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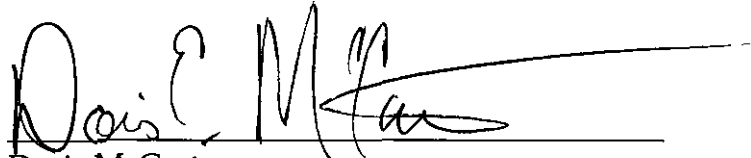
November 26, 2019

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

RE: *In the Matter of the Joint Application of Northeast Ohio Gas Corp. and Orwell-Trumbull Pipeline Co., LLC, by and through Receiver Zachary B. Burkons, to Transfer Certain Pipeline Assets of Orwell-Trumbull Pipeline Co., LLC to Northeast Ohio Gas Corp. Pursuant to R.C. 4905.48(B) and (C) and for related authority, Case No. 19-1921-PL-ATR*

Dear Docketing Division:

Enclosed please find the Staff Review and Recommendation regarding the joint application of Northeast Ohio Natural Gas Corp. and Orwell-Trumbull Pipeline Co., LLC, by and through Receiver Zachary B. Burkons, to transfer assets, Case No. 19-1921-PL-ATR.


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

2019 NOV 26 AM 11:39
PUCO
DOCKETING DIVISION

Enclosure
Cc: Parties of Record

180 East Broad Street
Columbus, Ohio 43215-3793

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Application of)	
Northeast Ohio Gas Corp. and Orwell-)	
Trumbull Pipeline Co., LLC, by and through)	Case No. 19-1921-PL-ATR
Receiver Zachary B. Burkons, to Transfer)	
Certain Pipeline Assets of Orwell-Trumbull)	
Pipeline Co., LLC to Northeast Ohio Natural)	
Gas Corp. Pursuant to R.C. 4905.48(B) and)	
(C) and for related authority)	

Staff Review and Recommendation

APPLICATION DESCRIPTION

On October 18, 2019, Northeast Ohio Natural Gas Corp. ("NEO") and Orwell-Trumbull Pipeline Co., LLC ("OTP"), by and through the receiver over the personal and real property of OTP, Zachary B. Burkons of Rent Due, LLC ("Receiver")(collectively, "Joint Applicants") filed a joint application with exhibits ("Application") seeking approval on an expedited basis from the Public Utilities Commission of Ohio ("Commission") to transfer certain pipeline assets of OTP to NEO pursuant to the Asset Purchase Agreement dated October 15, 2019, a copy of which was provided with the application as Exhibit 1 ("Agreement"). Paragraph 2.1 of the Agreement outlines the assets of OTP that NEO is proposing to purchase ("Purchased Assets").

NEO is also requesting that the Commission grant NEO certain accounting authority to establish the value of the Purchased Assets for ratemaking purposes due to the Receiver's limited access to the historic books and records of OTP that would be used to determine the original installed cost of the Purchased Assets. Specifically, NEO requests accounting authority to accept OTP's initial rate base value of \$13,310,881 as the installed cost of the Purchased Assets, less accumulated depreciation of \$4,100,921 as of September 1, 2019. NEO does not currently request authority to recover this incremental rate base associated with the Purchased Assets from all NEO customers. Any recovery on and of the Purchased Assets, including determinations as to whether such assets are currently used and useful, will be addressed in a future proceeding.

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the Application along with supporting documentation and the extensive records established in recent cases.¹ Staff believes the Application appears reasonable based upon the following reasons:

- Customers of OTP will benefit from continued 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. OTP's current customers will also benefit by being insulated from the current financial hardship of OTP and its majority owner, Richard M. Osborne.
- The Purchased Assets represent a significant source of natural gas supply to NEO's distribution system. Specifically, the Purchased Assets provide approximately two-thirds of the supply to its 10,000 plus customers in its Mentor service territory. As there are no apparent immediate viable alternative sources of supply for these customers, NEO's ownership of the Purchased Assets appears prudent in maintaining safe and reliable service to its customers.
- All of OTP's customers, including NEO, are currently served via contract with OTP. NEO states in the Application that it will continue to honor the terms of each of those contracts upon owning the Purchased Assets thereby limiting potential rate shock for the customers of OTP.

Staff has also considered NEO's request for accounting authority to record the value of the Purchased Assets as \$13,310,881 with an associated accumulated depreciation reserve of \$4,100,921 as of September 1, 2019. NEO is acquiring the Purchased Assets through a receivership sale, and as such, NEO will be limited to the historic books and records available to the Receiver. It is also unclear what historic books and records were kept by OTP. Consequently, NEO is relying on plant value information published in OTP's most recent rate case application.² However, OTP's rate case was suspended when a motion to stay proceedings filed by the Receiver was granted by the attorney examiner.³ Therefore, under the circumstances, Staff believes NEO's request to use OTP's rate case filing value as a starting point is not unreasonable to determine a value of the Purchased Assets for the purpose of this transfer. Although Staff does

¹ See *In the Matter of the Commission's Investigation into Orwell-Trumbull Pipeline Company, LLC and Cobra Pipeline Company, Ltd.*, Case No. 17-2424-PL-COI; *Orwell Natural Gas Company, Complainant, vs. Orwell-Trumbull Pipeline Company, LLC, Respondent*, Case No. 16-2419-GA-CSS; *In the Matter of the Application of Orwell-Trumbull Pipeline Company, LLC to Amend its Rates and Charges*, Case No. 16-1726-PL-AIR; *Orwell Natural Gas Company, Complainant, vs. Orwell-Trumbull Pipeline Company, LLC, Respondent*, Case No. 15-0637-GA-CSS; *Orwell Natural Gas Company, Complainant, vs. Orwell-Trumbull Pipeline Company, LLC, Respondent*, Case No. 15-0475-GA-CSS; *Orwell Natural Gas Company, Complainant, vs. Orwell-Trumbull Pipeline Company, LLC, Respondent*, Case No. 14-1654-GA-CSS

² See *In the Matter of the Application of Orwell-Trumbull Pipeline Company, LLC to Amend Its Rates and Charges*, Case No. 16-1726-PL-AIR, Application at 14 (August 15, 2016)(2016 Rate Case)

³ 2016 Rate Case, Attorney Examiner Entry at ¶18 (May 10, 2018)

not believe the proposed Purchased Asset value is unreasonable, Staff will conduct a used and useful review before any recovery on and of the Purchased Assets are included in future base rates of NEO.

Therefore, based upon the reasons listed above and the overall reasonableness of the Application, Staff recommends that the Commission approve the joint application of NEO and OTP, by and through the Receiver, as well as grant the accounting authority as requested with the following clarifications.

1. NEO shall take any measures necessary, at its own expense, to accurately capture and record all expenses and all revenues associated with the acquisition and operation of the Purchased Assets for future review by Staff.
2. It is Staff's understanding that the Purchased Assets will be classified as distribution plant assets once owned by NEO. As such, NEO should apply accrual rates approved in its most recent rate case when it begins to depreciate the Purchased Assets upon acquisition.