

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Northeast Ohio)
Natural Gas Corp. for Approval of Alternative)
Regulation)

Case No. 20-1427-GA-ALT

**OBJECTIONS TO THE STAFF REPORT BY NORTHEAST OHIO
NATURAL GAS CORP.**

I. INTRODUCTION

Pursuant to R.C. 4909.19(C) and Ohio Admin.Code 4901-1-28, Northeast Ohio Natural Gas Corp. (“NEO”) hereby submits the following objections to the Staff Report as filed on March 30, 2021 (“Staff Report”). NEO’s lack of objection to any adjustment or treatment recommended in the Staff Report should not be construed as indicating NEO’s support for such adjustment or treatment. Any dollar amounts specified within any objections are preliminary, presented for informational purposes only, and based on currently available information; NEO reserves the right to update such dollar amounts, including insofar as they may be dependent on how other issues or objections are resolved.

II. REVENUE REQUIREMENT

A. Staff failed to adequately describe its proposed “true up” mechanism.

Staff made several recommended adjustments to expense items. Relevant here, the largest of those proposed adjustments was associated with Professional Services Expense. As the Staff report correctly noted, the Company proposed to include an annualized total of \$100,000 for professional services in the test year which were primarily related to legal fees associated with rights of way. Staff reviewed the legal fees during the test year through December 18, 2020, which totaled \$154,157, and the accepted the proposed annualized expense of \$100,000.

Later in its report in the “Conclusion” section Staff made an additional recommendation. Staff recommended that the “OTP Rider be trued up on an annual basis” in order to address professional services, professional certification, and distribution maintenance expenses which either were not incurred in the test year or which could vary in the future.

NEO objects to Staff’s proposed “true up” mechanism because Staff has failed to reasonably identify how such a mechanism would work. If the Commission does adopt a “true up” mechanism it should identify how which expenses will be included in that mechanism and the manner by which those expenses will be converted into rates.

1. Effective Date

NEO recommends that the Infrastructure Acquisition Adjustment Rider (“OTP Rider”) go into effect on the first day of the month following Commission approval.

2. True-Up Period

NEO recommends that the OTP Rider be trued up annually. NEO will track expenses on a calendar year basis (the “True-Up Period”). NEO will then propose a true up to Staff by March 31st of the following year.

3. True-Up Calculation

NEO’s proposed true up will be based on an OTP regulatory income statement for the True-Up Period reflecting actual revenues from the OTP Rider and actual OTP expenses. OTP expenses will include the effect of synchronized interest.

This is compared to the revenue and expenses approved and allowed in the OTP Rider approval order for the True-Up Period. The difference in net operating income results in an amortization rate designed to amortize the difference over a 12-month period.

4. True-Up Filing

The true-up filing will be submitted to via a letter submission in this docket. That letter will include both the updated annual expense calculation as well as the proposed rates which result from those updated expenses. Unless Staff requests an extension of time, the revised rates proposed by NEO in that filing will go into effect 60 days after NEO's letter has been filed in this docket.

NEO believes these clarifications will address Staff's goal of allowing NEO "to recover actual expenses incurred and help mitigate large variances in over- or under- recovery of the Company's cost of providing utility service." As such Staff erred by failing to address these areas in the Staff Report.

B. Additional Issues.

Notwithstanding the foregoing, NEO reserves the right to supplement or modify these objections if Staff makes additional findings, conclusions, or recommendations with respect to the Staff Report. NEO further reserves the right to respond to objections or other issues raised by other parties in the above-captioned proceedings.

Respectfully submitted,

/s/ N. Trevor Alexander

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CERTIFICATE OF SERVICE

I certify that the foregoing Objections to the Staff Report by Northeast Ohio Natural Gas Corp. was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 29th day of April, 2021. The PUCO's e-filing system will electronically serve notice of the filing of this document on counsel for all parties.

/s/ N. Trevor Alexander
One of the Attorneys for Northeast Ohio
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in

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Summary: Objection to Staff Report electronically filed by Mr. Trevor Alexander on behalf of Northeast Ohio Natural Gas Corp.