

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Joint Application of	)	
Utility Pipeline Ltd., Knox Energy	)	
Cooperative Association, Inc., and The East	)	Case No. 21-0814-GA-ATR
Ohio Gas Company d/b/a Dominion Energy	)	
Ohio for Expedited Approval to Substitute	)	Expedited Ruling Requested
Natural Gas Service and Transfer Assets	)	
and Customers	)	

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

**July 22, 2021**

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

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

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

A2. I am testifying on behalf of UPL.

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

A3. The purpose of my testimony is to support the parties’ Joint Application by explaining UPL’s managerial, financial, and technical capabilities, as they relate to the potential acquisition of the Powhatan Point system and the contemplated assignment of that system’s customers and assets to Knox. As explained in the Joint Application and in other testimony, the substitution of natural gas service and transfer of assets and customers being contemplated by the parties will result in adequate and uninterrupted service to customers in the Powhatan Point system.

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

A4. Founded in 1995, UPL now provides natural gas service to customers in Ohio, Indiana, Pennsylvania, Virginia, and West Virginia. UPL’s business model revolves around providing gas service to underserved areas, such as lake communities, agricultural customers, new housing developments, and isolated rural systems like Powhatan Point’s.

1 UPL's core management team collectively has many decades of experience in the natural  
2 gas distribution and related businesses, and a significant number of management team  
3 members have been with UPL since the 1990s, giving them a deep level of insight into  
4 UPL's operations and customers and the managerial, financial, and technical needs of the  
5 systems they operate.

6  
7 UPL's business arrangements with Knox are subject to the review and approval of the  
8 Knox board of trustees, acting on behalf of all Knox members. UPL and Knox benefit  
9 from a longstanding relationship dating back over 20 years, when Knox's founding  
10 members used UPL to extend natural gas service to roughly 400 customers in Knox  
11 County, Ohio. The long operational affiliation of UPL and Knox will ensure a seamless  
12 transition for customers in the Powhatan Point system, ensuring adequate and  
13 uninterrupted service.

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

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

21  
22 Working closely with Knox's trustees, which, like UPL, include individuals with  
23 considerable natural gas utility expertise, UPL currently delivers service to upwards of

1 55,000 end users across all service regions. That footprint includes over 27,000  
2 customers in not-for-profit, member-owned cooperatives, with the remainder of UPL's  
3 customers being affiliated with regulated utilities. UPL's services include operations and  
4 maintenance, customer service and billing, gas acquisition and management, and new  
5 construction. The Commission has repeatedly found that UPL and Knox have the  
6 requisite managerial and financial capabilities to operate rural natural gas distribution  
7 systems like those in Powhatan Point.

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

16 **Q6. Please explain UPL's ability to ensure adequate and uninterrupted service to**  
17 **Powhatan Point's residential and commercial customers in connection with the**  
18 **proposed transfer of service.**

19 A6. UPL's long history of operating natural gas distribution systems, its special focus on  
20 more isolated rural areas, and its demonstrated managerial, financial, and technical  
21 capabilities enabling it to serve over 55,000 end users, all demonstrate that UPL has the  
22 ability to provide adequate and uninterrupted service in Powhatan Point.

1 Pursuant to the Agreement between the East Ohio Gas Company d/b/a Dominion Energy  
2 Ohio (“DEO”) and UPL, DEO will facilitate the continued provision of commodity sales  
3 service to Powhatan Point customers through March 31, 2022, at which point the parties  
4 expect Knox to assume full responsibility for the provision of such service. This period  
5 between closing and the end of DEO’s facilitation of commodity sales service will ensure  
6 a smooth transition characterized by uninterrupted service.

7  
8 The Joint Application and the testimony being filed along with it show that the  
9 Agreement will result in more than simply adequate and uninterrupted service. In  
10 addition to UPL’s history of operating natural gas distribution systems for both non-  
11 regulated cooperatives and for regulated public utilities, UPL (and Knox) have incentives  
12 to make necessary investments in the upkeep of the Powhatan Point system. While DEO  
13 has a very large portfolio of assets to maintain, and Powhatan Point is a relatively small  
14 and isolated part of that portfolio, UPL focuses on the operation and management of such  
15 systems as a core part of its business model. While UPL and Knox intend to keep the  
16 current rate structure in place for the foreseeable future, UPL and Knox will have the  
17 incentives, the expertise, and the flexibility to identify and correct any inefficiencies over  
18 the long term. UPL has assisted Knox and other cooperatives to assume ownership of  
19 and responsibility for similarly situated systems in the past, and the Commission has  
20 approved such transactions in those cases.

21  
22 In the case of the Powhatan Point system, as with all of the cooperative systems that UPL  
23 manages, there are limits on the extent to which UPL can increase its management fees.

1        These limits extend to both the fixed per-meter fee and volumetric adder fee that UPL  
2        charges. Increases to both types of charges are subject to contractual caps. Because of  
3        these caps, UPL assumes the risk of covering operational costs out of the per-meter fee  
4        and covering its capital expenditures out of the volumetric adder. UPL has an incentive  
5        not to push repairs off into the future, since it will not be able to recoup large repairs  
6        through larger increases to the volumetric adder in the future. UPL will have to make  
7        appropriate investments as they are identified and recover those costs at a steady rate over  
8        an extended period of time.

9  
10       To the best of my knowledge, DEO has provided and is committed to continuing to  
11       provide adequate, just, and reasonable service to Powhatan Point customers, and UPL  
12       and Knox have longstanding experience in operating such systems. DEO, UPL, and  
13       Knox are actively preparing for and coordinating the transition of service. All of this  
14       shows that service will remain adequate during and after the transfer and that the Joint  
15       Application is reasonable and in the public interest.

16    **Q7. Does this conclude your testimony?**

17    A7. Yes. However, I reserve the right to supplement my testimony as new information  
18       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.