6.94%	4.12%

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
ADJUSTED TEST YEAR OPERATING INCOME
FOR THE 12 MONTHS ENDED JUNE 30, 2019

Work Paper Reference No(s): Schedules C-2.1, C-3, C-4

LINE NO. (A)	DESCRIPTION (C)	C-2.1 UNADJUSTED REVENUE & EXPENSES (D)	JURISDICTIONAL UNADJUSTED REVENUE & EXPENSES (E)	STAFF ADJUSTMENTS (F)	JURISDICTIONAL ADJUSTED REVENUE & EXPENSES (G)	COMPANY ADJUSTMENTS (H)	COMPANY ADJUSTED REVENUE & EXPENSES (I)
1	Operating Revenues						
2	Base	$ 15,127,889	$ 15,127,889	$ 459,200	$ 15,587,089	$ -	$ 15,587,089
3	Gas Costs	19,042,405	19,042,405	1,227,802	20,270,207	-	20,270,207
4	Gross Receipts Tax Revenue	-	-	-	-	-	-
5	Excise Tax Revenue	-	-	-	-	-	-
6	Other	94,152	94,152	-	94,152	-	94,152
7	Total Operating Revenues	34,264,446	34,264,446	1,687,002	35,951,448	-	35,951,448
8	Operating Expenses						
9	Gas Supply Expenses						
10	Purchased Gas	19,042,405	19,042,405	1,227,802	20,270,207	-	20,270,207
11	Other				-	-	-
12	Total Other Gas Supply Expense	19,042,405	19,042,405	1,227,802	20,270,207	-	20,270,207
13	Operating Expenses - Production	298	298	-	298	-	298
14	Operating Expenses - Transmission	1,224	1,224	-	1,224	-	1,224
15	Operating Expenses - Distribution	2,393,749	2,393,749	(435,169)	1,958,580	304,121	2,262,701
16	Operating Expenses - Customer Accounts	262,500	262,500	87,500	350,000	-	350,000
17	Operating Expenses - Customer Service	7,247	7,247	-	7,247	-	7,247
18	Operating Expenses - Administrative & General	5,793,624	5,793,624	(136,541)	5,657,083	103,900	5,760,983
19	Total Operating Expenses	27,501,047	27,501,047	743,593	28,244,640	408,021	28,652,660
20	Maintenance Expenses						
21	Maintenance Expenses - Transmission	$ -	$ -	$ -	$ -	$ -	$ -
22	Maintenance Expenses - Distribution	349,791	349,791	-	349,791	-	349,791
23	Maintenance Expenses - Administrative & General	-	-	-	-	-	-
24	Total Maintenance Expenses	349,791	349,791	-	349,791	-	349,791
25	Depreciation & Amortization	3,226,327	3,226,327	(1,179,849)	2,046,478	1,179,849	3,226,327
26	Taxes, Other Than Income	1,591,159	1,591,159	(105,531)	1,485,628	33,353	1,518,981
27	Amortization of Excess Deferred Income Taxes	-	-	-	-	-	-
28	Income Taxes	(226,230)	(226,230)	867,597	641,367	(341,583)	299,784
29	Total Operating Expenses	32,442,094	32,442,094	325,809	32,767,903	1,279,640	34,047,543
30	Net Operating Income	$ 1,822,352	$ 1,822,352	$ 1,361,193	$ 3,183,545	$ (1,279,640)	$ 1,903,905

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
ADJUSTMENTS TO TEST YEAR OPERATING INCOME
FOR THE 12 MONTHS ENDED JUNE 30, 2019

LINE NO. (A)	DESCRIPTION (B)	ANNUALIZED REVENUE - WEATHER NORMALIZATION (C)	RATE CASE EXPENSES (D)	HEARTHSTONE SHARED SERVICES (E)	ANNUALIZED DEPRECIATION EXPENSE (F)	PROPERTY TAX EXPENSE (G)	LABOR ADJUSTMENT (H)	MISC. EXPENSE (I)
		C-3.1	C-3.6	C-3.9	C-3.10	C-3.11	C-3.12	C-3.14
1	Operating Revenues							
2	Base	$0	$0	$0	$0	$0	$0	
3	Gas Costs	-	-	-	-	-	-	
4	Gross Receipts Tax Revenue	-	-	-	-	-	-	
5	Excise Tax Revenue	-	-	-	-	-	-	
6	Other	-	-	-	-	-	-	
7	Total Operating Revenues	-	-	-	-	-	-	
8	Operating Expenses							
9	Gas Supply Expenses							
10	Purchased Gas	-	-	-	-	-	-	
11	Other	-	-	-	-	-	-	
12	Total Other Gas Supply Expense	-	-	-	-	-	-	
13	Operating Expenses - Production	-	-	-	-	-	-	-
14	Operating Expenses - Transmission	-	-	-	-	-	-	-
15	Operating Expenses - Distribution	-	-	-	-	-	304,121	-
16	Operating Expenses - Customer Accounts	-	-	-	-	-	-	-
17	Operating Expenses - Customer Service	-	-	-	-	-	-	-
18	Operating Expenses - Administrative & General	-	-	48,042	-	-	55,858	-
19	Total Operating Expenses	-	-	48,042	-	-	359,979	-
20	Maintenance Expenses							
21	Maintenance Expenses - Transmission	-	-	-	-	-	-	
22	Maintenance Expenses - Distribution	-	-	-	-	-	-	
23	Maintenance Expenses - Administrative & General	-	-	-	-	-	-	
24	Total Maintenance Expenses	-	-	-	-	-	-	
25	Depreciation & Amortization	-	-	-	1,179,849	-	-	
26	Taxes, Other Than Income	-	-					
27	Property	-	-	-	-	8,715	-	
28	State and Other Taxes	-	-	-	-	-	24,638	
29	Total Taxes Other than Income Tax	-	-	-	-	8,715	24,638	
30	Federal Income Taxes							
31	Current Tax Expense	-	-	(10,089)	(247,768)	(1,830)	(80,770)	-
32	Provision for Deferred Income Taxes	-	-	-	-	-	-	
33	Amortization of Excess Deferred Income Taxes	-	-	-	-	-	-	
33	Total Federal Income Taxes	-	-	(10,089)	(247,768)	(1,830)	(80,770)	-
34	Total Operating Expenses	-	-	37,953	932,081	6,885	303,847	-
35	Net Operating Income	$ -	$ -	$ (37,953)	$ (932,081)	$ (6,885)	$ (303,847)	$ -

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
ADJUSTMENTS TO TEST YEAR OPERATING INCOME
FOR THE 12 MONTHS ENDED JUNE 30, 2019

LINE NO. (A)	DESCRIPTION (B)	FEDERAL INCOME TAX (J)	TOTAL SCHEDULE C-3 (K)
		C-3.15	
1	Operating Revenues		
2	Base	$0	$ -
3	Gas Costs	-	-
4	Gross Receipts Tax Revenue	-	-
5	Excise Tax Revenue	-	-
6	Other	-	-
7	Total Operating Revenues	-	-
8	Operating Expenses		
9	Gas Supply Expenses		
10	Purchased Gas	-	-
11	Other	-	-
12	Total Other Gas Supply Expense	-	-
13	Operating Expenses - Production	-	-
14	Operating Expenses - Transmission	-	-
15	Operating Expenses - Distribution	-	304,121
16	Operating Expenses - Customer Accounts	-	-
17	Operating Expenses - Customer Service	-	-
18	Operating Expenses - Administrative & General	-	103,900
19	Total Operating Expenses	-	408,021
20	Maintenance Expenses		
21	Maintenance Expenses - Transmission	-	-
22	Maintenance Expenses - Distribution	-	-
23	Maintenance Expenses - Administrative & General	-	-
24	Total Maintenance Expenses	-	-
25	Depreciation & Amortization	-	1,179,849
26	Taxes, Other Than Income		
27	Property	-	8,715
28	State and Other Taxes	-	24,638
29	Total Taxes Other than Income Tax	-	33,353
30	Federal Income Taxes		
31	Current Tax Expense	246,642	(93,815)
32	Provision for Deferred Income Taxes	(247,768)	(247,768)
33	Amortization of Excess Deferred Income Taxes	-	-
34	Total Federal Income Taxes	(1,126)	(341,583)
35	Total Operating Expenses	(1,126)	1,279,640
36	Net Operating Income	$ 1,126	$ (1,279,640)

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
SHARED SERVICES ADJUSTMENT
FOR THE 12 MONTHS ENDED JUNE 30, 2019

Work Paper Reference No(s): Staff WPC3.9 - Summary

LINE NO. (A)	PURPOSE AND DESCRIPTION (B)					AMOUNT (C)	COMPANY ADJUSTMENT (D)		COMPANY ADJUSTED (E)
1	To reflect Staff adjustments to shared services								
2						Total			
3		NEO	Orwell	Brainard	Spelman	Ohio			
4	Shared services expenses included in account 930	1,266,470	780,555	23,310	56,852	2,127,187			
5	Staff Adjusted amount	1,277,442	771,335	23,195	57,246	2,129,218			
6	Staff's adjustments to shared services expense (Line 5 - Line 4)	$ 10,972	$ (9,220)	$ (115)	$ 394	$ 2,031	$ 48,042	(1)	$ 50,073
7	(1) Adjustment to include increases in Hearthstone contract								
8	Add back adjustments for Hearthstone contract					$ 129,883			
9	NEO All 4 factor percentage					0.369887421			
10	NEO 's portion of correction					48,042			
11	Staff's previous adjustment					2,031			
12	Company adjustment4					$ 50,073			

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
DETAILED ADJUSTMENTS TO REVENUE AND EXPENSE ITEMS - DEPRECIATION EXPENSE
FOR THE 12 MONTHS ENDED JUNE 30, 2019

Work Paper Reference No(s): Schedule B-3.2

LINE NO. (A)	PURPOSE AND DESCRIPTION (B)		AMOUNT (C)
1	To reflect normalized depreciation expense for the test year from Schedule B-3.2.		
2			Total
3			Ohio
4	Depreciation and amortization expenses included in the test year	$	3,220,000
5	Amortization of customer relationships for test year		5,708
6	Amortization of COH intangible Job 2006216		619
7		$	3,226,327
8	Normalized depreciation expense for test year (From Schedule B3.2)	$	2,745,864
9	Amortization of Reserve Imbalance		(699,386)
10	Normalized amortization of COH Intangible Job 2006216 for test year		-
11		$	2,046,478
12	Adjustment to normalize depreciation expense (Line 10 - Line 7)	$	(1,179,849)
13	NEO Adjustment to Staff depreciation expene		
14	Add back amortizatoin of Reserve imbalance	$	699,386
15	Add back adjustments due to change in accrual rates		480,463
16	Company adjustment to Staff depreciation expense	$	1,179,849

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
DETAILED ADJUSTMENTS TO REVENUE AND EXPENSE ITEMS - PROPERTY TAX
FOR THE 12 MONTHS ENDED JUNE 30, 2019

Work Paper Reference No(s): WPC3.11

LINE NO. (A)	PURPOSE AND DESCRIPTION (B)					AMOUNT (C)
1	To reflect estimated property tax expenses for the test year					
2						Total
3		NEO	ONG	Brainard	Spelman	Ohio
4	Property tax expense included in account 408.1	$ 516,295	$ 530,658	$ 20,916	$ 256,129	$ 1,323,998
5	Staff's Annualized property tax for test year	491,137	509,017	19,425	221,058	1,240,637
6	Adjustment to normalize property tax expense (Line 5 - Line 4)	$ (25,158)	$ (21,641)	$ (1,491)	$ (35,071)	$ (83,361)
7						
8	Company's updated property tax adjustment	$ -	$ 4,718	$ 3,050	$ 947	$ 8,715
9	Updated Adjustment to normalize property tax expense (Line 6 + Line 8)	$ (25,158)	$ (16,923)	$ 1,559	$ (34,124)	$ (74,646)

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
NORTHEAST OHIO PROPERTY TAX
AS OF DATE CERTAIN, SEPTEMBER 30, 2018

LINE NO. (A)	Description (B)		TOTAL COMPANY (C)	TRUE VALUE (D)	ASSESSMENT RATE (E)	TAXABLE VALUE (F) = (D) x (E)	TAX VALUE TO BOOK VALUE RATIO (G) = (F) / (C)	PLANT ALLOCATED TO DISTRIBUTION (H)	REAL PROPERTY (I)	ADJUSTED PLANT (J) = (H) - (I)	DISTRIBTUION TAXABLE VALUE (K) = (J) x (G)	COMPANY ADJUSTMENTS (L)	COMPANY ADJUSTED PLANT (M)	COMPANY DISTRIBTUION TAXABLE VALUE (N)
			(a)	(b)	(b)			(c)	(c)					
1	Production Plant		$ 263,260	$ 247,464	25%	$ 61,866	23.50%	$ 263,259	$ -	$ 263,259	$ 61,865.77	$ -	$ 263,259	$ 61,865.77
2	Distribution Plant		32,328,554	19,334,415	25%	4,833,603.75	14.95%	34,246,651	1,252,289	$ 32,994,362	$ 4,933,152.03	-	$ 32,994,362	$ 4,933,152
3	General Plant		7,283,266	2,402,397	25%	600,599.25	8.25%	8,680,748	1,752,227	$ 6,928,521	$ 571,345.95	-	$ 6,928,521	$ 571,346
4	Materials and Supplies	(d)	537,453	537,453	25%	134,363.25	25.00%	623,995	-	$ 623,995	$ 155,998.75	0	$ 623,995	$ 155,999
5	Total Plant in Service		$ 40,412,533	$ 22,521,729		$ 5,630,432		43,814,653	$ 3,004,516	$ 40,810,137	$ 5,722,362.50	$ -	$ 40,810,137	$ 5,722,362
6	Average Property Tax Rate	(e)									72.81			72.81
7	Personal Property Tax (Line 6 x Line 7)										416,645			416,645
8	Real Property	(e)									43,164			43,164
9	Varilease, Sch 1 & 2	(f)									26,221			26,221
10	Varilease Sch 3 Contingent	(f)									5,107			5,107
11	* WV Property Tax	(f)									-			-
12	Total Property Tax										491,137			491,137

(a) Staff DR #4 2018 Annual Property Tax Return
(b) Staff DR #4 2018 Valuation Notice
(c) Staff's Scedule B-2.1
(d) Staff's Schedule B-5
(e) Derived from Staff DR 25 (see Staff's NEO workpaper)
(f) Staff DR #48

* Note: Staff removed property West Virginia property taxes

ORWELL PROPERTY TAX
AS OF DATE CERTAIN, SEPTEMBER 30, 2018

LINE NO. (A)	Description (B)		TOTAL COMPANY (C)	TRUE VALUE (D)	ASSESSMENT RATE (E)	TAXABLE VALUE (F) = (D) x (E)	TAX VALUE TO BOOK VALUE RATIO (G) = (F) / (C)	PLANT ALLOCATED TO DISTRIBUTION (H)	REAL PROPERTY (I)	ADJUSTED PLANT (J) = (H) - (I)	DISTRIBTUION TAXABLE VALUE (K) = (J) x (G)	COMPANY ADJUSTMENTS (L)	COMPANY ADJUSTED PLANT (M)	COMPANY DISTRIBTUION TAXABLE VALUE (N)
			(a)	(b)	(b)			(c)	(c)					
1	Production Plant		$ -	$ -	25%	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2	Distribution Plant		27,537,590	19,175,117	25%	4,793,779.25	17.41%	27,528,169	137,722	$ 27,390,447	$ 4,768,164.41	271,124	$ 27,661,571	$ 4,815,362
3	General Plant		8,427,886	1,550,467	25%	387,616.75	4.60%	4,070,051	216,238	$ 3,853,813	$ 177,245.22	67,557	$ 3,921,370	$ 180,352
4	Materials and Supplies	(d)	284,488	284,448	25%	71,112.00	25.00%	313,253	-	$ 313,253	$ 78,302.24		$ 313,253	$ 78,302
5	Total Plant in Service		$ 36,249,964	$ 21,010,032		$ 5,252,508		31,911,473	$ 353,960	$ 31,557,513	$ 5,023,711.86	$ 338,681	$ 31,896,194	$ 5,074,017
6	Average Property Tax Rate	(e)									93.77			93.77
7	Personal Property Tax (Line 6 x Line 7)										471,073			475,791
8	Real Property	(e)									20,471			20,471
9	Varilease, Sch 1 & 2	(f)									14,625			14,625
10	Varilease Sch 3 Contingent	(f)									2,848			2,848
12	Total Property Tax										509,017			513,735
														4,718

(a) Staff DR #4 2018 Annual Property Tax Return
(b) Staff DR #4 2018 Valuation Notice
(c) Staff's Scedule B-2.1
(d) Staff's Schedule B-5
(e) Derived from Staff DR 25 (see Staff's Orwell workpaper)
(f) Staff DR #48

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
BRAINARD PROPERTY TAX
AS OF DATE CERTAIN, SEPTEMBER 30, 2018

LINE NO. (A)	Description (B)		TOTAL COMPANY (C)	TRUE VALUE (D)	ASSESSMENT RATE (E)	TAXABLE VALUE (F) = (D) x (E)	TAX VALUE TO BOOK VALUE RATIO (G) = (F) / (C)	PLANT ALLOCATED TO DISTRIBUTION (H)	REAL PROPERTY (I)	ADJUSTED PLANT (J) = (H) - (I)	DISTRIBTUION TAXABLE VALUE (K) = (J) x (G)	COMPANY ADJUSTMENTS (L)	COMPANY ADJUSTED PLANT (M)	COMPANY DISTRIBTUION TAXABLE VALUE (N)
			(a)	(b)	(b)			(c)	(c)					
1	Production Plant		$ -	$ -	25%	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2	Transmission Plant		-	-	0%	-			-				$ -	$ -
3	Distribution Plant		1,048,591	781,553	25%	195,388	18.63%	955,301	-	$ 955,301	$ 178,005.14	172,186	$ 1,127,487	$ 210,089
4	General Plant		58,238	23,431	25%	5,858	10.06%	58,238	-	$ 58,238	$ 5,857.75		$ 58,238	$ 5,858
5	Materials and Supplies		-	-	25%	-	0.00%	-	-	$ -	$ -			
6	Total Plant in Service		$ 1,106,829	$ 804,984		$ 201,246		1,013,539	$ -	$ 1,013,539	$ 183,862.89	$ 172,186	$ 1,185,725	$ 215,947
7	Average Property Tax Rate	(d)									95.09			95.09
8	Personal Property Tax (Line 6 x Line 7)										17,484			20,534
9	Real Property	(d)									-			-
10	Varilease, Sch 1 & 2	(e)									1,625			1,625
11	Varilease Sch 3 Contingent	(e)									316			316
12	Total Property Tax										19,425			22,475
														3,050

(a) Staff DR #4 2018 Annual Property Tax Return
(b) Staff DR #4 2018 Valuation Notice
(c) Staff's Scedule B-2.1
(d) Derived from Staff DR 25 (see Staff's Brainard workpaper)
(e) Staff DR #48

) NATURAL GAS CORP.
18-1720-GA-AIR
PROPERTY TAX
AIN, SEPTEMBER 30, 2018

LINE NO. (A)	Description (B)		TOTAL COMPANY (C)	TRUE VALUE (D)	ASSESSMENT RATE (E)	Assessed Value TAXABLE VALUE (F) = (D) x (E)	TAX VALUE TO BOOK VALUE RATIO (G) = (F) / (C)	PLANT ALLOCATED TO DISTRIBUTION (H)	REAL PROPERTY (I)	ADJUSTED PLANT (J) = (H) - (I)	DISTRIBTUION TAXABLE VALUE (K) = (J) x (G)	COMPANY ADJUSTMENTS (L)	COMPANY ADJUSTED PLANT (M)	COMPANY DISTRIBTUION TAXABLE VALUE (N)
			(a)	(b)	(b)			(c)	(c)					
1	Production Plant		$ -	$ -		$ -			$ -	$ -	$ -	$ -	$ -	$ -
2	Transmission Plant		3,788,933	3,033,753	88%	2,669,703	70.46%	2,642,304	-	$ 2,642,304	$ 1,861,782		$ 2,642,304	$ 1,861,782
3	Distribution Plant		560,211	479,755	88%	422,184	75.36%	1,161,399	-	$ 1,161,399	$ 875,250		$ 1,161,399	$ 875,250
4	General Plant		228,893	77,915	88%	68,565	29.96%	179,987	-	$ 179,987	$ 53,915	40,274	$ 220,261	$ 65,979
5	Materials and Supplies		-	-		-		-	-	$ -	$ -			
6	Total Plant in Service		$ 4,578,037	$ 3,591,423		$ 3,160,452		3,983,690	$ -	$ 3,983,690	$ 2,790,947	$ 40,274	$ 4,023,964	$ 2,803,011
7	Average Property Tax Rate	(d)									78.51			78.51
8	Personal Property Tax (Line 6 x Line 7)										219,117			220,064
9	Real Property	(d)									-			-
10	Varilease, Sch 1 & 2	(e)									1,625			1,625
11	Varilease Sch 3 Contingent	(e)									316			316
12	Total Property Tax										221,058			222,005
														947

(a) Staff DR #4 2018 Annual Property Tax Return
(b) Staff DR #4 2018 Valuation Notice
(c) Staff's Schedule B-2.1
(d) Derived from Staff DR 25 (see Staff's Brainard workpaper)
(e) Staff DR #48

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
PAYROLL, EMPLOYEE BENEFITS, PAYROLL TAX ADJUSTMENT
FOR THE 12 MONTHS ENDED JUNE 30, 2019

LINE NO. (A)	PURPOSE AND DESCRIPTION (B)	Work Paper Reference (C)	AMOUNT (D)	NEO Updated Amounts
1	Staff Annualized O&M Distribution Labor	Schedule C-3.12a	$ 2,226,413	$ 2,530,534
2	Applicant Test Year O&M Distribution Labor	Applicant C-9	$ 2,589,634	$ 2,589,634
3	Staff Adjustment	Line 1 - Line 2	$ (363,221)	$ (59,100)
4				
5	Staff Annualized Employee Benefits	Schedule C-3.12b	$ 729,683	$ 785,541
	Retirement and Fringe			
6	Applicant Test Year Employee Benefits	Applicant C-9	$ 777,691	$ 777,691
7	Staff Adjustment	Line 5 - Line 6	$ (48,008)	$ 7,850
8				
9	Annualized Payroll Tax	Schedule C-3.12c	$ 197,319	$ 221,957
10	Applicant Test Year Payroll Tax	Applicant C-9	$ 215,946	$ 215,946
11	Staff Adjustment	Line 9 - Line 10	$ (18,627)	$ 6,011
12				
13	Total Payroll, Employee Benefits and Payroll Tax Adjustment	Line 3 + Line 7 + Line 11	$ (429,856)	$ (45,240)

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
PAYROLL ADJUSTMENT
FOR THE 12 MONTHS ENDED JUNE 30, 2019

LINE NO. (A)	PURPOSE AND DESCRIPTION (B)	Work Paper Reference (C)			AMOUNT (D)	NEO Updated Amounts
1	Total Straight Time	(a)			$ 3,081,559	$ 3,511,726 (1)
2	Overtime	(b)	3.36%	$ 103,540	$ 3,185,099	3,629,720
3	Other Pay	(c)	$ 24,723		$ 3,209,822	3,654,443
4	Part-Time Employees	(d)	$ 45,168		$ 3,254,990	3,699,611
5	O&M Ratio/Total Dist Labor	(e)	68.40%		$ 2,226,413	$ 2,530,534
6	Applicant Test Year O&M Distribution Labor	(f)			$ 2,589,634	$ 2,589,634
7	Adjustment				$ (363,221)	$ (59,100)
8	Difference with Staff					$ 304,121

(a) Derived from Staff Data Request 14 and 15, and 50 April 2019 Updates
(b) Derived from Applicant C-9.1, 3-Year Average of Overtime Ratio
(c) Derived from Staff Data Request 36, 3-Year Average of Other Pay
(d) Derived from Staff Data Request 38, 3-Year Average Part-time Employees
(e) Derived from Applicant C-9.1, 3-Year Average of O&M Ratio
(f) Applicant C-9
(1) From Response to Staff DR #66

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
BENEFITS ADJUSTMENT
FOR THE 12 MONTHS ENDED JUNE 30, 2019

LINE NO. (A)	PURPOSE AND DESCRIPTION (B)	Work Paper Reference (C)	AMOUNT (D)	NEO Updated Amounts	
1	Total Retirement Benefits	(a)	$ 117,275	$ 130,017	(1)
2	Applicant Test Year Retirement Benefits	(b)	$ 140,141	$ 140,141	
3	Retirement Benefits Adjustment	Line 1 - Line 2	$ (22,866)	$ (10,124)	
4	Total Fringe Benefits	(c)	$ 612,408	$ 655,524	(1)
5	Applicant Test Year Fringe Benefits	(b)	$ 637,550	$ 637,550	
6	Fringe Benefits Adjustment	Line 4 - Line 5	$ (25,142)	$ 17,974	
7	Total Benefits Adjustment	Line 3 + Line 6	$ (48,008)	$ 7,850	

(a) Derived from Staff Data Request 32
(b) Applicant C-9
(c) Derived from Staff Data Request 33
(1) From Response to Staff DR #66

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
BENEFITS ADJUSTMENT
FOR THE 12 MONTHS ENDED JUNE 30, 2019

LINE NO. (A)	PURPOSE AND DESCRIPTION (B)	Work Paper Reference (C)		AMOUNT (D)	NEO Updated Amounts
1	FICA Tax				
2	O & M labor Expense	(a)		$ 2,226,413	$ 2,530,534
3	OSDAI Tax		6.20%	$ 138,038	$ 156,893
4	Health Insurance		1.45%	$ 32,283	$ 36,693
5	Total FICA Tax			$ 170,321	$ 193,586
6	FUTA Tax				
7	Number of Employees	(b)		59	62
8	Taxable Wages Line 4 x $7,000			$ 413,000	$ 434,000
9	O & M Taxable Wages	(a)	68.40%	$ 282,492	$ 296,856
10	Total Federal Unemployment Tax	(c)	0.60%	$ 1,695	$ 1,781
11	SUTA Tax				
12	Number of Employees	(b)		59	62
13	Taxable Wages Line 4 x $9,500			$ 560,500	$ 589,000
14	O & M Taxable Wages (c)	(a)	68.40%	$ 383,382	$ 402,876
15	Total State Unemployment Tax	(c)	6.60%	$ 25,303	$ 26,590
16	Total Payroll Tax Summary				
17	Total Payroll Tax			197,319	221,957
18	Test Year Expense	(d)		215,946	215,946
19	Total Payroll Tax Adjustment			(18,627)	6,011

(a) Staff SCH C-3.12a
(b) Derived from Staff Data Request 14, 15, 38, and 62 (57 full time, 2 part time)
(c) Staff Data Request 51
(d) Applicant C-9

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
ADJUSTMENT TO FEDERAL INCOME TAX
FOR THE 12 MONTHS ENDED JUNE 30, 2019

Work Paper Reference No(s): C-4

LINE NO. (A)	PURPOSE AND DESCRIPTION (B)	Reference	AMOUNT (C)	COMPANY ADJUSTMENTS (D)
1	Adjustment to federal income tax			
2	True-Up to Previous Period Tax Returns, etc.	C-4 Line 30	$ 324,987	$ -
3				
4	Interest Charges	21% * (C-4 Line 6)	76,284	(1,126)
5				
6	Other Non-deductible Expenses	21% (C-4 Line 7)	(1,718)	-
7				
8	Less: Total Deferred Taxes	C-4 Line 29	267,068	(247,768)
9				
10	Adjustment to Current Period Tax Expense	Lines (2 + 4 + 6 - 8)	$ 132,485	$ 246,642
11			↓	↓
12			To Schedule C-3	To Schedule C-3
13				
14				
15	Adjustment to Deferred Tax Expense	C-4 Line 29	$ 267,068	$ (247,768)
			↓	↓
			To Schedule C-3	To Schedule C-3

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
ADJUSTED JURISDICTIONAL FEDERAL INCOME TAXES
FOR THE 12 MONTHS ENDED JUNE 30, 2019

Work Paper Reference No(s): Schedule C-4.1

LINE NO. (A)	DESCRIPTION (B)	REF. (C)	AT CURRENT RATES JURISDICTIONAL C-4.1 (D)	ADJUSTMENTS C-3 (E)	ADJUSTED (F)	COMPANY ADJUSTMENTS (G)	COMPANY ADJUSTED (H)
1	Operating Income	C-2	$ 1,822,352	$ 1,361,193	$ 3,183,545	$ (1,279,640)	$ 1,903,906
2	Amortization of Excess Deferred Income Tax		-	-	-	-	-
3	Federal Income Tax	C-2	(226,230)	867,597	641,367	(341,583)	299,784
4	Operating Income Before FIT (1 + 2 +3)		1,596,122	2,228,790	3,824,912	(1,621,223)	2,203,689
5	Reconciling Items:						
6	Interest Charges	C-4.1	(1,134,027)	363,255	(770,772)	(5,363)	(776,135)
7	Other Non-deductible Expenses	C-4.1	8,180	(8,180)	-	-	-
8	Tax Depreciation	C-4.1	(3,624,551)	-	(3,624,551)	-	(3,624,551)
9	Book Depreciation	C-4.1	2,902,140	(1,179,849)	1,722,291	1,179,849	2,902,140
10	Excess Tax Over Book Depreciation (8 + 9)		(722,411)	(1,179,849)	(1,902,260)	1,179,849	(722,411)
11	Other Reconciling Items:						
12	Bad Debts	C-4.1	(240,084)	-	(240,084)	-	(240,084)
13	Deferred Gas Costs	C-4.1	1,647,773	-	1,647,773	-	1,647,773
14	Property Tax	C-4.1	(291,858)	-	(291,858)	-	(291,858)
15	Deferred Rent Amortization	C-4.1	91,906	(91,906)	-	-	-
16	Amortization	C-4.1	(84,536)	-	(84,536)	-	(84,536)
17	Gain on Asset Disposal	C-4.1	-	-	-	-	-
18	Accrued Royalties	C-4.1	76	-	76	-	76
19	Contributions in Aid of Construction	C-4.1	744,530	-	744,530	-	744,530
20	Asset Retirement Obligations	C-4.1	175,284	-	175,284	-	175,284
21	Rate Case Costs	C-4.1	(362,964)	-	(362,964)	-	(362,964)
22	Total Other Reconciling Items (12) Thru (21)		1,680,127	(91,906)	1,588,221	-	1,588,221
23	Total Reconciling Items (6 + 7 + 10 + 22)		(168,131)	(916,680)	(1,084,811)	1,174,486	89,675
24	Federal Taxable Income (4 + 23)		1,427,991	1,312,110	2,740,101	(446,737)	2,293,364
25	Federal Income Taxes - Current (24 x 21% Tax Rate)		299,878	275,543	575,421	(93,815)	481,606
26	Deferred Income Taxes:						
27	Excess Tax over Book (10 x 21% Tax Rate)		151,706	247,768	399,474	(247,768)	151,706
28	Other Reconciling Items (22 x 21% Tax Rate)		(352,827)	19,300	(333,527)	-	(333,527)
29	Total Deferred Taxes (27 + 28)		(201,121)	267,068	65,947	(247,768)	(181,821)
30	True-up to Previous Period Tax Returns, etc.	C-2	(324,987)	324,987	-	-	-
31	Amortization of Excess Deferred Income Tax		-	-	-	-	-
32	Total Federal Income Taxes (25 + 29 + 30 + 31)		$ (226,230)	$ 867,598	$ 641,368	$ (341,583)	$ 299,785

NORTHEAST OHIO NATURAL GAS CORP.
CASE NO. 18-1720-GA-AIR
RATE OF RETURN SUMMARY
AS OF DATE CERTAIN, SEPTEMBER 30, 2018

Work Paper Reference No(s): WPD.1

LINE NO. (A)	CLASS OF CAPITAL (B)	REFERENCE (C)	($) AMOUNT (D)	% OF TOTAL (D)	% COST (D)	WEIGHTED COST % (F)
1	**NORTHEAST OHIO NATURAL GAS CORP. STAND-ALONE**					
2	Long-Term Debt	D-3	$ 19,743,460	35.53%	4.72%	1.68%
3	Preferred Stock	D-4	-	-	-	-
4	Common Equity	D-1.1	35,831,416	64.47%	10.83%	6.98%
5	Total Capital		$ 55,574,876	100.00%		8.66%

SERVICES REQUEST AND AGREEMENT
BETWEEN
GAS NATURAL INC.
AND
FR BISON HOLDINGS, INC.

This Agreement is made as of August 16, 2017, by and between Gas Natural Inc., located in Cleveland, Ohio (hereinafter "GNI") and FR Bison Holdings, Inc., located in Greenwich, Connecticut (hereinafter "Bison").

WHEREAS, GNI is involved in the operation of energy related public utilities, in Montana, Maine, Ohio and North Carolina for many years, and is collectively staffed with experienced personnel in all phases of public utility operations; and

WHEREAS, Bison has procured the services of Luvian Partners, Inc. (hereinafter "Luvian"), which has many years of experience in managing and directing the operations, finances, regulatory affairs, human resource, risk and other areas common to the utility business, and is willing to provide certain Support Services to GNI and its subsidiaries; and

WHEREAS, GNI requires certain Support Services and desires to use and purchase such Support Services from Bison; and

WHEREAS, the various utility commissions in each state where GNI operates, require record keeping, accounting and structuring business activities and costs between public utilities and their affiliates in a way that is transparent and results in the equitable sharing of costs among the utilities that benefit from the services purchased; and

WHEREAS, it is the intent of both GNI and Bison to comply with utility commission requirements;

NOW, THEREFORE, for good and valuable consideration, it is hereby agreed as follows:

ARTICLE I - GENERAL SCOPE OF PROVIDER SERVICES

Support Services: The principle underlying this section is the provision of services to GNI and its subsidiaries in a reasonable and efficient manner at or below market rates. Bison may provide such day to day operating services, at the request GNI as provided below, consistent with this principle.

Specific Support Services:

(1) GNI is requesting the services of David Cerotzke to serve as President and Chief Executive Officer of GNI and subject to the oversight of GNI's board of directors.

(2) GNI is requesting the services of George Behrens to serve as Chief Financial Officer of GNI and subject to the oversight of GNI's board of directors.

(3) GNI is also requesting the services of Mike Youngs and Al Harms to provide advisory services as stipulated in the Luvian contract with Bison and consistent with their previous experiences and areas of expertise.

(4) Bison shall assist GNI and its subsidiaries in demonstrating and documenting the economies, benefits and value received from these services.

ARTICLE II - BILLING AND PAYMENT FOR SERVICES

1. All of the Support Services rendered under this Agreement by Bison shall be charged to GNI at the agreed upon cost:

a. The cost for the CEO and CFO, which are full-time positions, will be billed to GNI on a monthly basis. As appropriate, the $960,000 annualized cost for the CEO and CFO will be included in the 4 factor cost allocation formula. This cost will be at or below the amount paid (based on GNI's recent SEC filings and in company records) for the previous CEO's and CFO's salaries, benefits and other costs to provide their services.

b. Costs for Harms and Youngs for services provided by Bison to GNI or the utilities will be billed at the rate of $150 per hour. Both will log their hours worked and indicate if the billing applies to GNI or a specific subsidiary along with a description of the service provided. These will be used for billing purposes between Bison and GNI, and GNI and its subsidiaries.

c. Bison will also bill to GNI the costs of Harms and Youngs business expenses, i.e. travel lodging, car rental, etc., based on actual costs incurred.

d. No costs associated with activities unrelated to GNI or the subsidiaries will be billed to GNI by Bison.

e. The maximum total amount billable by Bison to GNI and the subsidiaries for CEO and CFO services and for advisory services is $1.17 million annually, to be amended annually as specified by FR Bison through the contract term. In addition to the $1.17 million annually, any bonuses or incentives awarded to Luvian by Bison may be allocated between charges retained by Bison and those billed to GNI.

2. All invoices submitted by Bison shall have adequate documentation to (a) identify the specific services, the cost of direct billed and allocated services, and the person providing the service, and (b) justify all labor and materials costs.

3. GNI shall pay each invoice within ten (10) days after receipt to the extent the costs are not disputed. Such disputes must be raised by written notice to the applicable Provider within six (6) months after receipt of the invoice with the disputed cost. Simple interest at the prime rate then in effect at JPMorgan Chase & Co., plus 1.5%, shall accrue on any undisputed invoice items not paid within thirty (30) days after receipt by GNI, such interest being computed from the thirty-first (31st) day following the date of receipt.

ARTICLE III -TERM OF CONTRACT

This Agreement shall commence on the date first written above and continue until terminated by either party by at least sixty (60) days prior written notice to the other.

ARTICLE IV - CHANGES

No waiver, alteration, amendment, consent or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by a duly authorized representative of all parties. The stated costs agreed to in Article II may be adjusted from time to time based on the agreements approved by the Boards of Directors for both GNI and Bison. However, such adjusted costs shall be at or below market rates that exist at that time.

ARTICLE V - ASSIGNMENT

No party to this agreement may assign any of its rights or obligations hereunder except with the prior written consent of the other party hereto.

ARTICLE VI - NOTICE

1. All communications and Notices by GNI to Bison under this Agreement shall be sent to and addressed as follows:

   FR Bison Holdings, Inc.

   _____

   Greenwich, CT
   Attention: Ryan Shockley

   Telephone: (203) 863-6005

2. All communications and Notices by Bison to GNI under this Agreement shall be sent to and addressed as follows:

   Gas Natural Inc.

   _____

   Cleveland, OH
   Attention: David Cerotzke

   Telephone: (406) 781-7633

3. Either party may change the address set forth by written notice to the other.

ARTICLE VII - APPLICABLE LAW

1. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to its choice of law rules.
2. This Agreement shall be subject to approval by any Federal or State regulatory body whose approval is a legal prerequisite to its execution, delivery or performance,
3. This Agreement constitutes the entire Agreement between the parties for the services to be provided hereunder, and supersedes ail prior representations and agreements, whether written or oral, between the parties as to such services.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed in duplicate by their duly authorized representatives to become effective as of the data first written above.

Witness

GAS NATURAL INC.

George Behrens

By: GEORGE BEHRENS
Its: CHIEF FINANCIAL OFFICER

FR BISON HOLDINGS, INC.

By: Ryan Shockley
Its: Director

AMENDMENT #1 TO
SERVICES REQUEST AND AGREEMENT
BETWEEN
GAS NATURAL INC.
AND
FR BISON HOLDINGS, INC.

This Amendment #1 to the Services Request and Agreement between Gas Natural Inc. and FR Bison Holdings, Inc., dated August 16, 2017, is effective August 16, 2018.

WHEREAS, the parties desire to update the Agreement to reflect current conditions for required Support Services and for continuing to meet utility commission requirements:

NOW, THEREFORE, for good and valuable consideration, the Agreement is hereby amended as follows:

1. Throughout the Agreement, in every instance referring to "Gas Natural Inc." (also abbreviated as "GNI"), the company's updated legal name "Hearthstone Utilities, Inc." (abbreviated as "HUI") shall be substituted.
2. Throughout the Agreement, in every instance referring to "FR Bison Holdings, Inc." (also abbreviated as "Bison"), the company's updated legal name "GEP Bison Holdings,, Inc." (abbreviated as "Bison") shall be substituted.
3. Article II shall be amended as follows:
    a. Section 1a: Delete "*As appropriate, the $960,000 annualized cost for the CEO and CFO will be included in the 4 factor cost allocation formula. This cost will be*"; and insert "As appropriate, the $1,020,000 annualized costs for the CEO and CFO for the period 8/16/18 through 8/15/19 and $1,071,000 the period 8/16/19 through 8/15/20 will be included in the 4 factor cost allocation formula. The initial cost of $960,000 was established "
    b. Section 1b: Delete "*$150 per hour*"; and insert ""$165 per hour"
    c. Section 1e: Delete "*is $1.17 million annually, to be amended annually as specified by FR Bison through the contract term. In addition to the $1.17 million annually*," and insert "is $1.3 million for the period 8/16/18 through 8/15/19 and $1.365 million for the period 8/16/19 through 8/15/20. In addition to the maximum total amount billable under this provision,"
4. Article VI shall be updated as follows:
    a. Delete: *FR Bison Holdings, Inc.*

Greenwich, CT

And insert: GEP Bison Holdings, Inc.

One Lafayette Place

Greenwich, CT 06830

b. Delete: *Gas Natural Inc.*

Cleveland, OH
Attention: David Cerotzke

Telephone: (406) 781-7633

And insert: Hearthstone Utilities, Inc.

1375 East 9th Street, Suite 3100

Cleveland, OH 44114

Attention: George Behrens

Telephone: (216) 202-1559

IN WITNESS WHEREOF the parties hereto have caused this Amendment #1 to the Agreement to be executed in duplicate by their duly authorized representatives to become effective as of the date first written above.

Witness

HEARTHSTONE UTILITIES, INC.

George Behrens

By: George Behrens
Its: CHIEF FINANCIAL OFFICER

GEP BISON HOLDINGS, INC.

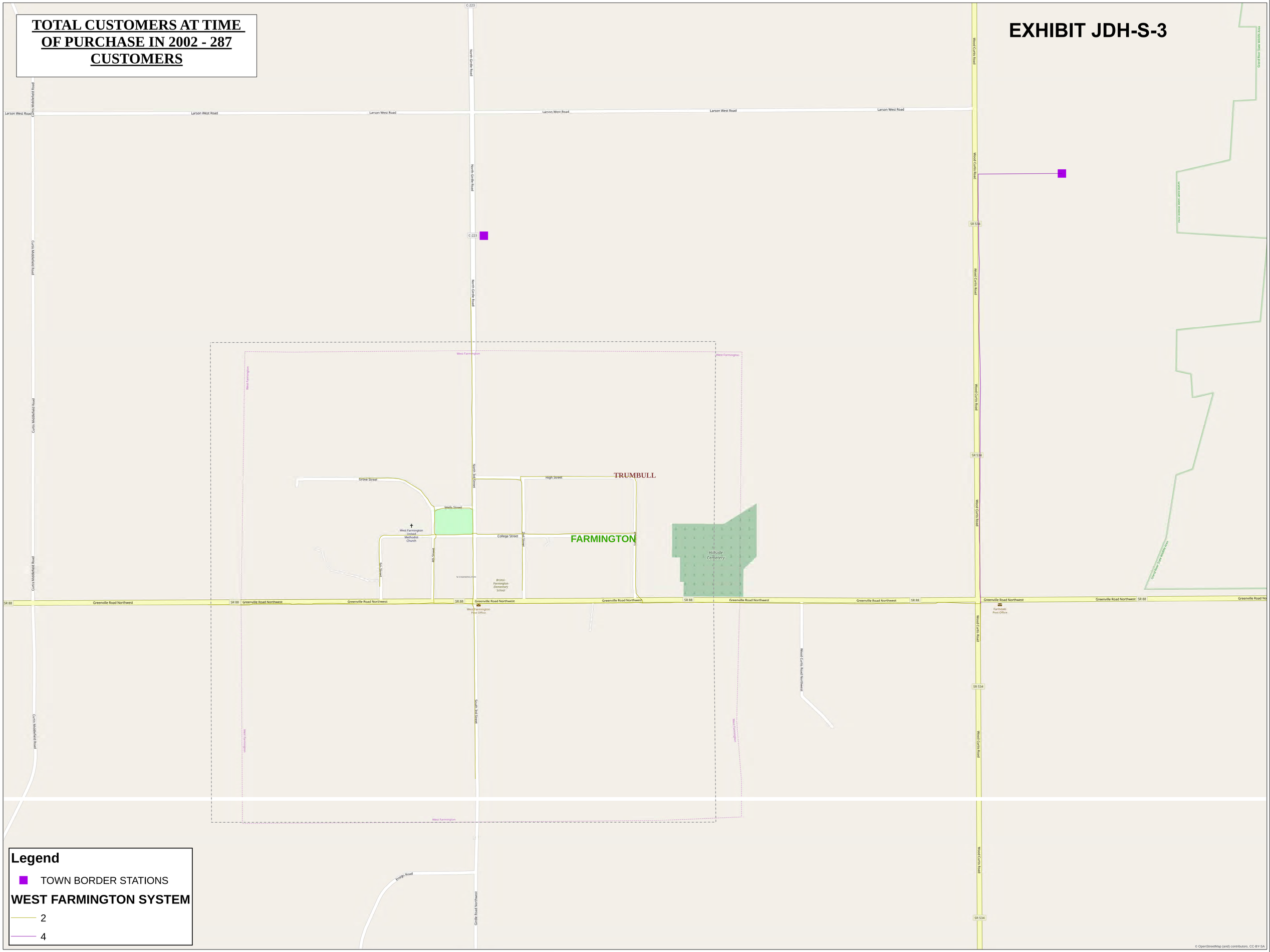
By: Ryan Shockley
Its: Director

NORTHEAST OHIO Natural Gas Corp.
A HEARTHSTONE UTILITIES, INC. COMPANY

WEST FARMINGTON SYSTEM 3
ORIGINAL PURCHASED SYSTEM

TOTAL CUSTOMERS AT TIME OF PURCHASE IN 2002 - 287 CUSTOMERS

EXHIBIT JDH-S-3



1 inch = 300 feet

NORTHEAST OHIO Natural Gas Corp.
A HEARTHSTONE UTILITIES, INC. COMPANY

AUBURN SYSTEMS 6A-6B
ORIGINAL PURCHASED SYSTEM

N
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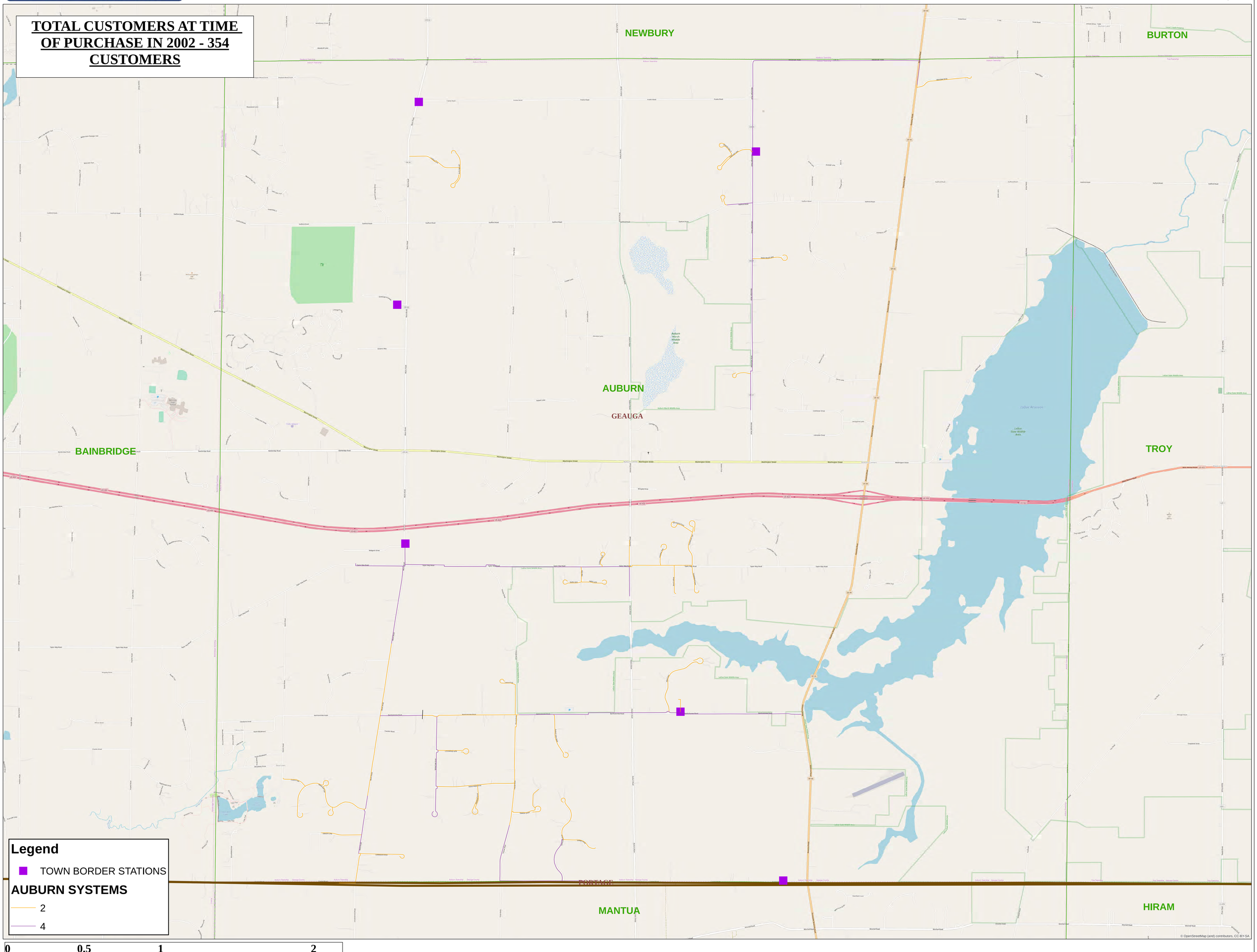
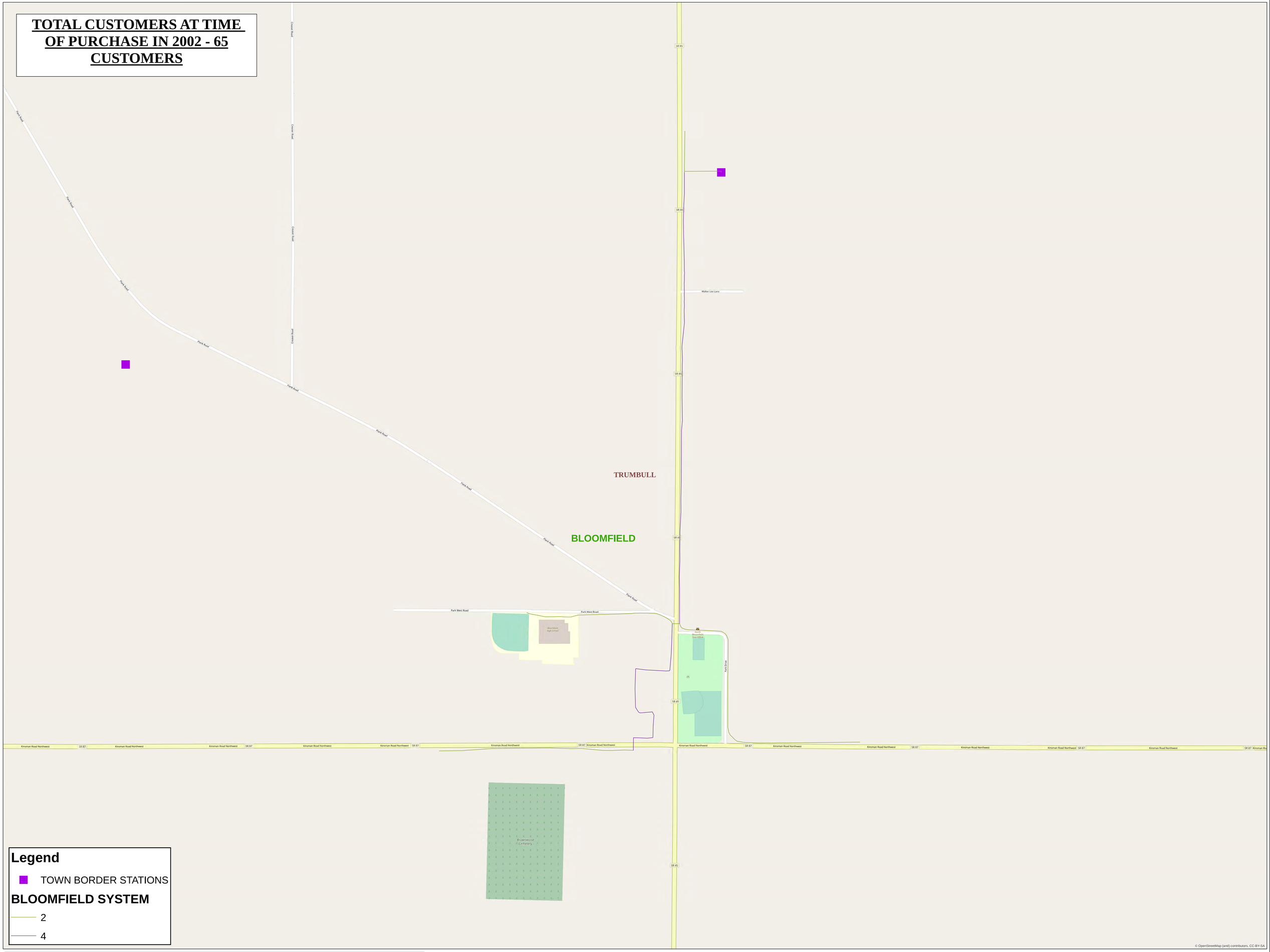
TOTAL CUSTOMERS AT TIME OF PURCHASE IN 2002 - 354 CUSTOMERS



1 inch = 1,000 feet

BLOOMFIELD SYSTEM 2
ORIGINAL PURCHASED SYSTEM

TOTAL CUSTOMERS AT TIME OF PURCHASE IN 2002 - 65 CUSTOMERS



1 inch = 200 feet

NORTHEAST OHIO Natural Gas Corp.
A HEARTHSTONE UTILITIES, INC. COMPANY

BRAINARD SYSTEM
ORIGINAL PURCHASED SYSTEM

N
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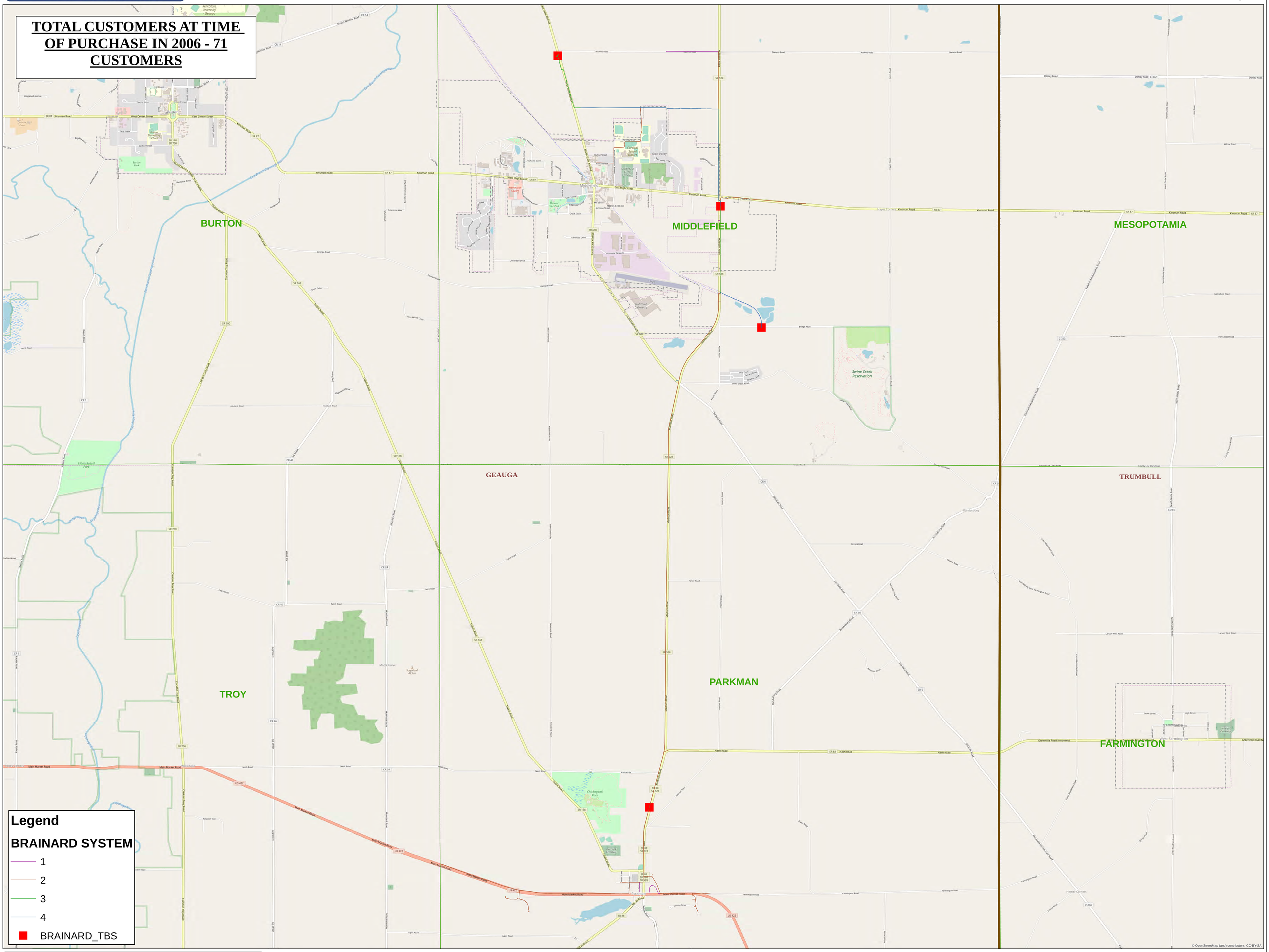
TOTAL CUSTOMERS AT TIME OF PURCHASE IN 2006 - 71 CUSTOMERS



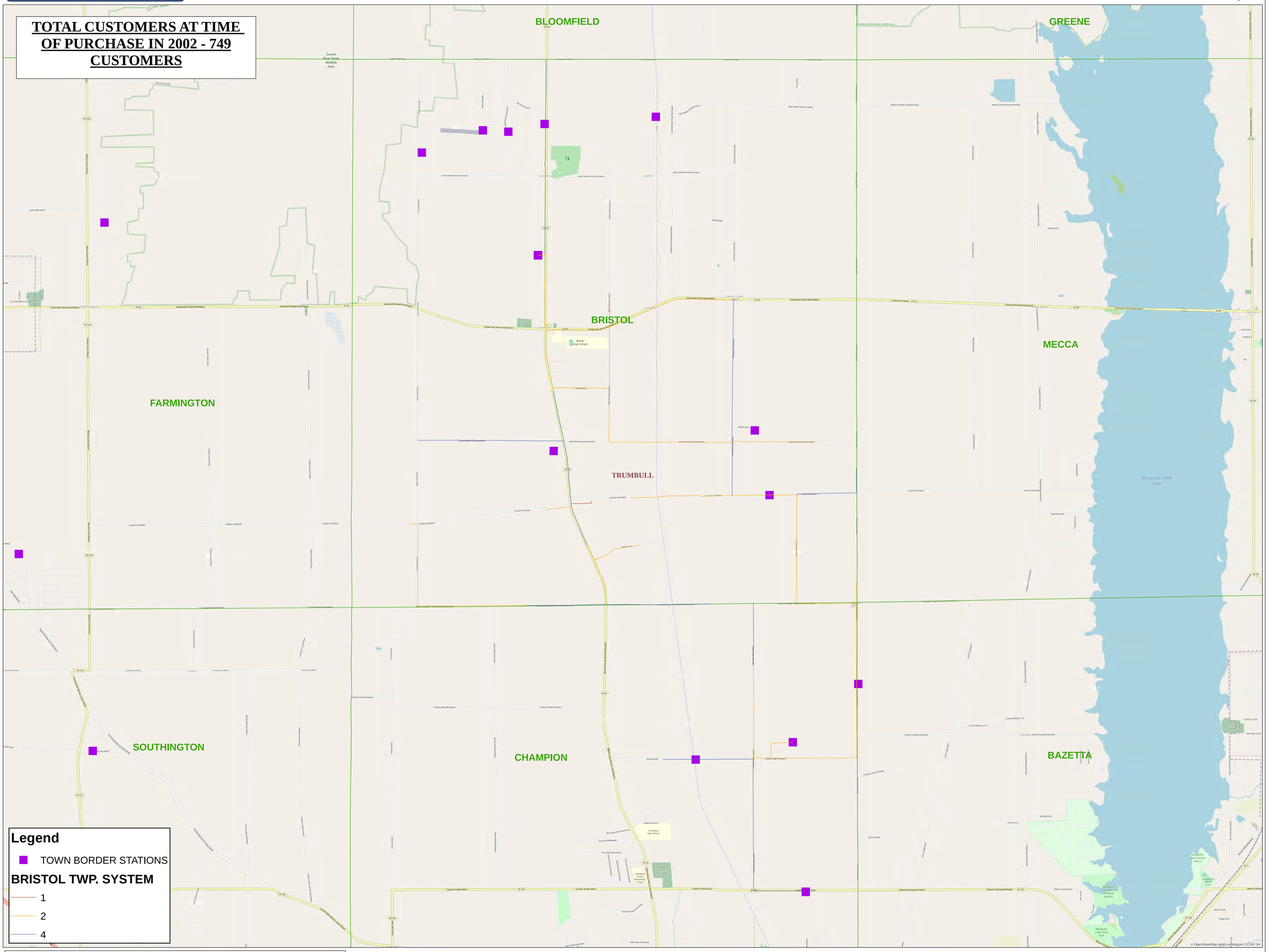
1 inch = 1,375 feet

NORTHEAST OHIO Natural Gas Corp.
A HEARTHSTONE UTILITIES, INC. COMPANY

BRISTOL SYSTEM 4
ORIGINAL PURCHASED SYSTEM

N W E S

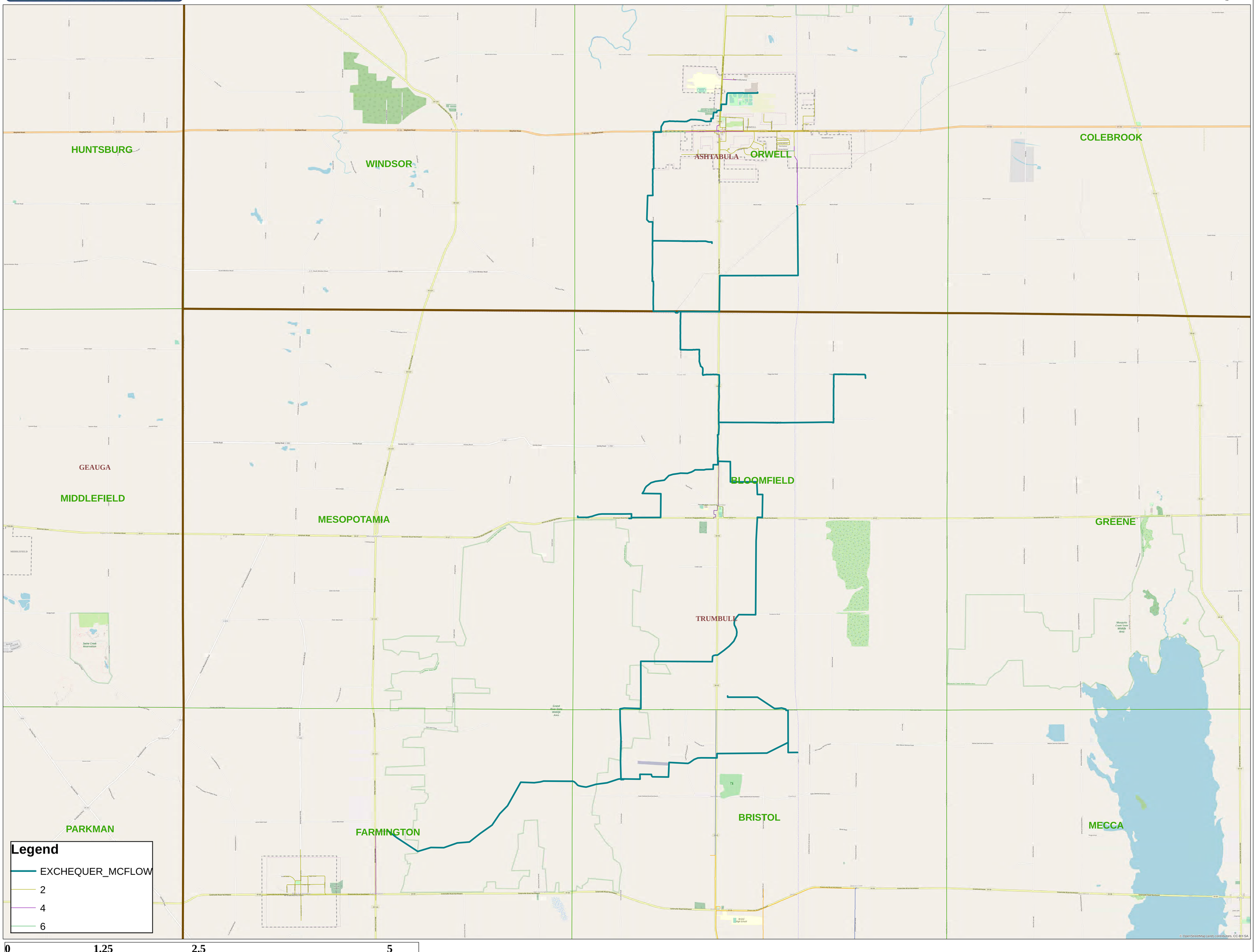
TOTAL CUSTOMERS AT TIME OF PURCHASE IN 2002 - 749 CUSTOMERS



1 inch = 1,500 feet

NORTHEAST OHIO Natural Gas Corp.
A HEARTHSTONE UTILITIES, INC. COMPANY

EXCHEQUER MCFLOW STEEL SYSTEM
CONNECTION TO ORWELL, BLOOMFIELD, BRISTOL AND FARMINGTON SYSTEMS

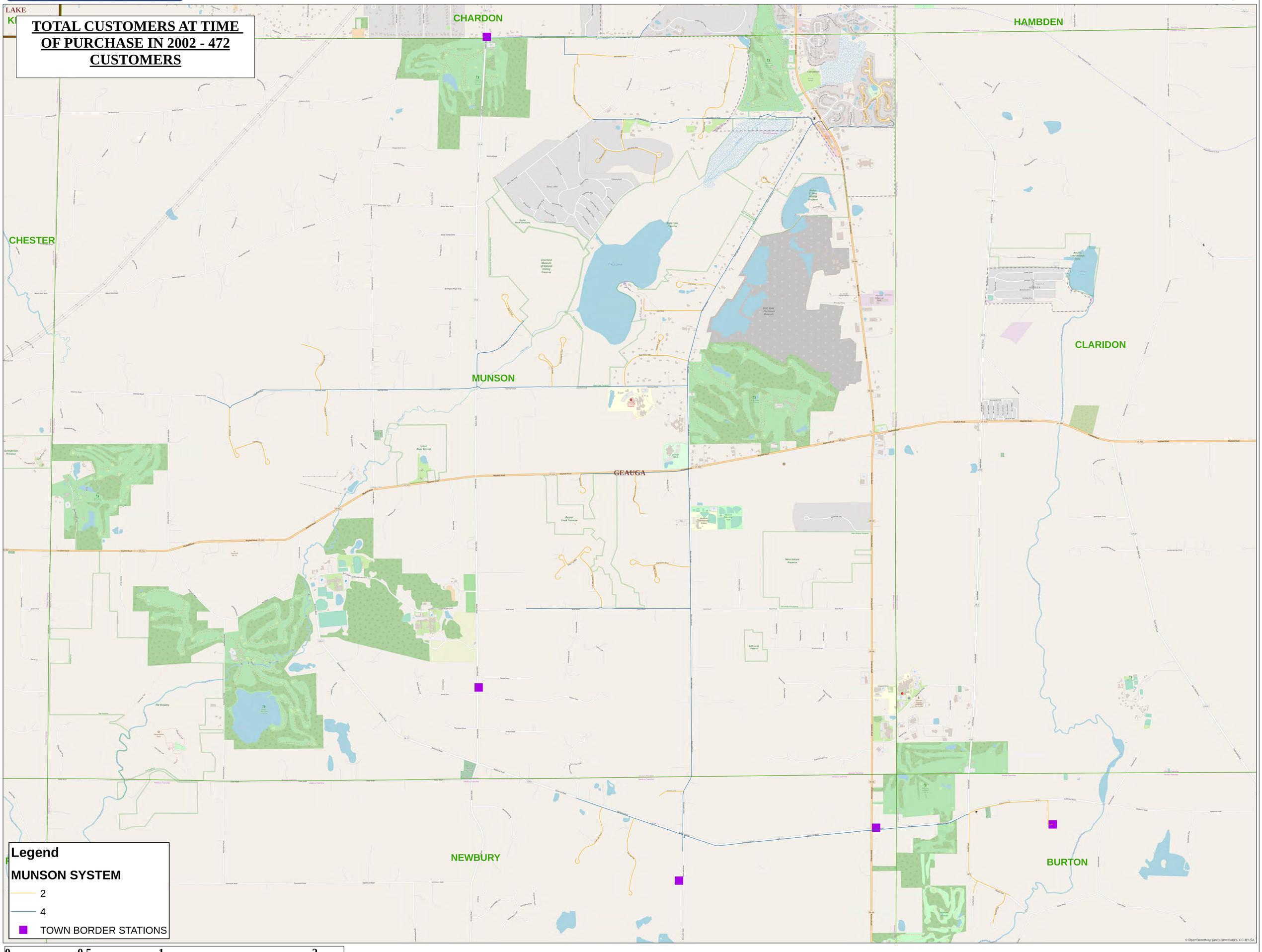


1 inch = 2,000 feet

NORTHEAST OHIO Natural Gas Corp.
A HEARTHSTONE UTILITIES, INC. COMPANY

MUNSON SYSTEM 8
ORIGINAL PURCHASED SYSTEM

TOTAL CUSTOMERS AT TIME OF PURCHASE IN 2002 - 472 CUSTOMERS



1 inch = 1,000 feet

NORTHEAST OHIO Natural Gas Corp.
A HEARTHSTONE UTILITIES, INC. COMPANY

ORWELL SYSTEM 1
ORIGINAL PURCHASED SYSTEM

N
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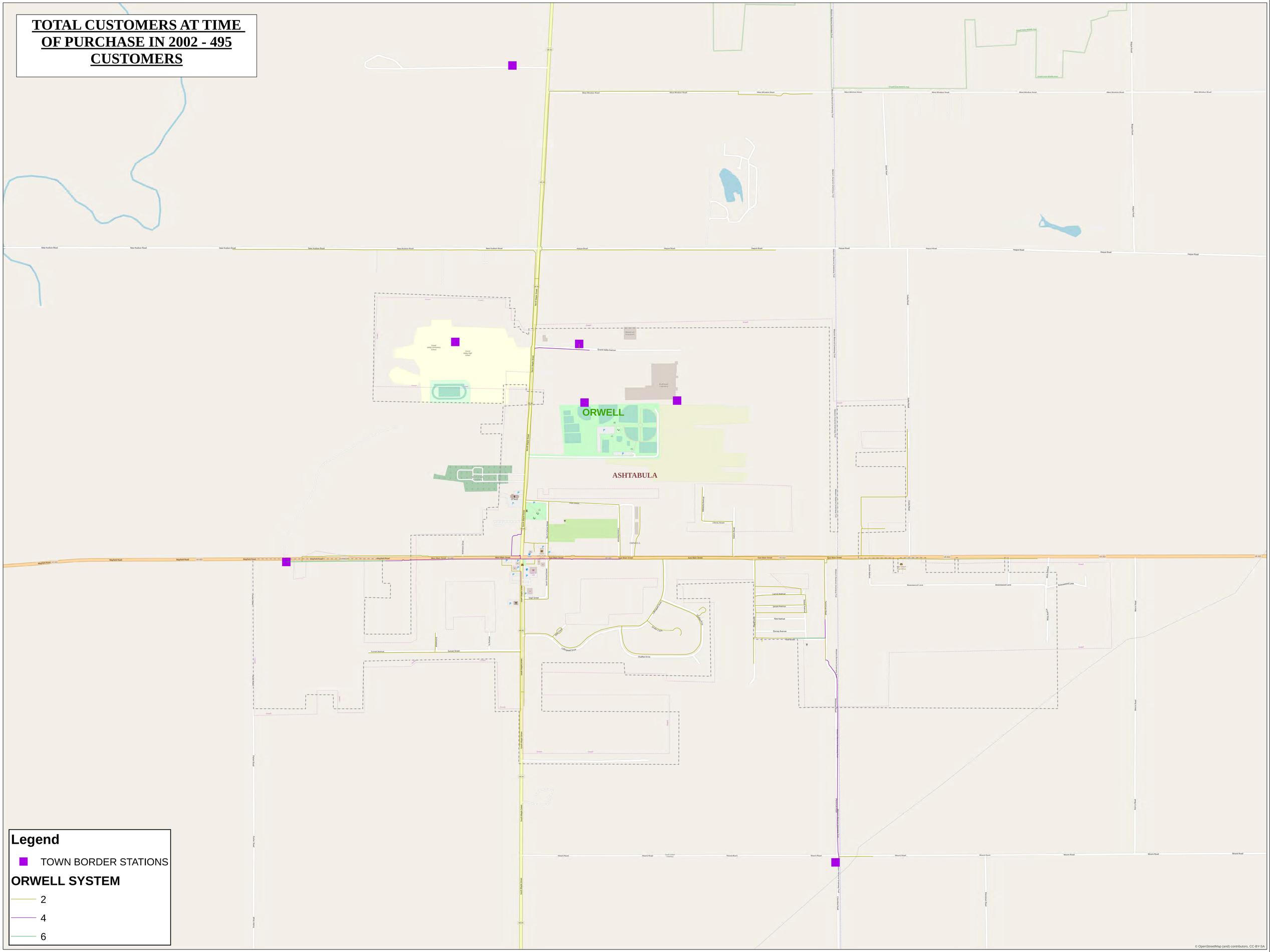
TOTAL CUSTOMERS AT TIME OF PURCHASE IN 2002 - 495 CUSTOMERS



0 0.25 0.5 1 Miles

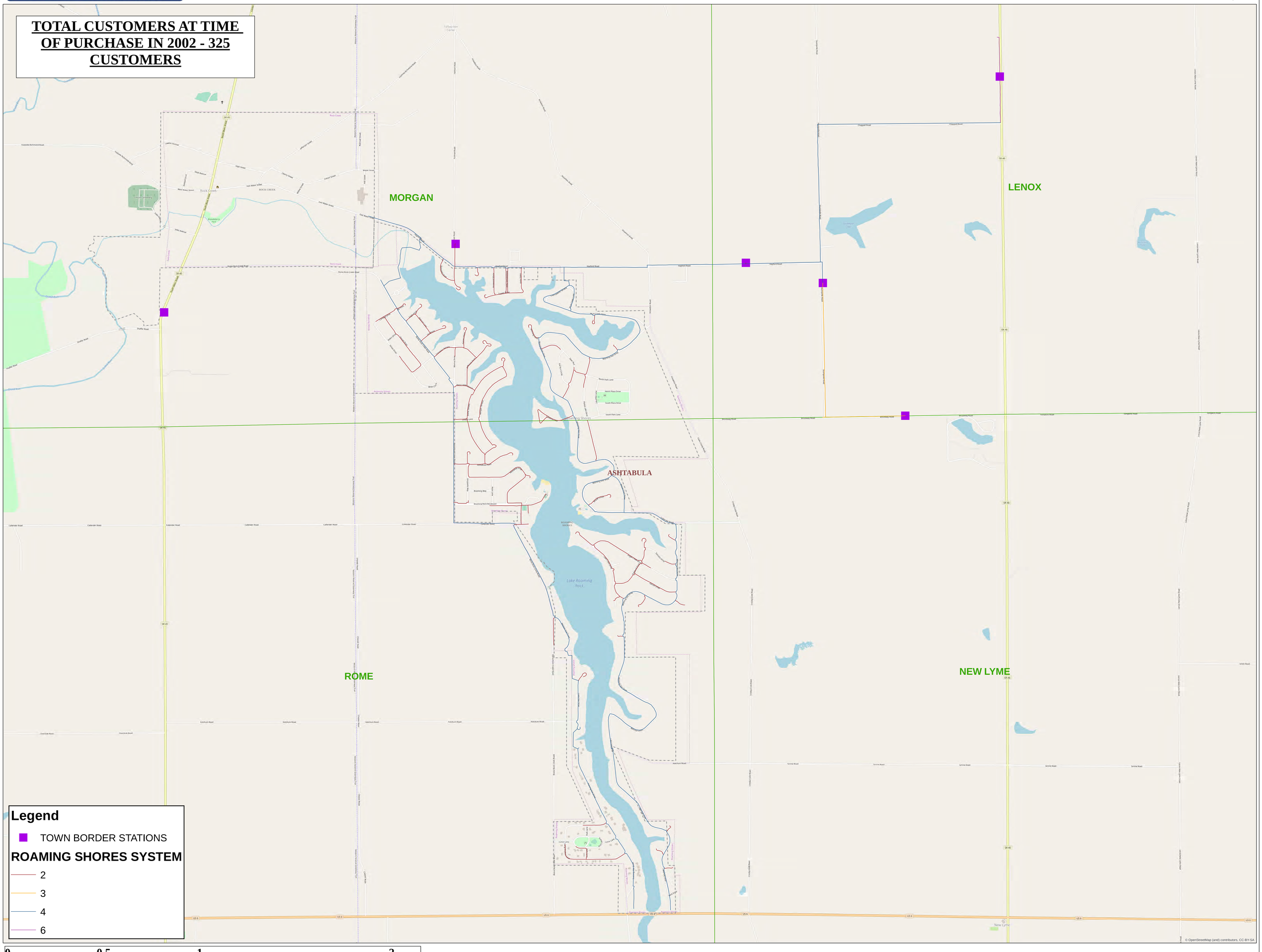
1 inch = 500 feet

NORTHEAST OHIO Natural Gas Corp.
A HEARTHSTONE UTILITIES, INC. COMPANY

ROAMING SHORES SYSTEM 9
ORIGINAL PURCHASED SYSTEM

N W E S

TOTAL CUSTOMERS AT TIME OF PURCHASE IN 2002 - 325 CUSTOMERS



0 0.5 1 2 Miles

1 inch = 800 feet

NORTHEAST OHIO Natural Gas Corp.
A HEARTHSTONE UTILITIES, INC. COMPANY

SOUTHINGTON SYTEM 5
ORIGINAL PURCHASED SYSTEM

N
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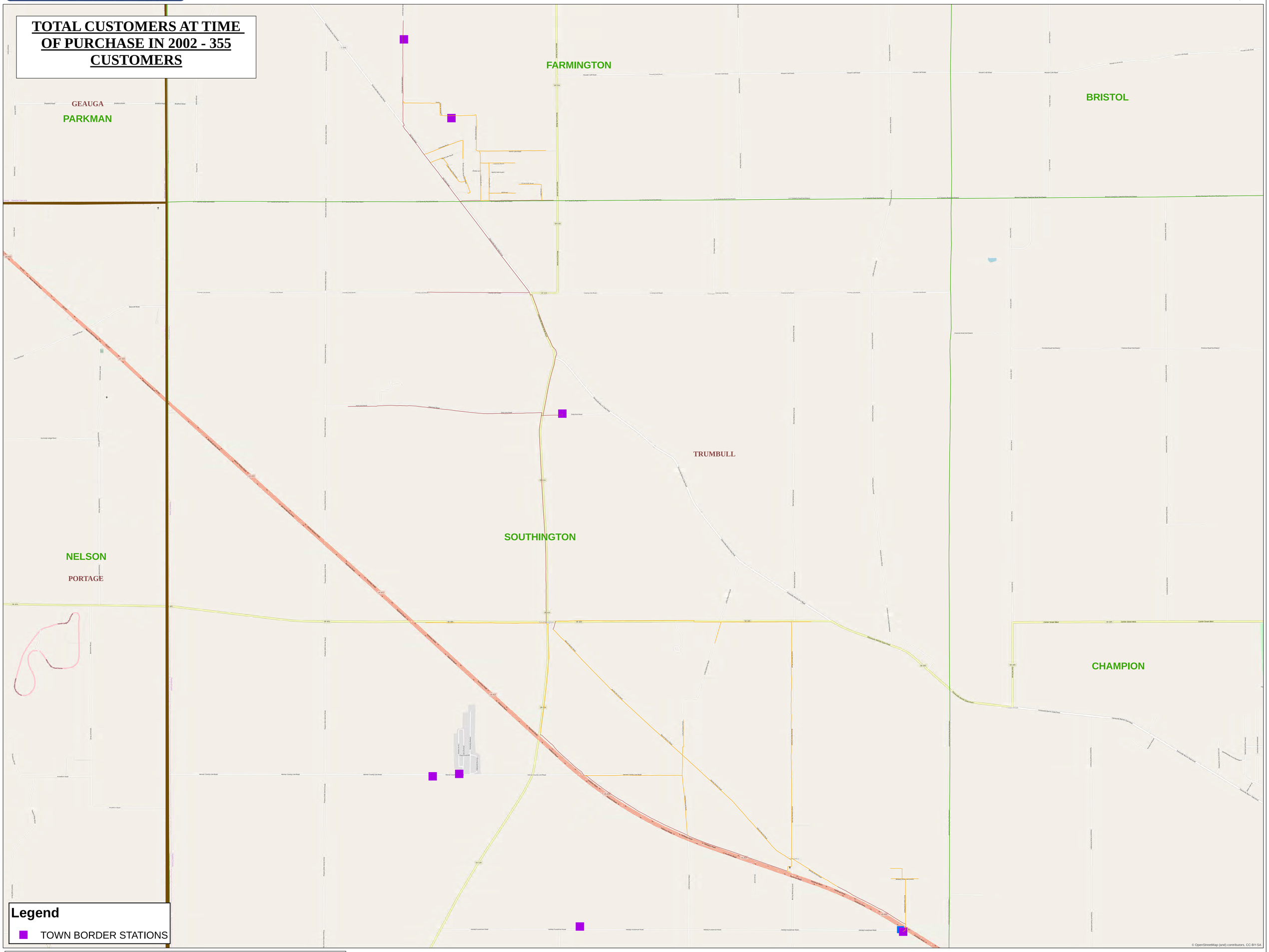
TOTAL CUSTOMERS AT TIME OF PURCHASE IN 2002 - 355 CUSTOMERS



0 0.5 1 2 Miles

1 inch = 1,000 feet

This foregoing document was electronically filed with the Public Utilities

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7/25/2019 4:47:05 PM

in

Case No(s). 18-1720-GA-AIR, 18-1721-GA-ATA, 18-1722-GA-ALT

Summary: Testimony Supplemental Direct Testimony of Jed D. Henthorne electronically filed by Mr. Mark T Keaney on behalf of Northeast Ohio Natural Gas Corp.