



# Public Utilities Commission

Asim Z. Haque, Chairman

Commissioners

M. Beth Trombold  
Thomas W. Johnson  
Lawrence K. Friedeman  
Daniel R. Conway

FILE

September 19, 2017

2017 SEP 19 PM 3:42

Case No. 16-1578-GA-COI

Public Utilities Commission of Ohio  
180 E. Broad Street  
Columbus, OH 43215

Dear Sir/Madam:

On April 17, 2017, the Public Utilities Commission of Ohio (Commission or PUCO) approved a stipulation and recommendation filed by Ohio Rural Natural Gas Co-op (ORNG), Ludlow Natural Gas Company, LLC (Ludlow) (collectively, the Companies), and Staff of the PUCO (Staff). Among other agreements of the parties in the stipulation and recommendation is the term that by July 15, 2017, the Companies will sell and transfer the assets and operations to a third party approved by the Commission. Additionally, the parties agreed that "[i]n the event that [Utility Technologies International] does not continue to function as the compliance manager for any reason, the parties agree that Staff will select a replacement compliance manager to be retained and paid by ORNG or Ludlow."

On July 14, 2017, the Companies filed a motion to extend the July 15, 2017 deadline to August 31, 2017. In addition, the Companies' motion indicated that the Companies had entered into an agreement with Utility Pipeline Ltd. (UPL) to operate and maintain the assets until the final asset transfer to UPL is complete. Staff received a copy of the signed document as indicated in the motion. The Commission granted the request but required resolution by August 14, 2017.

Subsequent to that, Ludlow continued to assure Staff that an agreement was imminent and promised several times that the documents would be signed on a specific date or "next week" but then did not follow through. Then, on September 6, 2017, the Companies filed yet another motion to extend the deadline for completing the transaction. This time, the Companies have requested that the date be moved from August 14, 2017, to October 2, 2017.

Staff has reviewed the motion and, despite Ludlow's assertion that "Staff...appears satisfied that parties are working in good faith," Staff has serious concerns about the length of time that this negotiation is taking. In an application filed a month and a half ago, the parties asked the Commission to authorize the sale of utility assets and substitution of service now and indicated that a purchase agreement existed and needed only to be "finalized."<sup>1</sup> Six weeks is more than enough time to finalize an existing agreement, especially since UPL is currently operating the pipeline system being transferred.

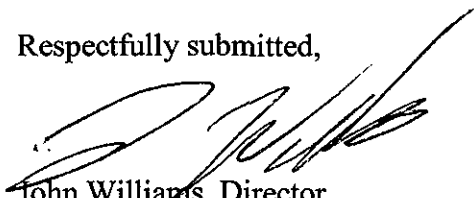
<sup>1</sup> Application of the Ludlow Natural Gas Company, Utility Pipeline Ltd. and Knox Energy Cooperative Association for a Transfer of Assets and Substitution of Service August 15, 2017 pp 12-13 Case No. 17-1785-GA-ATR.

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Furthermore, the Commission concluded that “ORNG has not demonstrated that it has the requisite knowledge, training, organization, or procedures to safely operate a gas pipeline system”.<sup>2</sup> Because of this, the Commission required that a qualified operator maintain and monitor the system. Currently, UPL is operating the system and Staff has verified that UPL and its employees are qualified to operate and maintain a gas pipeline system. However, UPL is currently only operating that system on a temporary basis pending the asset transfer from Ludlow. Staff believes it is imperative that the sales transaction occurs soon so that UPL can permanently provide oversight of the system and immediately begin remediation of the previously identified gas pipeline deficiencies.

Therefore, Staff does not support another extension of the deadline and recommends that the Commission deny Ludlow’s motion and proceed with a transfer or sale.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John Williams', is written over the printed name.

John Williams, Director  
Service Monitoring and Enforcement Department

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<sup>2</sup> Opinion and Order, January 18, 2017 pp 35 Case No. 16-1578-GA-COI.