

**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)
)

APPLICATION OF AN ALTERNATIVE RATE PLAN

Company Name and Address: Northeast Ohio Natural Gas Corp., 5640 Lancaster-Newark Road, Pleasantville, OH 43148

Company Contact for Alternative Rate Plan Matters: Jed Henthorne, 1 1st Ave South, Great Falls, Montana 59401, Mail to: PO Box 2229, Great Falls, MT 59403 406-791-7530, jhenthorne@egas.net

Attorneys for Applicant:

N. TREVOR ALEXANDER (0080713)
STEVEN D. LESSER (0020242)
MARK T. KEANEY (0095318)
KARI D. HEHMEYER (0096284)
Calfee, Halter & Griswold LLP
41 S. High St.
1200 Huntington Center
Columbus, Ohio 43215
Telephone: (614) 621-1500
talexander@calfee.com
slesser@calfee.com
mkeaney@calfee.com
khehmeyer@calfee.com

Test Period April 1, 2020 to March 31, 2021

Date Certain June 30, 2020

Respectfully Submitted,

/s/ N. Trevor Alexander

N. TREVOR ALEXANDER (0080713)

STEVEN D. LESSER (0020242)

MARK T. KEANEY (0095318)

KARI D. HEHMEYER (0096284)

Calfee, Halter & Griswold LLP

41 S. High St.

1200 Huntington Center

Columbus, Ohio 43215

Telephone: (614) 621-1500

tallexander@calfee.com

slesser@calfee.com

mkeaney@calfee.com

khehmeyer@calfee.com

*Attorneys for Northeast Ohio Natural Gas
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APPLICATION

In accordance with R.C. 4909.18 and 4929.05, Northeast Ohio Natural Gas Corp. (“NEO” or the “Company”) respectfully requests that the Commission approve this application for an alternative rate plan authorizing recovery on and of the recorded value of the Purchased Assets (defined below), approving the requested tariff changes, and granting any other necessary and proper relief as described below (the “Application”). In support of this Application, NEO states as follows:

1. NEO is an Ohio corporation engaged in the business of transporting and distributing natural gas to over 30,000 customers in Ohio. NEO is a public utility, a natural gas company, and a pipeline company as defined in R.C. 4905.02, R.C. 4905.03(E), and R.C. 4905.03(F), respectively, and is subject to the Commission’s jurisdiction.
2. On October 18, 2019, 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”),¹ filed a joint application in Case No. 19-1921-PL-ATR

¹ On November 17, 2017, the Court of Common Pleas, Cuyahoga County, Ohio (“Court”) appointed Zachary B. Burkons of Rent Due, LLC as the receiver of the assets of OTP and its affiliates in Case No. CV-14-822810. The Court granted Receiver, among other things, the authority to take possession of, manage, preserve, and sell, in an expedited and commercially reasonable manner, all property, both real and personal, owned by OTP and its affiliates.

- seeking Commission approval of a proposed transfer of certain pipeline assets, real property, books and records, and other non-cash items of OTP to NEO (“Purchased Assets”) pursuant to an asset purchase agreement dated October 15, 2019 (“Asset Purchase Agreement”).²
3. In addition, without access to the historic books and records of OTP to determine the original installed cost of the Purchased Assets, NEO sought Commission approval for certain accounting authority to establish the value of the Purchased Assets for ratemaking purposes.³ Specifically, relying on the plant value information provided in OTP’s most recent rate case application,⁴ NEO requested 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, 2019.⁵
4. Importantly, however, the joint application did not request recovery on and of the Purchased Assets nor did it request a determination as to whether the Purchased Assets

² See *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 Natural Gas Corp. Pursuant to R.C. 4905.48(B) and (C) and for Related Authority*, Case No. 19-1921-PL-ATR (“OTP Asset Approval Case”), Verified Joint Application for Approval of the Transfer of Assets and for Accounting Authority (Oct. 18, 2019). A copy of the Asset Purchase Agreement is attached as Exhibit 1 to the Verified Joint Petition, including an enumerated list of specific assets comprising the “Purchased Assets.” See Joint Application, Ex. 1, ¶ 2.1.

³ *Id.* at pp. 5-6.

⁴ See *In re Orwell-Trumbull Pipeline Co., LLC*, Case No. 16-1726-PL-AIR.

⁵ OTP Asset Approval Case, Joint Application, ¶ 26.

were used and useful, as NEO explained that it would seek such regulatory approvals in a subsequent proceeding.⁶

5. On November 26, 2019, Staff of the Public Utilities Commission of Ohio (“Staff”) recommended the Commission approve the joint application, finding (among other things) that NEO's request to use OTP's rate case filing value as a starting point was reasonable to determine a value of the Purchased Assets for the purpose of the asset transfer.⁷ Staff also advised that it would conduct a used and useful review before any recovery on and of the Purchased Assets were included in future base rates of NEO.⁸
6. On December 4, 2019, the Public Utilities Commission of Ohio (“Commission”) issued a Finding and Order in Case No. 19-1921-PL-ATR (“Finding and Order”), wherein it agreed with Staff and approved the transfer of the Purchased Assets to NEO, describing it as “reasonable and in the public interest.”⁹ Given NEO’s stated intent to pursue recovery on and of the Purchased Assets in a future proceeding, the Finding and Order merely approved 1) NEO’s acquisition of the Purchased Assets from OTP, and 2) 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, subject to Staff conducting a used and useful test.¹⁰

⁶ *Id.* (“NEO does not currently request the authority to recover this incremental rate base 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 subsequent proceeding.”).

⁷ OTP Asset Approval Case, Staff Review and Recommendation (Nov. 26, 2019), pp. 1-3.

⁸ *Id.* at 3.

⁹ OTP Asset Approval Case, Finding and Order (Dec. 4, 2019), ¶ 19.

¹⁰ *Id.*

7. After receiving Commission approval, NEO integrated the Purchased Assets into its distribution system operations and is currently receiving the revenue it collects from applying OTP's previously existing rates. However, these revenues are not sufficient for NEO to recover the operating expenses related to the Purchased Assets and the return of and on the additional rate base.
8. NEO has filed this Application in the above-captioned docket to request recovery on and of the Purchased Assets until its next rate case, at which point the Purchased Assets will be included in NEO's rate base. Specifically, the Application proposes to establish rates under a new rider – Infrastructure Acquisition Adjustment Rider ("OTP Rider") – to collect the revenue needed to support the Purchased Assets until NEO files its next distribution rate case. NEO does not seek an adjustment to its base rates or to the recorded value of the Purchased Assets, as the Commission already determined the value of the Purchased Assets in the Finding and Order.
9. The Application is beneficial to customers and other stakeholders. Filing an application for an alternative rate plan, rather than filing a brand-new distribution rate case, benefits customers because NEO only recently completed a fully litigated distribution rate case in Case No. 18-1720-GA-AIR et al. Instead of filing another distribution rate case only 12 months after its last distribution case was resolved on September 26, 2019, NEO filed its Notice of this Application, thereby saving interested stakeholders (including Staff and the Commission) considerable time and unnecessary regulatory expense.
10. On August 26, 2020, and in accordance with R.C. 4909.43(B) and Ohio Adm. Code 4901:1-19-06(A), NEO filed its Notice of Intent to File an Application for an Increase in Rates ("Notice") and served the Notice upon the mayor and legislative authority of

each municipality in its service territory. By letter, NEO also provided notice to Staff as required by Ohio Adm. Code 4901:1-19-06(A).

11. In accordance with R.C. 4909.43(B) and Ohio Adm. Code 4901:1-19-06(A), this Application is being filed at least thirty (30) days after the filing of the Notice.

12. Contemporaneous with the filing of this Application, and as required by Ohio Adm. Code 4901:1-19-06(B)(3), NEO has provided a copy of this Application to the Office of the Ohio Consumers' Counsel ("OCC") and Ohio Partners for Affordable Energy ("OPAE") (i.e., the only parties in NEO's previous rate case proceeding) as required under Ohio Adm. Code 4901:1-19-06(B)(3). Additional copies of the Application are available at NEO's offices and online at www.neogas.com.

13. In accordance with Ohio Adm. Code 4901:1-19-06(B)(1)-(2), testimony in support of this Application is being filed concurrently with this Application.

14. In accordance with requirements of Ohio Adm. Code 4901:1-19-06(C), subject to the waivers granted by the Attorney Examiner in this proceeding,¹¹ attached to this Application are the following Exhibits.

- Exhibit A – Detailed Alternative Rate Plan
- Exhibit B – Authorized Exempted Services

¹¹ On August 26, 2020, in this docket, NEO filed and requested expedited treatment of its Motion to Establish Test Period and Date Certain and for Waiver of Certain Filing Requirements ("Motion for Waiver"), wherein NEO sought waiver of any requirement to file exhibits that are unrelated to the Purchased Assets. In short, NEO explained that it does not seek an adjustment to its base rates, or to the recorded value of the Purchased Assets; instead, as explained above, NEO requests only to recover of and on the recorded value of the Purchased Assets until its next rate case, at which point the Purchased Assets would be included as part of rate base. Since NEO is only seeking to adjust the manner in which it current recovers OTP-related costs, the value of which has already been determined by the Commission in Case No. 19-1921-PL-ATR, NEO argued that Ohio law does not require it to provide all of the documents that would typically be produced in a base rate case; accordingly, NEO urged the Commission to grant the requested waivers. *See* Motion for Waiver, pp. 4-6.

- Exhibit C – Discussion Regarding Cross-Subsidization of Services
- Exhibit D – Discussion Regarding Compliance with R.C. 4905.35, Substantial Compliance with the Policies in 4929.02, and Demonstration that Alternative Rate Plan is Just and Reasonable
- Exhibit E – List of Witnesses Supporting Application Exhibits
- Exhibit F – Current, Redlined Proposed, and Clean Proposed Tariff Sheets
- Exhibit G – Statutory Schedules required by R.C. 4909.18(A)-(D) for the Purchased Assets only
- Exhibit H – Additional Schedules Supporting Application
- Exhibit I – Proposed Newspaper Notice

15. As required by R.C. 4929.05(A)(1) and (2), NEO states that it is in compliance with R.C. 4905.35, that it is in substantial compliance with the State’s policies reflected in R.C. 4929.02, and that it will continue to remain in substantial compliance with these policies after this Application is approved.

16. As described herein, NEO’s proposed alternative rate plan (“Plan”) is just and reasonable as required by R.C. 4929.05(A)(3). Consistent with and pursuant to commitments made to Staff and this Commission in Case No. 19-1921-PL-ATR, NEO has filed this Application to request recovery of and on the recorded value of the Purchased Assets via the establishment of a new rider, i.e., the Infrastructure Acquisition Adjustment Rider or OTP Rider. Approving the Plan, specifically the proposed OTP Rider, will enable NEO to collect sufficient revenues to recover the operating expenses related to the Purchased Assets and the return of and on the additional rate base. Further, as explained more fully in Exhibit D hereto, the Plan is

just and reasonable because it confers tangible benefits on NEO customers, Staff, and the Commission insofar as it avoids having to expend additional time and expense of litigating yet another costly, protracted distribution rate case – something NEO recently completed only one year ago. This is particularly true where, as here, NEO does not seek an adjustment to its base rates or to the recorded value of the Purchased Assets, as the Commission already determined the value of the Purchased Assets in Case No. 19-1921-PL-ATR. Instead, the Application merely requests recovery of and on the recorded value of the Purchased Assets including operating expenses until NEO's next distribution rate case, at which point all of the costs associated with the Purchased Assets would be included as part of NEO's rate case. Finally, the Plan is just and reasonable because it continues to assure the delivery of safe and reliable service, without interruption, to some 10,000+ customers connected to distribution systems served by the Purchased Assets who, but for NEO's acquisition of the Purchased Assets, could have been exposed to potentially significant service delays and/or interruptions attributable to OTP's financial hardship. For these reasons, the Application is just and reasonable under R.C. 4929.05(A)(3).


WHEREFORE, NEO respectfully requests that the Commission consider the facts and proposals set forth in this Application, grant this Application to approve recovery on and of the Purchased Assets, and provide any other necessary and proper relief to carry out the intent of this Application.

Respectfully Submitted,


/s/ N. Trevor Alexander
N. TREVOR ALEXANDER (0080713)
STEVEN D. LESSER (0020242)
MARK T. KEANEY (0095318)
KARI D. HEHMEYER (0096284)
Calfee, Halter & Griswold LLP
41 S. High St.
1200 Huntington Center
Columbus, Ohio 43215
Telephone: (614) 621-1500
talexander@calfee.com
slesser@calfee.com
mkeaney@calfee.com
khehmeyer@calfee.com

Attorneys for Northeast Ohio Natural Gas Corp.

STATE OF OHIO)
FAIRFIELD COUNTY) SS:


Ken Oostman, President

A circular notarial seal for the State of Ohio. The outer ring contains the text "NOTARIAL SEAL" at the top and "STATE OF OHIO" at the bottom, separated by two stars. The center of the seal features a landscape with a sun rising over mountains and a body of water.


Notary Public

STATE OF OHIO)
FAIRFIELD COUNTY) SS:


Jason Massie, Controller

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Notary Public

CERTIFICATE OF SERVICE

I certify that the foregoing was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 29th day of September, 2020. I also certify that a copy of the foregoing Application was served by electronic mail to the following on this 29th day of September, 2020

Christopher Healey
Office of the Ohio Consumers' Counsel
65 East State Street, 7th Floor
Columbus, Ohio 43215-4213
christopher.healey@occ.ohio.gov

Colleen Mooney
Ohio Partners for Affordable Energy
P.O. Box 12451
Columbus, Ohio 43212-2451
cmooney@opae.org

/s/ N. Trevor Alexander
Attorney for Northeast Ohio Natural Gas
Corp.

Exhibit A
Ohio Adm. Code 4901:1-19-06(C)(2)(a)
Detailed Alternative Rate Plan

I. Background

To understand the facts and grounds upon which the Application is based as is required by Ohio Adm. Code 4901:1-19-06(C)(2)(a), some background information concerning NEO's recent distribution rate case, the appointment a receiver for OTP, and the subsequent sale of OTP assets (i.e., Purchased Assets) to NEO is required.

1. Case No. 18-1720-GA-AIR et al.

On December 28, 2018, NEO filed a combined application for an increase in rates and application for approval of an alternative rate plan in Case No. 18-1720-GA-AIR et al. ("2019 Rate Case"). Both OCC and OPAE intervened in the 2019 Rate Case. On September 5, 2019, NEO filed an unopposed stipulation and recommendation, which the Commission ultimately approved and adopted on September 26, 2019.¹²

2. OTP Receivership

On November 21, 2017, the Cuyahoga County Court of Common Pleas ("Court") appointed the Receiver (defined above) as receiver over all property, both real and personal, owned by OTP and its affiliates. The Court authorized the Receiver, among other things, to sell the receivership property free and clear of all liens and encumbrances by private sale, private auction, public auction, or by any other method deemed appropriate by the Receiver, subject to Court approval, after notice and opportunity for a hearing. On February 21, 2019, the Court entered an order (a) authorizing the Receiver to sell all of OTP's rights, title, and interest in and to certain

¹² See *In the Matter of the Application of Northeast Ohio Natural Gas Corp. for an Increase in Gas Distribution Rates et al.*, Case No. 18-1720-GA-AIR et al., Opinion and Order (Sept. 26, 2019), ¶¶ 1, 37-55.

assets, and (b) approving bidding and auction procedures to effectuate the sale of those assets. On May 1, 2019, NEO submitted a qualified bid for the Purchased Assets. Importantly, no other party submitted a bid. On July 1, 2019, the Receiver notified NEO that its bid was accepted. On October 15, 2019, NEO and the Receiver, on OTP's behalf, executed the Asset Purchase Agreement, which memorialized the terms of the sale of the Purchased Assets to NEO. However, given that R.C. 4905.48 requires Commission review and approval of the purchase and/or sale of utility assets like the Purchased Assets, the asset transfer between OTP and NEO could not be completed until regulatory approval from this Commission was obtained.

3. Case No. 19-1921-PL-ATR

Accordingly, on October 18, 2020, NEO and OTP submitted a verified joint application in Case No. 19-1921-PL-ATR, requesting Commission approval of the Asset Purchase Agreement. In that same proceeding, NEO also sought certain accounting authority from the Commission 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. On December 4, 2019, the Commission approved the Asset Purchase Agreement and granted NEO 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, subject to a used and useful test by Staff.

Importantly, however, in Case No. 19-1921-PL-ATR, NEO did not request authority to recover this incremental rate base associated with the Purchased Assets from all NEO customers. Instead, NEO explained that any recovery on and of the Purchased Assets, including

determinations as to whether such assets are currently used and useful, would be addressed in a subsequent proceeding.

4. Case No. 20-1427-GA-ALT

After the Commission approved the transfer of the Purchased Assets from OTP to NEO, NEO began integrating the Purchased Assets into its distribution system operations. Currently, NEO receives revenue from the Purchased Assets that OTP collected from its previously existing rates. However, these OTP revenues are insufficient to recover the operating expenses related to the Purchased Assets and the return of and on the incremental rate base, thus necessitating the filing of this Application. Further, NEO filed the Application in this docket, in lieu of filing a distribution rate case, because NEO had only recently concluded a fully litigated distribution rate case at the end of last year. Submitting an application for an alternative rate plan, as NEO has done here, is far more beneficial to and efficient for NEO customers, Staff, and the Commission, as it avoids the substantial time and expense of litigating a more costly, protracted distribution rate case. This is particularly true where, as here, the Commission has already established and approved the recorded value of the Purchased Assets in Case No. 19-1921-PL-ATR. Accordingly, filing this Application would both address the revenue deficiency associated with OTP-related costs while also promoting administrative economy, mitigating unnecessary regulatory expense, and conserving stakeholder resources.

II. OTP Rider Proposal

As set forth more fully in the Direct Testimony of Jed D. Henthorne, NEO's proposed Plan would establish rates under a separate rider called the Infrastructure Acquisition Adjustment Rider (or OTP Rider) to collect the revenue requirements associated with the Purchased Assets until NEO files its next distribution rate case. The revenues collected under the OTP Rider will

enable NEO to recover the operating expenses related to the Purchased Assets and the return of and on the additional rate base.

OTP currently has four (4) customers: 1) Knox Energy, 2) Newbury Schools, 3) Gas Natural Resources (“GNR”), and 4) NEO. Under the Plan proposed by NEO, Knox Energy and Newbury Schools would be retained as contract service (flex) customers with no change to their current rates until their contracts expire. GNR is a gas marketing company that pays OTP to deliver gas to NEO on behalf of GNR customers taking transportation service from NEO. Under the Plan, instead of charging GNR the OTP rates, NEO would apply the OTP Rider to these GNR and all customers being served by NEO. Under the Plan, GNR (or another gas marketer) would continue to provide gas supply to these transportation customers of NEO. Further, NEO currently pays “it self” for gas transportation services using the Purchased Assets to deliver gas to full service customers connected to the NEO distribution system and recovers the costs from its customers through the rates of its Gas Cost Recovery (“GCR”) rider. Thus, as part of the Plan, NEO proposes to remove these costs (approximately \$666,017) from its GCR rates and roll them into the OTP Rider.

III. Benefits of the OTP Rider

The Commission should approve the proposed OTP Rider because it provides tangible benefits to all NEO’s customers and other interested stakeholders (including Staff and the Commission). As referenced previously, by filing an alternative rate plan application, instead of a full-blown distribution rate case, NEO has avoided unnecessary and costly regulatory expense, particularly because NEO only recently concluded a fully litigated distribution rate case at the end of 2019.

Not only that, the proposed OTP Rider is beneficial to customers as it ensures continued safe and reliable service, without interruption, to the 10,000+ customers connected to distribution systems served by the Purchased Assets. As mentioned above, NEO was the only party that submitted a qualified bid for the Purchased Assets. Had NEO decided not to acquire the Purchased Assets from OTP, some 10,000+ customers could have suffered significant service interruptions or delays, which is particularly problematic given the fast approaching start to the winter heating season. By acquiring the Purchased Assets, NEO has effectively insulated over 10,000 customers from the potentially catastrophic consequences of an insolvent pipeline company unable to provide safe and reliable service to a utility for the benefit of its customers, which would be especially problematic during a winter heating season. Staff recognized as much when recommending the Commission approve NEO's acquisition of the Purchased Assets:

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.¹³

Importantly, the Commission agreed with Staff's conclusions:

We find the proposed transfer of the Purchased Assets from OTP to NEO is reasonable and in the public interest . . . NEO's and OTP's current customers will continue to receive safe and reliable service and any customer impacts are expected to be beneficial, due to the resulting efficiencies and economies achieved through

¹³ OTP Asset Approval Case, Staff Report, p. 2.

the consolidation of separate systems into one system that is owned and operated by NEO, which has the expertise required to manage and maintain the system.¹⁴

In short, as both Staff and the Commission recently recognized in Case No. 19-1921-PL-ATR, NEO's acquisition of the Purchased Assets was beneficial to customers and promotes the public interest. Given the foregoing benefits, NEO should be permitted to recover the operating expenses related to the Purchased Assets and the return of and on the additional rate base through the adoption and implementation of the OTP Rider, until the next NEO rate case.

IV. Revenue Requirement and Rate Base for Purchased Assets

The test year is the twelve months ending March 31, 2021, with a date certain of June 30, 2020. The test year represents three months of actual financial data for the months of April, May, and June 2020, and nine months of projected data through March 31, 2021. The date certain and test year relate only to the Purchased Assets, the related revenue requirement and the proposed OTP Rider. NEO does not propose any changes to the distribution rates related to the NEO rate base and revenue requirement established in the Company's prior rate case (i.e., Case No. 18-1720-GA-AIR *et al.*). The revenue requirement and the jurisdictional rate base for the Purchased Assets are set forth in greater detail in the Direct Testimony of Jed Henthorne.

V. Initial Proposed Rider Rates

Under the Plan as proposed by NEO, the adjustments, shown below, will be added to the service charges listed under each Rate Schedule and billed to customers beginning after the effective date of the tariff sheet as approved by the Commission. The charges listed below will

¹⁴ OTP Asset Approval Case, Opinion and Order, ¶ 19.

continue until new distribution rates are approved by the Commission in the next NEO rate case proceeding.

Rate:	Customer Charge Per Month	Volumetric Charge Per MCF
Small General Service	\$1.88	\$0.1696
General Service – GS-1	\$4.70	\$0.1751
General Service – GS-2 and General Transportation Service	\$9.39	\$0.1751
Large General Service And Large General Transportation Service	\$28.18	\$0.0719

VI. Proposed Tariff Sheets

NEO further proposes several changes to its tariff, which are reflected in Exhibit F and reflect the rationale for the mechanism that is described in this Application, including this Exhibit A.

Exhibit B
Ohio Adm. Code 4901:1-19-06(C)(2)(b)
Authorized Exempted Services

NEO reports that it has not been authorized to exempt any services, and thus has no responsive information to disclose pursuant to Ohio Adm. Code 4901:1-19-06(C)(2)(b).

Exhibit C
Ohio Adm. Code 4901:1-19-06(C)(2)(c)
Discussion Regarding Cross-Subsidization of Services

NEO does not expect cross-subsidization of services to occur under its Plan. Allocations of revenue requirements for the Purchased Assets follow the same allocation to NEO's various rate classifications of the rate case revenue requirement as approved by the Commission in Case No. 18-1720-GA-AIR.

Exhibit D
Ohio Adm. Code 4901:1-19-06(C)(2)(d)
Discussion Regarding Compliance with R.C. 4905.35, Substantial Compliance with the
Policies in 4929.02, and Demonstration that Alternative Rate Plan is Just and Reasonable

1. Compliance with R.C. 4905.35

NEO is compliant with R.C. 4905.35.¹⁵ In accordance with R.C. 4905.35(A), NEO does not make or give any undue or unreasonable preference or advantage to any person, firm, corporation, or locality, or subject any person, firm, corporation, or locality to any undue or unreasonable prejudice or disadvantage.

In accordance with R.C. 4905.35(B), NEO offers its regulated services or goods to all similarly situated consumers, including persons with which it is affiliated or which it controls, under comparable terms and conditions. NEO does not offer to customers any bundle of both regulated and unregulated service. NEO does not condition or limit service on the basis of the identity of the supplier or the purchase of unregulated services or good.

¹⁵ R.C. 4905.35. “(A) No public utility shall make or give any undue or unreasonable preference or advantage to any person, firm, corporation, or locality, or subject any person, firm, corporation, or locality to any undue or unreasonable prejudice or disadvantage.

(B)

(1) A natural gas company that is a public utility shall offer its regulated services or goods to all similarly situated consumers, including persons with which it is affiliated or which it controls, under comparable terms and conditions.

(2) A natural gas company that is a public utility and that offers to a consumer a bundled service that includes both regulated and unregulated services or goods shall offer, on an unbundled basis, to that same consumer the regulated services or goods that would have been part of the bundled service. Those regulated services or goods shall be of the same quality as or better quality than, and shall be offered at the same price as or a better price than and under the same terms and conditions as or better terms and conditions than, they would have been had they been part of the company's bundled service.

(3) No natural gas company that is a public utility shall condition or limit the availability of any regulated services or goods, or condition the availability of a discounted rate or improved quality, price, term, or condition for any regulated services or goods, on the basis of the identity of the supplier of any other services or goods or on the purchase of any unregulated services or goods from the company.”

2. *Compliance with R.C. 4929.02*

R.C. 4929.02 provides the state’s policy goals for alternative rate plans. Specifically, R.C. 4929.02 establishes Ohio’s state policy regarding the provision of natural gas service and goods. The policy promotes, among other things, the availability of adequate, reliable, and reasonably priced services and goods as well as the unbundling and comparability of those services and goods. It supports effective choices for supplies and suppliers, encourages market access to supply- and demand-side services and goods, and acknowledges the importance of effective competition and the regulatory treatment needed to support competition. NEO’s Application is consistent with the state policies enshrined in R.C. 4929.02.

As a preliminary matter, NEO is committed to fulfilling the policy goals of 4929.02. NEO has always, and intends to continue to, provide “adequate, reliable, and reasonably priced natural gas services and goods.”¹⁶ For transport customers, NEO intends to continue providing those customers with an effective choice of supplier.¹⁷ NEO provides customers with essential information in its bills and on its website.¹⁸ NEO ensures that no subsidies flow to or from its regulated service and that non-jurisdictional activities do not harm NEO’s ability to comply with state policy.¹⁹ Finally, NEO’s history of cost effective safe and reliable service facilitate the state’s competitiveness in the global economy.²⁰

¹⁶ R.C. 4929.02(A)(1).

¹⁷ R.C. 4929.02(A)(2).

¹⁸ R.C. 4929.02(A)(5).

¹⁹ R.C. 4929.02(A)(8),(9).

²⁰ R.C. 4929.02(A)(10).

3. *Just and Reasonable*

The Application of NEO in this docket is just and reasonable. Consistent with and pursuant to commitments made to Staff and this Commission in Case No. 19-1921-PL-ATR, NEO has filed this Application to request recovery of and on the recorded value of the Purchased Assets via the establishment of a new rider, i.e., the Infrastructure Acquisition Adjustment Rider or OTP Rider. Specifically, the Commission in that case granted NEO 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. After receiving the foregoing approvals from the Commission, NEO integrated the Purchased Assets into its distribution system operations and is currently receiving the revenue OTP collects from its existing rates. However, these revenues are insufficient for NEO to recover the operating expenses related to the Purchased Assets and the return of and on the additional rate base, hence the filing of this Application.

In addition, the Application is just and reasonable because it confers tangible benefits on NEO customers, Staff, and the Commission. NEO filed the Application in this docket, in lieu of filing an application for a distribution rate case, because NEO had only recently concluded a fully litigated distribution rate case in September 2019. Submitting an application for an alternative rate plan, as NEO has done here, is far more beneficial to and efficient for NEO customers, Staff, and the Commission, as it avoids the substantial time and expense of litigating yet another potentially costly, time-consuming distribution rate case. This is particularly true where, as here, NEO does not seek an adjustment to its base rates or to the recorded value of the Purchased Assets, as the Commission already determined the value of the Purchased Assets in Case No. 19-1921-PL-ATR. Instead, the Application merely requests recovery of and on the recorded value of the Purchased Assets and associated expenses until NEO's next distribution

rate case, at which point the revenue requirement for the Purchased Assets would be included as part of NEO's rate case.

Finally, the Application is just and reasonable insofar as it provides a necessary regulatory mechanism to ensure the continued delivery of safe and reliable service, without interruption, to some 10,000+ customers who are served by NEO's distribution systems that rely on the Purchased Assets to deliver natural gas service. With OTP insolvent, NEO rose to the occasion by submitting the sole bid to acquire the Purchased Assets, thereby assuring continued delivery of natural gas service to OTP's and NEO's customers despite OTP's financial predicament. For these reasons, the Application is just and reasonable under R.C. 4929.05(A)(3).

Exhibit E
Ohio Adm. Code 4901:1-19-06(C)(2)(e)
List of Witnesses Supporting Application Exhibits

In accordance with Ohio Adm. Code 4901:1-19-06(C)(2)(e), below is the list of witnesses who will sponsor testimony on behalf of NEO in this proceeding:

- Ken Oostman (Background and Policy)
- Jed Henthorne (Financial Statements, Rate of Return, Rate Base, Allocations)

Each witness' testimony is being filed contemporaneous with this Application.

Exhibit F
Current, Redlined Proposed, and Clean Proposed Tariff Sheets

See Notice of Intent filed on August 26, 2020, PFN Exhibit 3.

Exhibit G
Statutory Schedules required by R.C. 4909.18(A)-(D) for the Purchased Assets only

In accordance with R.C. 4909.18, Ohio Adm. Code 4901-7-1, Appendix A, NEO has attached the following to this Application, though not all of these Schedules are required:

- a. Section A- Schedules A-1 through A-2- providing financial data for the proposed test year and date certain and calculating a revenue conversion factor.
- b. Section B- Schedules B-1 through B-3.3- reporting on NEO's property that is used and useful in rendering gas service.
- c. Section C- Schedules C-1 through C-4.1- providing schedules on revenues, expenses, adjustments, balance sheet and income statement.
- d. Section D- Schedules D-1 - these schedules contain a statement of NEO's cost of capital and its financial condition.
- e. Section E- Schedules E-4 through E-5- annualized test-year revenues at proposed rates versus most current rates, and a typical bill comparison.
- f. Section S- Schedule S-3- Proposed newspaper notice.

Exhibit H
Additional Schedules Supporting Application

None

Exhibit I
Proposed Newspaper Notice- Schedule S-3

**NOTICE OF APPLICATION FOR APPROVAL OF AN ALTERNATIVE RATE PLAN
NORTHEAST OHIO NATURAL GAS CORP., PUCO CASE NO. 20-1427-GA-ALT**

In accordance with Section 4909.19 and 4929.05, Revised Code, Northeast Ohio Natural Gas Corp. (“NEO”) hereby gives notice that on August 26, 2020, it filed an Application with the Public Utilities Commission of Ohio (“Commission”) requesting authority to for approval of an alternative rate plan to recover its investment in Orwell-Trumbull Pipeline Co., LLC.

This notice describes the substance of the Application. Any interested party desiring complete, detailed information with respect to any affected rates, charges, regulations, and practices may inspect a copy of the Application and supporting schedules at the offices of the Commission at 180 East Broad Street, Columbus, Ohio 43215, or at the business office of NEO at 5640 Lancaster-Newark Rd NE, Pleasantville, OH 43148, during normal business hours. The Application and supporting documents may also be viewed by visiting the Commission’s website at <http://www.puco.ohio.gov>, selecting DIS, inputting 20-1427 in the case lookup box, and selecting the date the Application was filed.

A notice of intent to file this Application and a copy of the proposed rates were filed with the Commission and also mailed to the mayors and legislative authorities of the communities located within the areas served by NEO on August 26, 2020. The Application affects the rates and charges for, and various terms and conditions applicable to, natural gas service to all customers of NEO. The Application states that the current rates and charges do not provide a just and reasonable rate of return on NEO’s used and useful property as of June 30, 2020, the date certain in this case. The Application states that NEO requires the proposed revenue increase to provide an opportunity to earn a fair return on its assets and to recover its costs of operation. Any person, firm, corporation, or association may file, pursuant to Section 4909.19 of the Revised Code, an objection to such proposed increased rates by alleging that such proposals are unjust and discriminatory or unreasonable. Recommendations that differ from the Application may be made by the Staff of the Commission or by intervening parties and may be adopted by the Commission.

The increase in the operating revenue (inclusive of gas costs) requested by NEO for its various rate schedules is as follows:

Rate Class	Northeast Ohio Area		Orwell Area	
Small General Service	3.68%		3.32%	
General Service-GS1	5.95%		7.95%	
General Service-GS2	2.12%		1.54%	
Large General Service	-2.09%		-1.62%	
General Transportation Service	9.92%	(1)	7.24%	(1)
Large General Transportation Service	10.36%	(1)	N/A	
Total Revenue Increase	3.40%		2.95%	
(1) Excludes the cost of gas.				

This foregoing document was electronically filed with the Public Utilities

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in

Case No(s). 20-1427-GA-ALT

Summary: Application of an Alternative Rate Plan electronically filed by Mr. Trevor Alexander on behalf of Northeast Ohio Natural Gas Corp.