

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Joint Application of)	
Utility Pipeline, Ltd., Cobra Pipeline)	
Company, Ltd., and Knox Energy)	Case No. 21-0803-GA-ATR
Cooperative Association, Inc. to Substitute)	
Natural Gas Service and Transfer Assets)	
and Customers)	

**DIRECT TESTIMONY OF
STEPHEN G. RIGO, Managing Member of
BUSINESS CONSULTING ASSOCIATES, LLC
as PRESIDENT of
COBRA PIPELINE COMPANY, LTD.**

July 16, 2021

1 **Q1. Please introduce yourself, including your professional and educational background.**

2 **A1.** Stephen G. Rigo, Managing Member of Business Consulting Associates, LLC (“BCA”).

3 BCA is President and CEO of Cobra Pipeline Company, LTD.

4 **Q2. On whose behalf are you testifying?**

5 **A2.** I am testifying on behalf of Cobra.

6 **Q3. What is the purpose of your testimony?**

7 **A3.** The purpose of my testimony is to support the parties’ Joint Application in this matter by
8 explaining Cobra’s history and current operational and financial situation, as they relate
9 to the potential sale by Cobra to Utility Pipeline, Ltd. (“UPL”), of certain assets as
10 described more fully in Cobra’s asset purchase agreement with UPL, including the
11 Holmesville system, the North Trumbull system, the Grain Dryer Farm/Nursery
12 Customers, and the Churchtown system, and the contemplated assignment of those
13 systems’ customers and assets from UPL to Knox Energy Cooperative Association, Inc.
14 (“Knox”). As explained in the Joint Application and in other testimony, Cobra believes
15 that the substitution of natural gas service and transfer of assets and customers being
16 contemplated by the parties will result in adequate and uninterrupted service to customers
17 in these systems.

18 **Q4. Please describe Cobra’s organizational history and structure.**

19 **A4.** Cobra was founded in 2005. In February 2008, Cobra acquired pipeline systems from
20 Columbia Gas Transmission (“TCO”) and presently owns the natural gas systems
21 referred to in the asset purchase agreement. Cobra is a pipeline company under R.C.
22 4905.03 and a public utility as defined in R.C. 4905.02, and, as such, is subject to the
23 jurisdiction of the Commission. Customers include local distribution companies and

1 natural gas marketing companies who serve residential, commercial, and industrial users.
2 Cobra and Northeast Ohio Natural Gas Corp. (“NEO”) shared common ownership at the
3 time of the Cobra acquisition from TCO. Cobra provides transportation of natural gas to
4 meters for NEO and certain other utilities servicing end-users.

5 **Q5. Please describe Cobra’s current operations.**

6 **A5.** A number of Commission-ordered investigations regarding Cobra have been filed in
7 recent years, including Case Nos. 14-1709-GA-COI, 17-2424-PL-COI, and 20-1613-PL-
8 COI, among others. On September 11, 2019, the Commission rejected Cobra’s
9 applications to increase its rates and charges in Case Nos. No. 16-1725-PL-AIR and 18-
10 1549-PL-AEM. On September 25, 2019, Cobra filed a voluntary petition for relief under
11 Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Cobra has two employees
12 in the field, which is less than optimal, and has contracted with UPL and other service
13 providers pursuant to agreements, to supplement Cobra’s field operation, as needed.

14 **Q6. Please describe Cobra’s current financial state.**

15 **A6.** The current PUCO tariff rates under which Cobra has operated its pipeline systems over
16 the years up through the present have resulted in significant financial losses for Cobra.
17 Our review of Cobra’s finances led us to conclude that inadequate tariff rates were the
18 principal cause of Cobra’s eventual Chapter 11 bankruptcy filing in the United States
19 Bankruptcy Court for the Northern District of Ohio.

20
21 While in bankruptcy, Cobra was unable to gain the approval of its largest secured creditor
22 of a Reorganization Plan whereby it could emerge from Chapter 11 and continue to
23 operate its assets profitably. In particular, in my view Cobra needed a new rate structure,

1 particularly with respect to its transportation rates, in order to have any hope of emerging
2 from bankruptcy as a viable operating company. As a result of Cobra's inability to
3 secure PUCO approval to increase its rates, Cobra was forced by its largest secured
4 creditor to request authority from the Bankruptcy Court to conduct an auction to sell its
5 assets to the highest and best bidder.

6 **Q7. Please describe the results of the bankruptcy auction of Cobra's assets.**

7 **A7.** At the bankruptcy auction, UPL submitted the highest and best bid for the assets and was
8 selected as the winning bidder, with an offer of \$3.55 million. The other bid was from
9 Summit Petroleum, Inc. ("Summit"), for \$2.79 million. No other bidders (including
10 NEO) appeared, so UPL was the winning bidder, with Summit designated as the backup
11 bidder.

12
13 On July 1, 2021, the Bankruptcy Court subsequently approved the sale of Cobra's assets
14 to UPL, subject to any necessary regulatory approvals from the Public Utilities
15 Commission of Ohio.

16 **Q8. Please describe Cobra's current financial status in bankruptcy.**

17 **A8.** Cobra has a loan from The Huntington National Bank ("Huntington") with a current
18 principal balance of approximately \$1,700,000, which loan is secured by a first lien on
19 substantially all of the assets of Cobra. Given Huntington's lien, Cobra's ability to access
20 and use its cash to continue operating its pipeline systems during its bankruptcy case is
21 dependent on Huntington's stipulated agreement to Cobra's use of cash collateral
22 pursuant to an agreed budget. That agreed budget currently runs through August 31,
23 2021.

1 **Q9. Can Cobra's assets be operated safely and with assurance of adequate and**
2 **uninterrupted service to customers under the current manner in which Cobra**
3 **operates them?**

4 **A9.** No. Without an increase in Cobra's tariff rates, it would not have the funds to
5 adequately staff its operations and maintain and repair its system. After numerous
6 attempts to secure a tariff increase without success, Cobra's largest secured creditor has
7 run out of patience and has forced a sale.

8
9 Absent some change in Cobra's rate structure, it will not be possible for a new owner to
10 generate revenue from Cobra's assets sufficient to pay normal operational expenses and
11 taxes relating to the systems under Cobra's current contractual arrangements with off-
12 takers from its system, let alone sufficient revenue to permit Cobra to make necessary
13 repairs and upgrades to the systems that will be required to continue safely operating the
14 systems and ensure the continuation of adequate and uninterrupted service to customers.

15 **Q10. Does this conclude your testimony?**

16 **A10.** Yes. However, I reserve the right to supplement my testimony as new information
17 becomes available.

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Commission of Ohio Docketing Information System on

7/16/2021 3:39:53 PM

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Summary: Testimony of Stephen G. Rigo, Managing Member of Business Consulting Associates, LLC as President of Cobra Pipeline Company, Ltd. electronically filed by Mr. David F. Proano on behalf of Cobra Pipeline Company, Ltd. and Knox Energy Cooperative Association, Inc. and Utility Pipeline, Ltd.