

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Northeast Ohio)
Natural Gas Corp. for Approval of Alternative) Case No. 20-1427-GA-ALT
Regulation)

**DIRECT TESTIMONY
OF
KEN OOSTMAN
IN SUPPORT OF THE UNOPPOSED STIPULATION**

**Submitted on behalf of

NORTHEAST OHIO NATURAL GAS CORP.**

Filed July 27, 2021

1 **Q. Please state your name and business address.**

2 A. Ken Oostman, 5640 Lancaster-Newark Road, Pleasantville, Ohio 43148.

3 **Q. By whom are you employed and in what capacity?**

4 A. I am President of Northeast Ohio Natural Gas Corp. (“NEO” or the “Company”).

5 **Q. On whose behalf are you testifying in this proceeding?**

6 A. I am testifying on behalf of NEO.

7 **Q. Please describe your professional experience and qualifications.**

8 A. I became President of NEO in June 2019. Prior to joining NEO, I served as Vice President
9 of Technical Services for TransCanada. I have also served as Vice President of Engineering
10 for Columbia Pipeline Group, and Vice President of Operations and Vice President of
11 Technical Services at New Mexico Gas Company. I have been in the energy industry for
12 28 years and held a variety of positions including operations director for Meade, a pipeline
13 construction company; senior project manager for EN Engineering, an international
14 engineering and consulting firm; as well as numerous positions with Nicor Gas, a large
15 local gas distribution company near Chicago, Illinois. I earned my degrees in business
16 administration and mechanical engineering from Valparaiso University, Indiana, in 1988
17 and 1993, respectively. I am also a licensed professional engineer, am active in the Ohio
18 Gas Association (OGA), American Gas Association (AGA), and a member of the National
19 Society of Professional Engineers (NSPE).

20 **Q. Describe the duties of your current position.**

21 A. I am currently President of NEO. As President, I am responsible for all aspects of NEO’s
22 strategies, operations, personnel, compliance, and financial health.

23 **Q. What is the purpose of your testimony?**

1 A. I am testifying in support of the Stipulation and Recommendation (“Stipulation”) that was
2 filed in the above-captioned matter on July 13, 2021. I will provide an overview of the key
3 terms and conditions of the Stipulation, and also explain how the Stipulation meets the
4 criteria used by the Commission when considering stipulated agreements.

5 **Q. Can you please provide a general overview of this proceeding?**

6 A. NEO is an Ohio corporation engaged in the business of transporting and distributing
7 natural gas to over 30,000 customers in Ohio. Orwell-Trumbull Pipeline Co., LLC (“OTP”)
8 was an intrastate natural gas pipeline in receivership that supplied portions of NEO’s
9 distribution system.

10 On October 18, 2019, NEO and the receiver over the personal and real property of
11 OTP filed a joint application in Case No. 19-1921-PL-ATR seeking Commission approval
12 of a proposed transfer of certain pipeline assets from OTP to NEO. In addition, without
13 access to the historic books and records of OTP to determine the original installed cost of
14 the Purchased Assets, NEO sought Commission approval for certain accounting authority
15 to establish the value of the Purchased Assets for ratemaking purposes. On December 4,
16 2019, the Public Utilities Commission of Ohio (“Commission”) issued a Finding and Order
17 in Case No. 19-1921-PL-ATR (“Finding and Order”), wherein it agreed with Staff and
18 approved the transfer of the Purchased Assets to NEO, describing it as “reasonable and in
19 the public interest.”¹ The Commission also approved NEO’s request for accounting
20 authority to record the value of the Purchased Assets as \$13,310,881, with an associated
21 accumulated depreciation reserve of \$4,100,921 as of September 1, 2019.²

¹ Case No. 19-1921-PL-ATR, Finding and Order (Dec. 4, 2019), ¶ 19.

² Id.

1 NEO filed an application in this case on September 29, 2020 seeking to create the
2 OTP rider to recover its revenue requirements associated with investments and expenses
3 in OTP. Staff issued a report on March 30, 2021 which recommended that OTP be granted
4 approval to recover those costs subject to certain conditions.

5 From that date through the date of the Stipulation, NEO, Staff, and OCC engaged
6 in settlement negotiations to address Staff's proposed conditions. The Stipulation was filed
7 in an effort to meet those conditions to the satisfaction of all interested parties.

8 **Q. Please summarize the Stipulation.**

9 A. The Stipulation is a comprehensive resolution of the case and would settle all of the issues
10 raised in the above-captioned proceedings. The Stipulation incorporates the findings and
11 recommendations of the Staff Report, filed on March 30, 2021, except as otherwise agreed
12 in the Stipulation. Among other things, the Stipulation provides:

- 13 • That, in order to reflect the lingering effects of the pandemic, the OTP Rider
14 will not go into effect before September 1, 2021.
- 15 • Agreement as to the process by which the OTP Rider will be trued up annually,
16 including submission of revenues and expenses to Staff by April 30th of the
17 following year.
- 18 • Agreement that NEO's True-Up period will reflect actual revenues from the
19 OTP rider and actual OTP expenses, including tax expense calculated at
20 statutory rates and incorporating the effect of synchronized interest.
- 21 • An agreed-upon method by which to determine the end date for the OTP rider.
- 22 • An agreement by NEO to file a base distribution rate case by June 30, 2026,
23 which will include the termination of the OTP rider.

24 **Q. What criteria have the Commission used in considering approval of a stipulation**
25 **among signatory parties in a proceeding?**

26 A. My understanding is that a stipulation must satisfy three criteria: (1) the stipulation must
27 be the product of serious bargaining among capable, knowledgeable parties; (2) the

1 stipulation must not violate any important regulatory principle or practice; and (3) the
2 stipulation must, as a package, benefit ratepayers and the public interest.

3 **Q. Does the Stipulation in this case satisfy these criteria?**

4 A. Yes.

5 **Q. Is the Stipulation the product of serious bargaining among capable, knowledgeable**
6 **parties?**

7 A. Yes. NEO and Staff for the Public Utilities Commission of Ohio (collectively, the
8 “Signatory Parties”) along with non-opposing party the Office of the Ohio Consumers’
9 Counsel (“OCC”) have a history of participation and experience in Commission cases. The
10 Stipulation is the product of an open process in which all parties were represented by
11 counsel and technical experts. The Signatory Parties reached the Stipulation after a
12 thorough investigation by Staff and engaging in negotiation discussions. The Signatory
13 Parties are very knowledgeable of all the relevant issues in these cases, and they used this
14 knowledge to reach the Stipulation, which represents a comprehensive compromise of
15 issues raised by parties with diverse interests. I believe that the Stipulation recommended
16 for Commission adoption presents a fair and reasonable result.

17 **Q. Does the Stipulation violate any important regulatory principle or practice?**

18 A. No. There is no party who opposes the Stipulation. This resulted because there is no
19 provision of the Stipulation which violates any important regulatory practice or principle.
20 In fact, this Stipulation furthers several important Commission principles such as an
21 appropriate cost recovery for assets which are currently being used to serve NEO
22 customers, appropriate rate design, fair and reasonable review of the rider, and providing
23 a reasonable return on equity for Ohio utilities.

1 **Q. Does the Stipulation, as a package, benefit customers and ratepayers?**

2 A. Yes. As discussed above, the Stipulation provides for an unopposed agreement between
3 all concerned parties regarding all aspects of NEO's OTP Rider. That includes, among
4 other things, a delay in the effective date of the rider in light of the pandemic's financial
5 impact on customers, a pre-determined end date for the rider, true-up filings that were
6 recommended by Staff and adopted into the final stipulation to ensure proper Commission
7 oversight, and NEO's agreement to file a base distribution rate case by no later than June
8 30, 2026.

9 As evidence of the reasonable nature of this compromise, the Stipulation is agreed
10 to by Commission Staff and OCC, who has indicated that it has no objection to the
11 Stipulation. Beyond the actual parties to this proceeding, not a single member of the public
12 contested NEO's proposal. This Stipulation is even more advantageous to customers than
13 NEO's original proposal, and as such benefits customers. It should accordingly be given
14 substantial consideration by the Commission and approved without modification.

15 **Q. Do you recommend that the Commission adopt the Stipulation?**

16 A. Yes. I believe the Stipulation represents a fair and reasonable compromise of diverse
17 interests and provides a fair result for customers.

18 **Q. Does this conclude your testimony?**

19 A. Yes, it does.

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Summary: Testimony of Ken Oostman in Support of Unopposed Stipulation electronically filed by Sarah Siewe on behalf of Northeast Ohio Natural Gas Corp.