



Public Utilities Commission

Mike DeWine, Governor
Sam Randazzo, Chairman

Commissioners

M. Beth Trombold
Lawrence K. Friedeman
Dennis P. Deters
Daniel R. Conway

June 9, 2020

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

RE: *In the Matter of the Application of Aspire Energy Express, LLC for Authority to Operate as an Ohio Pipeline Company, Case Nos. 19-2021-PL-ACE, 19-2022-PL-ATA, 89-9023-PL-TRF*

Dear Docketing Division:

Enclosed please find the Staff Recommendation in the Matter of the Application of Aspire Energy Express, LLC for Authority to operate as an Ohio pipeline company, Case Nos. 19-2021-PL-ACE, et al.

Barbara Bossart
Chief, Reliability and Service
Analysis Division
Public Utilities Commission of Ohio

David Liphtratt
Chief, Accounting and Finance Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Aspire Energy Express, LLC)	Case No. 19-2021-PL-ACE
for Authority to Operate as an)	Case No. 19-2022-PL-ATA
Ohio Pipeline Company)	Case No. 89-9023-PL-TRF

Staff Review and Recommendation

Background

Pursuant to R.C. 4905.04 through 4905.06 the Public Utilities Commission of Ohio (PUCO or Commission) has the authority to supervise and regulate pipe-line companies as defined in R.C. 4905.03 and public utilities as defined in R.C. 4905.02. A pipe-line company, as defined in R.C. 4905.03(F), is a company that is “engaged in the business of transporting natural gas, oil, or coal or its derivatives through pipes or tubing, whether wholly or partly within this state, but not when engaged in the business of the transport associated with gathering lines, raw natural gas liquids, or finished product natural gas liquids.”

Aspire Energy Express, LLC (Aspire Pipeline or Company) is a Delaware Limited Liability Company (LLC) registered to do business in the State of Ohio. The purpose of the Aspire Pipeline is to serve the proposed Guernsey Power Station. On November 8, 2019, Aspire Pipeline in Case No. 19-2021-PL-ACE sought Commission approval to operate as an Ohio pipeline company. In addition, on November 8, 2019, Aspire Pipeline in Case No. 89-9023-PL-TRF and Case No. 19-2022-PL-ATA filed proposed tariffs for Commission approval. Aspire Pipeline within its application has submitted technical, managerial, and financial information for Commission review and proposed tariffs for approval.

Aspire Pipeline plans to provide natural gas transportation service in Ohio that includes delivery to the Guernsey Power Station that is currently under construction. The Ohio Power Siting Board issued a certificate to Guernsey Power Station LLC for the construction, operation, and maintenance of that facility in 2017 in Case No. 16-2443-EL-BGN, and the certificate was amended in 2018 in Case No. 18-0090-EL-BGA. Aspire Pipeline will own and construct the intrastate pipeline facilities that will interconnect with the Rockies Express Pipeline and other potential points of receipt.

The pipeline facilities will have a maximum allowable operating pressure (“MAOP”) of approximately 1,480 pounds per square inch and be approximately 16 to 20 inches in diameter. The pipeline facilities that will be initially constructed are in close proximity to the Guernsey

Power Station. The Ohio Power Siting Board has not reviewed the pipeline system as it will be under 500 feet in length.

Staff Review and Analysis

Technical Review

Staff has reviewed the proposed technical experience of Aspire Pipeline through data requests, referrals and an informal interview. Based on this review, Staff is satisfied that Aspire Pipeline has the technical experience to operate an intrastate pipeline.

Aspire Pipeline was registered with the Ohio Secretary of State as a foreign for-profit LLC on December 15, 2017 and as a newly formed entity which has not operated an intrastate or an interstate natural gas pipeline in Ohio or any other State. Aspire Pipeline's parent company, Chesapeake Utilities Corporation (Chesapeake) through its wholly owned subsidiary, Eastern Shore Natural Gas (Eastern Shore) has been engaged in the interstate natural gas transportation business since 1958 and through its wholly owned subsidiary Peninsula Pipeline Company (Peninsula) has been engaged in the intrastate natural gas transportation business since 2009. Aspire Pipeline does have an affiliate, Aspire Energy of Ohio, LLC (Aspire Energy) which has operated in Ohio as a natural gas gathering, processing, marketing, and supply company and has been under the review of the Commission's Gas Pipeline Safety Division.

Without any prior experience as an intrastate pipeline operator in Ohio or as a pipeline serving a power station, the Aspire Pipeline required additional scrutiny by Staff in examining the technical capabilities. Staff also does not have a power siting technical application to rely upon. Aspire will be relying on the sharing of facilities and personnel with the parent company, Chesapeake and its affiliates and subsidiaries for its operations.

Specifically, Aspire Pipeline will be utilizing two employees of Eastern Shore and two employees of Aspire Energy as well as Chesapeake's Pipeline Transmission Group's Control Room in Dover, Delaware. Aspire Pipeline provided Staff with the following manuals and procedures for Eastern Shore as examples to be developed after the application is approved: Design and Construction Manual meeting the requirements of the Pipeline Safety Regulations (49 CFR 192); Operator Qualifications for Proposed Pipelines; and the Qualified Welding Procedures meeting the requirements of 49 C.F.R. 192, Sub part E: Welding of Steel In Pipelines.

Three key employees will be responsible for the technical operations of Aspire Pipeline. Staff's examination included a review of resumes, business references, and an informal interview.

J. Solomon McCloskey of Eastern Shore, the Director of Engineering and Operations, will oversee field operation, safety, pipeline integrity, engineering, construction, and control room operations at Eastern Shore. The Eastern Shore Gas Control is a PHMSA regulated gas control room that will monitor and control operations of the Aspire Pipeline assets through use of Supervisory Controls and Data Acquisition (SCADA). Mr. McCloskey and his team shall also be an additional internal resource providing coordinated supplemental support for various other

Aspire Energy Express, LLC facility design and operational efforts. Mr. McCloskey also received a favorable business reference from a gas distribution system that is supplied by Eastern Shore.

Kyle Moore of Aspire Energy has been with the Company since 2017 and his office is located out of Orville, Ohio. Mr. Moore will be responsible for the daily operations and maintenance of the Aspire Pipeline facilities except for the gas control and scheduling activities. Staff's Gas Pipeline Safety section had an informal interview with Mr. Moore and had no concerns.

Benjamin C. Harvey is the Engineering Manager for Aspire Energy and will be assisting in the engineering of the project with prior experience in installations, relocations, metering and regulating stations, transmission pipeline interconnects, compression facilities and processing facilities. Mr. Harvey also received a favorable business reference.

In addition, Mr. Jeffrey R. Tietbohl of Eastern Shore will be assisting Aspire Pipeline. Mr. Tietbohl has the overall responsibility for Aspire Pipeline's operational activities, safety and compliance efforts, execution of its capital investment initiatives and financial performance. Mr. Tietbohl has thirty years of experience in the natural gas industry including as a vice president of natural gas distribution operations in Delaware and Maryland.

Aspire Pipeline does not currently serve any power stations; however, other business units supervised by Mr. Tietbohl within Chesapeake serve several electric power generation operators with varying levels of service throughout various transmission pipeline system(s). Service to each facility is monitored continuously by the control room operations facility that is supervised by Mr. McCloskey. Together, these electric power generation companies represent more than 570 MW of generation and are served with a mix of firm transportation, off-peak firm transportation (subject to interruption during the peak heating season), and interruptible transportation, depending on the contractual obligations for each plant. Specifically, the facilities served are: Energy Center of Dover (Dover, DE), Garrison Energy Center (Dover, DE), Delaware Municipal Electric Corporation, Warren F. Beasley Power Plant (Smyrna, DE), City of Dover Generation Stations (Dover, DE), and Chesapeake Utilities, Eight Flags (Amelia Island, FL).

A review of disclosed regulatory compliance actions since 2017 for Chesapeake, Aspire Energy, Eastern Shore, Aspire Pipeline, and Peninsula revealed minor deficiencies for Aspire Energy and Eastern Shore, both of which were corrected.

Managerial Review

Staff has reviewed the proposed managerial experience of Aspire Pipeline through data requests, referrals and an informal interview. Aspire Pipeline appears to have the managerial experience to operate an intrastate pipeline.

Similar to the technical operations, Aspire Pipeline will be relying on the sharing of facilities and personnel with the parent company, Chesapeake, and its affiliates and subsidiaries for its managerial operations. Aspire Pipeline will be utilizing two employees of Eastern Shore and two employees of Aspire Energy as well as Chesapeake's Pipeline Transmission Group's Control

Room in Dover, Delaware and developing manuals and procedures based on Eastern Shore's manuals and procedures.

Mr. McCloskey, Mr. Moore, Mr. Harvey and Mr. Tietbohl will have managerial responsibilities similar to their technical roles. Mr. McCloskey will assist Aspire Pipeline through the Eastern Shore Control Room. Mr. Moore will assist in day to day operations and maintenance of the pipeline, and Mr. Harvey will assist in the engineering and construction of the pipeline.

Financial Review

Staff reviewed the financial framework in place to fund the construction and future on-going operations of Aspire Pipeline. Aspire Pipeline appears to have secured and executed the proper documents to reasonably assure its financial viability as an Ohio intrastate pipeline company capable of serving the pipeline needs of the Guernsey Power Station. Anticipated revenues associated with serving the Guernsey Power Station appear to be sufficient to offset expected on-going operating expenses while also providing a reasonable return on a pro forma basis.

Tariff Review

Staff reviewed the proposed tariffs and found them to be acceptable except for the three items below:

- Proposed Original Sheet No. 7, item number 13 Discontinuance of Supply on Notice of Defect in Customer's Property.
- Proposed Original Sheet No. 8, item number 14 Responsibility for Material or Workmanship.
- Proposed Original Sheet No. 8, item number 15 Right to Shut Off Gas.

These three items included in the proposed tariffs are typically provisions associated with a natural gas local distribution company given that all relate to conditions on customer-owned facilities and the company's ability to shut off service. These items are unusual for intrastate pipelines, but the Aspire pipeline is connected directly to a large customer, making these provisions applicable under limited circumstances.

Staff does not oppose the three tariffs but recommends limiting their application to only the Guernsey Power Station.

Recommendation

Staff recommends approval of the Company's application for approval to operate as an intrastate pipeline in Ohio. Staff also recommends approval of the Company's tariffs, but item numbers 13, 14, and 15 should only apply to the Guernsey Power Station.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

6/9/2020 1:30:44 PM

in

Case No(s). 19-2021-PL-ACE, 19-2022-PL-ATA, 89-9023-PL-TRF

Summary: Comments PUCO Staff Comments electronically filed by Mr. Craig E Smith on behalf of PUCO Staff