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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of the Application of the)
Commission's Review of Chapters 4901:1-17)
and 4901:1-18, and Rules 4901:1-5-07,)
4901:1-10-22, 4901:1-13-11, 4901:1-15-17,)
4901:1-21-14, and 4901:1-29-12 of the Ohio)
Administrative Code)

Case No. 08-723-AU-ORD

**MOTION FOR WAIVER AND EXEMPTION BY
NORTHEAST OHIO NATURAL GAS CORPORATION AND
MEMORANDUM IN SUPPORT**

Northeast Ohio Natural Gas Corporation ("NEO" or "Movant") hereby
respectfully moves pursuant to Ohio Administrative Code 4901-1-12(A) that the
Commission grant it the following relief:

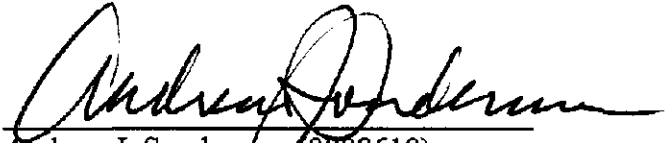
1. NEO requests a waiver of the monthly arrearage crediting programs for PIPP,¹
and adoption of an alternative annual arrearage crediting procedure for PIPP
customers;
2. NEO requests an exemption from the Graduate PIPP rules in their entirety;² and
3. Only if the foregoing relief is not granted, NEO requests a waiver of any required
bill format modifications that would be required to implement the arrearage
crediting procedures for the PIPP and Graduate PIPP program established in
Chapter 4901:1-18 as amended. A Memorandum in Support of this Motion is
attached.

¹ Rule 4901:1-18-14(A) as amended effective November 1, 2010, pursuant to the Commission's Entry on June 3, 2009.

² Rules 4901:1-18-13, -14, and -16 as effective on November 1, 2010 pursuant to the Commission's Entry on June 3, 2009.

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Respectfully submitted,



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MEMORANDUM IN SUPPORT

In support of the foregoing Motion, Northeast Ohio Natural Gas Corporation states the following:

1. NEO is a natural gas company subject to the Commission's jurisdiction pursuant to Ohio Rev. Code §§4905.02 and 4905.03, serving approximately 15,521 primarily residential consumers in central, northeastern and southeastern Ohio. The Commission exempts small utilities that have fewer than 15,000 customers, and that have no PIPP Rider, from mandatory participation in PIPP. (Entry on Rehearing, at 45). Because it is not exempt under this policy, NEO instituted a PIPP Rider effective on September 14, 2009, pursuant to Application filed in Case No. 09-0587-GA-PIP.

2. NEO, like Ohio Gas Company³, finds itself in the position of having a customer base too small to justify the types of technology systems required to comply with the PIPP and Graduate PIPP program modifications instituted by the revised rules. Currently, two full-time employee(s) currently spend eight man-hours each week to manually confirm that current PIPP customers have made required income-based payments to maintain eligibility and to reflect re-qualifications of former PIPP customers, initial qualification of new PIPP participants and disqualifications for non-payment. Movant's internal staff time devoted to manual review of the few customers who will qualify for PIPP arrearage forgiveness, and to Graduate PIPP program manual review for those no longer eligible for PIPP participation (or voluntarily moving to Graduate PIPP) will conservatively double. This manual intervention would be required on a daily basis. It is conservatively estimated that one of its employees would be required to devote over two hours daily to manually track the monthly arrearage credits under the amended rule.
3. The current billing system cannot be re-programmed to track the monthly arrearage credits mechanically. Applicant estimates that the time that would be required for a third-party information technology firm to effect the required system changes required to permit the monthly arrearage crediting as required by amended Chapter 4901:1-18-14(A)(1) will easily exceed one year. Moreover, NEO estimates that outside consulting programming changes to its billing system would require at a minimum 225 hours of billable work, and anticipates that an

³ Ohio Gas Company has approximately 45,000 retail customers. It requested and received a virtually identical waiver of monthly PIPP arrearage crediting and authorization to implement an alternative PIPP arrearage crediting procedure, and exemption from the Graduate PIPP rules as NEO proposes here. See the Commission's Entry in this Case on August 19, 2009, at Findings (17) through (20).

additional minimum time of 350 hours would be required of its key employees to manage the outside consultant through the design, testing, training and implementation phases. And as subsequently described, the cost and ongoing administrative burden associated with the monthly arrearage credit and associated billing statement revisions will be grossly disproportionate to the possible benefits that NEO's customers can be expected to derive from the effort.

4. In its April 1, 2009 Entry on Rehearing, the Commission stated:

The Commission believes that the mid-sized gas companies (fewer than 75,000 customers) like [Ohio Gas Company] should continue to offer PIPP. We recognize, however, that the new arrearage crediting and Graduate PIPP programs may present issues unique to the mid-sized companies, since they have relatively fewer PIPP customers and fewer non-PIPP customers over which to spread the costs of these new programs. Therefore, we are willing to consider a company specific request for a waiver of the arrearage crediting and Graduate PIPP programs where the cost to non-PIPP customers outweigh the benefits and where an alternative proposal might meet the spirit of the rules. ...

5. As of April 30, 2010, only 130 NEO customers were enrolled in PIPP. During the last 12 months, the average monthly participation in PIPP was 119 customers. During those 12 months, only 17 PIPP customers stayed on PIPP for the entire period. Only 72 PIPP customers paid their bill by the due date in at least nine of the last 12 months. If, as anticipated, this general trend continues, NEO would be required to incur the significant expense for third party information technology consultants to make the necessary system modifications, and NEO employees would nonetheless be required to manually input the credits on an ongoing daily basis. NEO submits that the cost to implement these procedures far outweighs the benefit to the approximately 72 PIPP customers who would receive arrearage credits each month.

6. NEO proposes an alternative PIPP arrearage crediting procedure to that adopted in Rule 4901:1-18-14(A)(1) which it submits meets the spirit of that rule and provides a comparable incentive to PIPP customers to make full and timely program payments. Specifically, NEO proposes to manually calculate and apply to each PIPP customer's account a credit for full and timely payment of the required income-based amount once annually on the December billing, for PIPP customers who meet the following qualification criteria:

- a. The PIPP customer must have been an active PIPP customer for the previous 12 month period of November 1 through October 31;
- b. The PIPP customer must have made a minimum of nine monthly payments of at least the required income-based payment each month;
- c. The PIPP customer must have paid a minimum of 75 percent of his/her payment obligation during this 12-month period.

A PIPP customer who qualifies under these criteria will be credited in December with a one-time PIPP arrearage credit of 75 percent or more, up to 100 percent for customers who paid 100 percent of the total income-based payment obligation over the 12-month period. Because NEO cannot economically adjust its billing format to reflect the arrearage credit, NEO proposes to notify the PIPP customer receiving the arrearage credit by separate notice mailed contemporaneously with the December billing.

7. This arrearage credit proposal permits the PIPP customer the opportunity to eliminate the customer's historic, previously accrued arrearage and accumulating arrearage balances (that is, the difference between the PIPP payment and actual bill) in one year rather than the two year elimination period embodied in Rule 4901:1-18-14(A)(1). And NEO will implement a program to track and grant the

appropriate arrearage credits for PIPP customers that have been active during the 12-month period whether the customer remained at the same service location during the 12-month period or moved to a new service location.

8. NEO submits that this arrearage crediting proposal is less costly and provides a comparable and perhaps even more compelling incentive to make timely payments of the PIPP customer's monthly income-based payment obligation. NEO will work with the Staff to develop a PIPP customer notice and address the retention of information on its PIPP program and the alternative arrearage crediting program to facilitate the Commission's evaluation and monitoring of PIPP.
9. Rule 4901:1-18-16 effective November 1, 2010 establishes a Graduate PIPP program in which a PIPP customer is automatically enrolled either upon electing to terminate the customer's participation in PIPP, or upon being no longer eligible to participate in PIPP due to increase in household income or change in household size, see Rule 4901:1-18-16(A). Rule 4901:1-18-16(G) provides that the Graduate PIPP customer will be billed the average of the customer's income-based PIPP payment and the customer's budget bill amount for the twelve billing cycles following program enrollment. Each month that the Graduate PIPP customer makes this required payment by the due date, the customer is credited with the difference between the required payment so calculated and the current monthly bill plus one-twelfth of the customer's accumulated arrearages as of date of enrollment in Graduate PIPP. The arrearage credit opportunity expires after twelve billing cycles. Movant has provided its significant estimated costs and

manpower requirements to manually track the arrearage credits for Graduate PIPP.

10. The Commission has recognized that it is unlikely that PIPP customers will voluntarily elect to terminate participation in the PIPP in order to participate in Graduate PIPP, because the payments in Graduate PIPP are higher than required in PIPP and the only incentive would be quicker erosion of accumulated arrearages than under the PIPP monthly arrearage credit program.⁴ NEO submits that there will be no incentive whatsoever for its PIPP customers to voluntarily migrate to Graduate PIPP because NEO's alternative PIPP arrearage crediting procedure will provide for potential total arrearage forgiveness in twelve months. Not a single PIPP customer of NEO has terminated participation in PIPP voluntarily in the past twelve months.
11. Movant submits that it is inevitable that most Graduate PIPP participants will be former PIPP customers who have lost their eligibility. In light of the relatively small universe of Movant's PIPP customers, and the even smaller subset that would be moved to Graduate PIPP it is unreasonable to require NEO's customers to incur the system modification cost of implementing the adopted Graduate PIPP rules. Should the Commission exempt NEO from these rules, NEO commits that it will continue to work with its former PIPP customers to develop mutually agreeable payment arrangements that allow the customer to retain the customer's gas utility service, or the payment arrangements provided in the Commission's revised rules.

⁴ See August 19, 2009 Entry granting Ohio Gas Company's request for exemption from Graduate PIPP, at Finding (18).

12. Based on the historical data previously discussed and because only a few of Movant's customers will benefit from the PIPP arrearage credit and Graduate PIPP programs, NEO also requests that the Commission waive the requirement to modify bill format. The bill modifications that will be required are extensive in order to include on the bill backings the information associated with the arrearage crediting and Graduate PIPP programs. The cost and manpower requirements associated with these modifications have been included in its overall estimated requirements previously discussed. Obviously, should the Commission find that good cause exists to grant the waiver of PIPP monthly arrearage crediting and exemption from the Graduate PIPP rules, the inclusion of the new information on NEO'S monthly bills will be unnecessary.

CONCLUSION

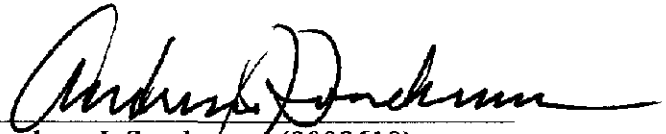
The cost that will be incurred to comply with the PIPP and Graduate PIPP Rules effective November 1, 2010 significantly outweighs the potential benefit accruing to those few PIPP customers who will be eligible for the arrearage credits established therein. Moreover, the alternative arrearage crediting procedure proposed by NEO will provide a meaningful incentive to PIPP customers to participate at far lower cost and administrative burden to Movant.

For these reasons, good cause has been demonstrated and Northeast Ohio Natural Gas Corporation respectfully requests:

1. A waiver of the arrearage crediting programs for PIPP and Graduate PIPP customers, and adoption of an alternative arrearage crediting procedure for PIPP customers as described herein;
2. Exemption from the Graduate PIPP rules; and

3. In the event that the foregoing requests be denied, a waiver of any required bill format modifications that would be required to implement the arrearage crediting procedures and Graduate PIPP program established in Chapter 4901:1-18 as amended.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Motion and Memorandum in Support was served upon the following parties of record electronically where indicated or by U.S. first class mail this 13th day of May 2010.

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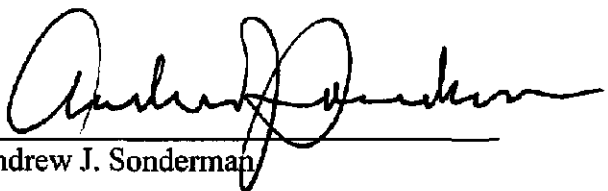
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