

**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
ANDREW DUCKWORTH
ON BEHALF OF
UTILITY PIPELINE, LTD.**

July 16, 2021

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

2 A1. My name is Andrew Duckworth, and I am President of Utility Pipeline, Ltd. (“UPL”). I
3 received a Bachelor of Science degree in Accounting, *summa cum laude*, from the
4 University of Akron in 1990. I was with Ernst & Young, LLP through 1995 and am a
5 Certified Public Accountant. From 1996 to 1999, I was a controller for the Philip
6 Services Corporation. I joined UPL in 1999. I oversee all operational functions
7 including, but not limited to, acquisitions, project development, finance, accounting,
8 marketing, human resources, and information systems functions.

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

10 A2. I am testifying on behalf of UPL.

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

12 A3. The purpose of my testimony is to support the Joint Application being submitted in this
13 matter by explaining UPL’s managerial, financial, and technical capabilities, as they
14 relate to the potential acquisition of the Holmesville system, the North Trumbull system,
15 the Grain Dryer Farm/Nursery Customers, and the Churchtown system from Cobra
16 Pipeline Company, Ltd. (“Cobra”), and the contemplated assignment of those systems’
17 customers and assets to Knox Energy Cooperative Association, Inc. (“Knox”). As
18 explained in the Joint Application and in other testimony, the substitution of natural gas
19 service and transfer of assets and customers being contemplated by the parties will result
20 in adequate and uninterrupted service to customers in these systems.

21 **Q4. Please describe UPL’s organizational history and structure.**

22 A4. Founded in 1995, UPL now provides natural gas service to customers in Ohio, Indiana,
23 Pennsylvania, Virginia, and West Virginia. UPL’s business model revolves around

1 providing gas service to underserved areas, such as lake communities, agricultural
2 customers, new housing developments, and isolated rural systems. UPL's core
3 management team collectively has many decades of experience in the natural gas
4 distribution and related businesses, and a significant number of management team
5 members have been with UPL since the 1990s, giving them a deep level of insight into
6 UPL's operations and customers and the managerial, financial, and technical needs of the
7 systems they operate.

8
9 UPL's business arrangements with Knox are subject to the review and approval of the
10 Knox board of trustees, acting independently of UPL on behalf of all Knox members.

11 UPL and Knox benefit from a longstanding relationship dating back over 20 years, when
12 Knox's founding members worked with UPL to extend natural gas service to roughly 400
13 customers in Knox County, Ohio. The long operational affiliation of UPL and Knox will
14 ensure a seamless transition for customers in the affected systems, ensuring adequate and
15 uninterrupted service.

16 **Q5. Please describe UPL's current operations.**

17 A5. With 156 employees in sixteen offices, UPL combines a nimble corporate footprint with
18 deep experience in the area of natural gas distribution. Knox, along with four other non-
19 regulated natural gas cooperatives, contracts with UPL for engineering, construction, and
20 operational services to manage Knox's natural gas assets. This arrangement allows Knox
21 to operate with minimal overhead while drawing on UPL's deep experience in designing,
22 building, and operating natural gas distribution systems, especially those in rural markets.

1 Working closely with Knox's trustees, which, like UPL, include individuals with
2 considerable natural gas utility expertise, UPL currently delivers service to upwards of
3 55,000 end users across all service regions. That footprint includes over 27,000
4 customers in not-for-profit, member-owned cooperatives, with the remainder of UPL's
5 customers being affiliated with regulated utilities. UPL's services include operations and
6 maintenance, customer service and billing, gas acquisition and management, and new
7 construction.

8
9 UPL's business model turns on bringing beneficial opportunities for expansion to the
10 trustees of Knox and other similarly situated cooperatives. Under the management
11 agreement, as an independent contractor, UPL assumes the upfront financial risk and
12 capital expenditures associated with these transactions, and system operation and
13 maintenance. In exchange, and through the provision of adequate natural gas service to
14 Knox's members, UPL is able to recoup its capital expenditures and the costs of
15 maintaining and operating the systems and providing related services through fees paid
16 by the cooperative members.

17 **Q6. Please explain Knox's ability to operate the Holmesville system, the North Trumbull**
18 **system, the Grain Dryer Farm/Nursery Customers, and the Churchtown system**
19 **while ensuring adequate and uninterrupted service.**

20 A6. UPL's long history of operating natural gas distribution systems, its special focus on
21 underserved areas, and its demonstrated managerial, financial, and technical capabilities
22 enabling it to serve over 55,000 end users, all demonstrate that UPL has the ability to
23 provide adequate and uninterrupted service for the Holmesville system, the North

1 Trumbull system, the Grain Dryer Farm/Nursery Customers, and the Churchtown system.

2
3 UPL currently provides operational services for the Systems pursuant to a service
4 agreement with Cobra. UPL's operational knowledge of the Systems provides UPL with
5 unique insight into the needs of the Systems, and it ensures that UPL will be able to
6 advise Knox on the operation of the Systems going forward. Based on UPL's current
7 experience safely and reliably servicing the Systems, UPL estimates that certain parts of
8 the Systems will require substantial work within the next twelve to eighteen months.
9 UPL believes that an orderly transition from Cobra to Knox is needed to ensure that the
10 financial and operational needs of the Systems are met and so that the resources are in
11 place to maintain the safe operation of the Systems.

12
13 Under the stalking horse asset purchase agreement approved by the Bankruptcy Court,
14 UPL will purchase and then assign to Knox the assets and customers in all four systems.
15 UPL and Knox are more than capable of providing these customers with adequate and
16 uninterrupted service. In addition to UPL's extensive history of safely and reliably
17 operating natural gas distribution systems for both non-regulated cooperatives and for
18 regulated public utilities, UPL and Knox have incentives to make necessary investments
19 in the upkeep of the systems. UPL has assisted Knox and other cooperatives in the past
20 to assume ownership of and responsibility for other natural gas systems in the past, and
21 the Commission has approved such transactions in those cases.

22
23 In the case of these systems, there are limits on the extent to which UPL can increase its

1 management fees. These limits extend to both the fixed per-meter fee and volumetric
2 adder fee that UPL charges. Increases to both types of charges are subject to contractual
3 caps. Because of these caps, UPL assumes the risk of covering operational costs out of
4 the per-meter fee and covering its capital expenditures out of the volumetric adder. UPL
5 is committed to the safe and reliable operation of these systems, and will make
6 appropriate investments and upgrades in these systems as they are identified.

7 **Q7. Please explain UPL's plans with regard to Cobra's existing transportation contracts**
8 **with other entities.**

9 A7. There are transportation contracts between Cobra and other entities, including Northeast
10 Ohio Natural Gas Corp. ("NEO"), that UPL will not assume as part of the asset sale. In
11 order to ensure the financial viability of the Systems moving forward, including the
12 capital investments described above, new transportation contracts are necessary. There
13 will be no interruption of service to any end users.

14 **Q8. Does this conclude your testimony?**

15 A8. Yes. However, I reserve the right to supplement my testimony as new information
16 becomes available.

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Summary: Testimony of Andrew Duckworth on Behalf of Utility Pipeline, Ltd. electronically filed by Mr. David F. Proano on behalf of Utility Pipeline, Ltd. and Knox Energy Cooperative Association, Inc. and Cobra Pipeline Company, Ltd.