



**Public Utilities
Commission**

Mike DeWine, Governor
Sam Randazzo, Chairman

Commissioners

M. Beth Trombold
Lawrence K. Friedeman
Dennis P. Deters
Daniel R. Conway

November 5, 2019

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

RE: *In the Matter of the Application of One Source Energy, LLC for Authority to Operate as an Ohio Natural Gas Company, Case No. 16-1181-GA-ACE*

Dear Docketing Division:

Enclosed please find the Staff Review and Recommendation regarding the joint application of Northeast Ohio Natural Gas Corp. and One Source Energy, LLC to transfer assets, Case No. 16-1181-GA-ACE.

Doris McCarter

Division Chief, Capital Recovery and Financial Analysis
Public Utilities Commission of Ohio

Enclosure

Cc: Parties of Record

In the Matter of the Application of One)
Source Energy, LLC for Authority to Operate) Case No. 16-1181-GA-ACE
as an Ohio Natural Gas Company)

¹ See *In the Matter of the Application of One Source Energy, LLC for Authority to Operate as an Ohio Natural Gas Company*, Case No. 16-1181-GA-ACE, Third Finding and Order at ¶55 (August 22, 2019)(2016 Certification Case)

in Ohio.² The Commission also noted that One Source had contemplated selling its assets to a third party, but failed to provide details on how One Source planned to effectuate the sale by the deadline to abandon the system.³ However, on September 4, 2019, One Source and NEO filed a motion requesting a time extension beyond the September 6th deadline for abandonment. The reason for the request was due to a tentative agreement between NEO and One Source for the purchase of all of One Source's assets.⁴ The attorney examiner presiding over this case issued an entry in response to the motion filed by One Source and NEO granting an extension of time to consider the tentative purchase offer and temporarily halting the directive to Dominion Energy Ohio to discontinue gas supply to the One Source system as NEO stated that it would aid and consult with the operation of One Source's system during the interim.⁵

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the Application along with supporting documentation and the extensive record established in this case. Staff believes the Application appears reasonable based upon the following reasons:

- Customers of One Source will benefit from access to natural gas service by an established natural gas company that has demonstrated the technical, managerial and financial capabilities required to safely and properly operate a natural gas distribution system in the state of Ohio.
- A review of NEO's recently enacted base rates appear to yield similar customer bills to the rate structure that One Source employed thereby limiting potential rate shock for the customers of One Source.
- NEO's current natural gas distribution system has a mainline pipe that is within approximately 600 feet of the end of One Source's system. NEO's proximity to One Source's system provides potential for operational efficiencies and may represent the lowest cost operator for the One Source system.
- NEO's current financial standing along with the ability to operate the One Source system on a cash flow positive basis, prior to non-cash transactions such as depreciation, will position NEO to expand the One Source system to new potential customers.

Staff has also considered NEO's request for accounting authority to record the non-depreciated value of the Purchased Assets as \$504,001, due to the lack of historic books and records of One Source. Staff is familiar with the lack of record keeping of One Source.⁶ Staff reviewed the methodology proposed by NEO to calculate the value of the Purchased Assets to determine its reasonableness. Under the circumstances, Staff believes the methodology employed by NEO was reasonable to determine a value of the Purchased Assets for the purpose of this transfer. While

² Id. at ¶52

³ Id. at ¶50

⁴ 2016 Certification Case, Motion for Extension of Time to Retire and Abandon System (September 4, 2019)

⁵ 2016 Certification Case, Attorney Examiner Entry at ¶27 (September 4, 2019)

⁶ 2016 Certification Case, Comments by the Staff of the Public Utilities Commission of Ohio at 4 (August 19, 2019)

Staff does not believe the proposed Purchased Asset value to be unreasonable, Staff will conduct a used and useful review before recovery on and of the Purchased Assets are included in future base rates of NEO. Staff does wish to clarify that, if approved, NEO should use the accrual rates approved in its most recent rate case when it begins to depreciate the Purchased Assets.

Therefore, based upon the benefits listed above and the overall reasonableness of the Application, Staff recommends that the Commission approve the joint application of NEO and One Source and grant the accounting authority as requested.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

11/5/2019 2:54:00 PM

in

Case No(s). 16-1181-GA-ACE

Summary: Staff Review and Recommendation regarding the joint application of Northeast Ohio Natural Gas Corp. and one Cource Energy, LLC to transfer assets electronically filed by Docketing Staff on behalf of PUCO Staff