



**Public Utilities
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August 16, 2022

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

RE: *In the Matter of the Application of Northeast Ohio Natural Gas Corp. for Approval of Alternative Regulations, Case No. 20-1427-GA-ALT*

Dear Docketing Division:

Enclosed please find Staff's Report regarding the application filed by Northeast Ohio Natural Gas Corp. for Authority to Update its Infrastructure Acquisition Adjustment Rider, in Case No. 20-1427-GA-ALT.

Respectfully submitted,

Adam Burns
Natural Gas Manager, Rates and Analysis
Public Utilities Commission of Ohio

Enclosure
cc: Parties of Record

Northeast Ohio Natural Gas Corp.
Case No. 20-1427-GA-ALT

Introduction

Ohio Revised Code Section 4929.05 governs approval of alternative rate plans for natural gas companies. This section provides that the Public Utilities Commission of Ohio (Commission) shall approve an alternative rate plan if: (1) the applying natural gas company is in compliance with R.C. 4905.35 and the state's policy found in R.C. 4929.02; (2) the natural gas company is expected to continue to be in substantial compliance with R.C. 4929.02 after the implementation of the alternative rate plan; and (3) the natural gas company's proposed alternative rate plan is just and reasonable.

Background

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. 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, LLC¹, filed a joint application in Case No. 19-1921-PL-ATR (Transfer Case) 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.

NEO sought Commission approval for certain accounting authority to establish the value of the Purchased Assets for ratemaking purposes. Specifically, relying on the plant value information provided in OTP's most recent rate case application,² 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. 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 were used and useful.

On November 26, 2019, 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.³ 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.

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.

² See *In re Orwell-Trumbull Pipeline Co., LLC*, Case No. 16-1726-PL-AIR

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

On December 4, 2019, the Commission issued a Finding and Order wherein it agreed with Staff and approved the transfer of the Purchased Assets to NEO.⁴ Given NEO's stated intent to pursue recovery on and of the Purchased Assets in a future proceeding, the Finding and Order 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.

On September 29, 2020, NEO filed an application in Case No. 20-1427-GA-ALT (Application) proposing recovery of the Purchased Assets until its next rate case. The Application proposes to establish a rate under a new rider not subject to a reconciliation, the Infrastructure Acquisition Adjustment Rider (IAAR), to collect the revenue needed to support the Purchased Assets. The Company has proposed the following rider rates, based on the proposed revenue requirement of \$1,558,041.

On September 8, 2021, the Commission issued its Opinion and Order approving the alternative rate plan pursuant to the Stipulation and Recommendation (Stipulation),⁵ with one modification. The Commission ordered the IAAR be trued up annually, that revenues and expenses be tracked on a calendar year basis (the "True-Up Period"), and that NEO will propose a true up to Staff by April 30th of the following year which adjusts the volumetric rates as appropriate to reflect any under or over recovery in the True-Up Period. The Commission modified the Stipulation and directed NEO to file its annual true-up in a new docket each year, with each filing including a reference to this case in its filings.⁶

On June 6, 2022, NEO filed an application in Case No. 20-1427-GA-ALT to update its IAAR based on the True-Up Period. Subsequently, on August 3, 2022, NEO filed an amended application in Case No. 20-1427-ALT to update its IAAR rates to reflect the same depreciation expense as established in the Stipulation.

Staff's Investigation

Staff investigated NEO's Application and exhibits supporting the IAAR, and the proposed rider rates. Staff conducted its investigation through a combination of interrogatories, interviews with Company personnel, and document review.

Staff's Comments and Recommendations

Staff finds the Company correctly calculated the IAAR, as amended in the application filed on August 3, 2022, with proposed rates shown in the table below. Staff has no recommendations or adjustments regarding the proposed IAAR rider rates; however, Staff recommends that future IAAR annual filings follow the Commission's requirement that the annual true-up be filed in a new docket each year. Additionally, Staff recommends the Company file its annual filing by April 30th of each year.

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

⁵ Case No. 20-1427-GA-ALT, Stipulation and Recommendation (July 13, 2021)

⁶ Case No. 20-1427-GA-ALT, Opinion & Order (September 8, 2021), p. 17

Company Proposed and Amended IAAR Rider Rates

Rate Schedule	Customer Charge Per Month	Volumetric Charge Per Mcf
Small General Service	\$1.77	\$0.171
General Service – GS-1	\$4.43	\$0.1727
General Service – GS-2 and General Transportation Service	\$8.87	\$0.1727
Large General Service and Large General Transportation Service	\$26.60	\$0.0701

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

Summary: Staff Review and Recommendation regarding the application filed by Northeast Ohio Natural Gas Corp. for Authority to Update its Infrastructure Acquisition Adjustment Rider electronically filed by Zee Molter on behalf of PUCO Staff