

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Northeast Ohio Natural Gas Corp. for an Increase in Gas Distribution Rates)	
)	Case No. 23-0154-GA-AIR
)	
In the Matter of the Application of Northeast Ohio Natural Gas Corp. for Tariff Approval)	Case No. 23-0155-GA-ATA
)	
In the Matter of the Application of Northeast Ohio Natural Gas Corp. for Approval of an Alternative Rate Plan)	Case No. 23-0156-GA-ALT
)	

APPLICATION TO INCREASE RATES AND CHARGES

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

Company Contact for Rate Case Matters: Jo Carol Farmer, 48 Columbia Blvd., Clarksburg, WV 26301; Phone: (304) 641-6371; Email: Jo.Carol.Farmer@hopegas.com

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Test Period October 1, 2022 to September 30, 2023

Date Certain December 31, 2022

Respectfully Submitted,

/s/ N. Trevor Alexander

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APPLICATION

Northeast Ohio Natural Gas Corp. (“NEO” or the “Company”) in accordance with R.C. 4909.18, 4929.05, 4929.11, and 4929.111, respectfully requests that the Commission grant NEO authority to increase its rates for its gas distribution service, approve an alternative rate plan, approve the requested tariff changes, approve changes in NEO’s accounting methods, and any other necessary and proper relief as described below. 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 approximately 34,000 customers in Ohio. NEO is a “public utility” and a “natural gas company” as defined in Ohio Revised Code Chapter 4905.
2. In accordance with R.C. 4909.18 and other related sections of the Revised Code, NEO is applying for authority to make changes and increases in gas rates applicable to incorporated communities and unincorporated territories within NEO’s entire service area, which includes all or portions of the following counties: Ashland; Ashtabula;

Carroll; Columbiana; Coshocton; Crawford; Cuyahoga; Fairfield; Franklin; Geauga; Guernsey; Harrison; Hocking; Holmes; Lake; Mahoning; Marion; Morrow; Portage; Richland; Stark; Summit; Trumbull; Tuscarawas; Washington; and Wayne.

3. In this Application NEO proposes changes to all of its rates and schedules, including without limitation a change to the meter reconnection fee to more accurately reflect the costs associated with meter reconnection.
4. In addition to the foregoing rates, NEO also proposes the creation of a Capital Expenditure Program Rider (“Rider CEP”) and an Infrastructure Replacement Plan Rider (“Rider IRP”).
5. As discussed in witness Sarver’s testimony, NEO is also proposing various revisions to non-rate rules, regulations, terms and conditions contained in its Tariff for Gas Service. Such changes are detailed and explained in NEO’s E Schedules, and those changes include:
 - a. Section II: Service Territory: Updates to reflect changes to NEO’s service territory.
 - b. Section IV: Service: Language edits to clarify that the benefits and obligations of distribution service start when NEO sets the meter to supply gas service.
 - c. Section X: Rate Schedules: Proposed rate increases for Rate SGS, Rate GS-1, Rate GS-2, Rate LGS, Rate GTS, and Rate LGTS.
 - d. Section X: Riders: Deletion of the Infrastructure Acquisition Adjustment Rider and proposed addition of the Rider CEP and the Rider IRP.
 - e. Section X: Miscellaneous Charges: Proposed changes to the Reconnection Charge.

6. The Application is also being filed under R.C. 4929.05, 4929.11, and 4929.111 and related sections of the Ohio Revised Code related to approval of NEO's Alternative Rate Plan. Additional detail regarding these proposals is set forth in the Exhibits to NEO's Alternative Rate Plan provided in accordance with Ohio Adm. Code 4901:1-19-06. The Alternative Rate Plan consists of the following proposals:
 - a. Capital Expenditure Program – NEO proposes a program targeted at infrastructure expansion, improvement, and replacement, along with a rider for recovery of associated costs.
 - b. Infrastructure Replacement Plan – NEO proposes to accelerate replacement of certain bare steel equipment and low-pressure systems and automated meter reading/advanced meters for certain locations, along with a rider for recovery of associated costs.
7. In accordance with R.C. 4929.05(A)(1) and (2), NEO states that it is and will remain in compliance with R.C. 4905.35 and is in substantial compliance with the policy of the State specified in R.C. 4929.02.
8. A notice of intent to file an application for an increase in rates and for an alternative rate plan was served on the Commission and the mayor and legislative authority of each municipality affected by this Application on March 1, 2023, in accordance with R.C. 4909.43(B) and in compliance with the Commission's Standard Filing Requirements set forth in Ohio Adm. Code 4901-7-01 and Ohio Adm. Code 4901:1-19-06(A).
9. A letter notifying the Commission Staff of NEO's intent to file an application for approval of an alternative rate plan was also served and docketed on March 1, 2023, in accordance with Ohio Adm. Code 4901:1-19-06(A).

10. As authorized by the Commission's March 22, 2023 Entry in this case, NEO's Application is based on a test year beginning October 1, 2022, and ending September 30, 2023, and a date certain of December 31, 2022.
11. NEO estimates that the rate changes proposed herein, if granted in full, would increase gross revenues by approximately \$5,981,455, or approximately 10.71% percent annually, over the test year gross revenues generated from providing service to customers (inclusive of gas cost revenues).
12. NEO files this Application to recognize in rate base its substantial investment in pipelines, meters, and other jurisdictional assets since its last rate case, and to generate sufficient revenues for NEO to pay its operating expenses, service its debt, and provide an adequate rate of return on its property used and useful in the rendition of gas service to its customers. NEO's current base rates, authorized by the Commission in Case No. 18-1720-GA-AIR, are based on a test year beginning July 1, 2018 and ending June 30, 2019, and a date certain of September 30, 2018.
13. Since the NEO test year ending June 30, 2019, the property used and useful in the rendition of gas service to the customers affected by this Application has materially increased, as have many of the expenses associated with providing that service. As a result, the current rates are projected to provide a 1.30% rate of return for the test year. This is substantially below the 8.12% rate of return found reasonable for NEO by the Commission in NEO's last base rate proceeding. NEO submits that a return of 8.71% is fair and reasonable.
14. In accordance with R.C. 4909.18, Ohio Adm. Code 4901-7-01, Appendix A, NEO has attached the following to this Application:

- a. Section A – Schedules A-1 through A-3 – providing financial data for the test year and date certain and calculating a revenue conversion factor.
- b. Section B – Schedules B-1 through B-9 – reporting on NEO’s property that is used and useful in rendering gas service.
- c. Section C – Schedules C-1 through C-12 – providing schedules on revenues, expenses, adjustments, comparative balance sheets and statistics, and an income statement.
- d. Section D – Schedules D-1 through D-5 – these schedules contain a statement of NEO’s cost of capital and its financial condition, summarizing assets, liabilities, and net worth.
- e. Section E – Schedules E-1 through E-5 – including NEO’s current and proposed tariff schedules, a narrative rationale for tariff changes, customer charge rationale, a cost of service study, class and revenue summary, annualized test-year revenues at proposed rates versus most current rates, and a typical bill comparison.
- f. Supplemental Filings – Schedules S-1 through S-4.2 – including NEO’s most recent five-year capital expenditures budget, most recent five-year financial forecast, a proposed newspaper notice that fully discloses the substance of the Application and the specific requirements of R.C. 4909.18, an executive summary of NEO’s corporate process and management practices, policies, and organization, and supporting documentation of effective meter reading and bill accuracy including policies and procedures for the Company’s hiring, retaining, and contracting meter reading for estimating customer reads.

15. In accordance with Ohio Adm. Code 4901-7-01, Appendix A, Chapter II, Paragraph (A)(6)(a), NEO will file all prepared direct testimony in support of this Application within 14 days of this filing.
16. In accordance with R.C. 4929.111(B), NEO has included an estimated cost of the projected Capital Expenditure Program expenditures. The actual expenditures will vary by category, and the actual total amount expended will also vary from year to year depending on surrounding circumstances.
17. In compliance with R.C. 4929.111(B) and Ohio Adm. Code 4901:1-19-06(C)(2), NEO has attached to the Application the following Alternative Rate Plan Exhibits:
 - a. Estimated total cost of the Capital Expenditure Program;
 - b. Detailed Alternative Rate Plan, which states the facts and grounds upon which the proposed plan is based, and which sets forth the plan's elements, transition plans, and other matters as required by the rules. The exhibit, in conjunction with Schedule E-3, also states and supports the rationale for the initial proposed tariff changes for all impacted natural gas services;
 - c. Listing of the services which have been exempted, the case number authorizing such exemption, a copy of the approved separation plan, and a copy of the approved code of conduct;
 - d. Detailed discussion of how potential issues concerning cross-subsidization of services have been addressed in the Alternative Rate Plan;
 - e. Detailed discussion of how NEO is in compliance with section 4905.35 of the Revised Code, in substantial compliance with the policies of the state of Ohio specified in section 4929.02 of the Revised Code, how NEO expects to continue

to be in substantial compliance with the policies of the state specified in section 4929.02 of the Revised Code after implementation of the Alternative Rate Plan, and a demonstration that the Alternative Rate Plan is just and reasonable; and

f. List of witnesses sponsoring each of the exhibits in the Alternative Rate Plan.

18. In compliance with Ohio Adm. Code 4901:1-19-06(B)(2), all direct testimony in support of NEO's Alternative Rate Plan will be filed within 14 days of this Application.

19. NEO represents that a copy of its proposed Alternative Rate Plan has been provided to the Office of the Ohio Consumers' Counsel and each party of record in its most recent alternative rate plan proceeding, as required by Ohio Adm. Code 4901:1-19-06(B)(3). Additionally, copies of the Alternative Rate Plan are being kept at NEO's principal business office and on its web page, www.neogas.com, for public inspection.

20. At the time of the filing of this Application, no municipal corporation has in effect any ordinance or franchise that does or will regulate the rates or charges to any customer affected by this Application.

WHEREFORE, because the rates, charges, and other provisions in the current rate schedules do not yield just and reasonable compensation to NEO for providing gas service to the customers to which they are applicable and do not yield a just and reasonable return on the value of the property used for furnishing that service, and because continuation of the rates currently in effect would be unconstitutionally confiscatory, NEO respectfully requests that the Commission:

(a) Accept this Application for filing;

(b) Find that this Application and the attached Schedules are in accordance with R.C. 4909.18 and 4929.05, and the rules of the Commission;

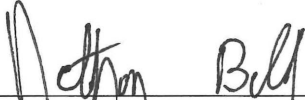
(c) Approve the Form of Notice in the attached Schedule S-3;

- (d) Find that the current rates, prices, and charges for gas service are unjust, unreasonable, and insufficient to yield reasonable compensation to NEO for the service rendered;
- (e) Find that the rates, charges, and other provisions of the proposed Rate Schedules included in Schedule E-1 are just and reasonable and approve the same;
- (f) Find that NEO is in compliance with R.C. 4905.35, that NEO is in substantial compliance with the state policies as specified in R.C. 4929.02, and that NEO is expected to continue to be in substantial compliance with the state policies specified in R.C. 4929.02 after the Alternative Rate Plan is implemented;
- (g) Approve NEO's requested automatic rate adjustments in accordance with R.C. 4929.11 to the extent applicable;
- (h) Approve NEO's Alternative Rate Plan and authorize NEO to implement its Alternative Rate Plan;
- (i) Approve any changes in NEO's accounting methods that may be necessary to implement the Commission's approval of this Application;
- (j) Fix the date on or after which the rates, charges, and other provisions of this Application apply to service provided by NEO; and
- (k) Grant any other necessary and proper approval in order to implement the relief requested in this Application.

Northeast Ohio Natural Gas Corp.



Ken Oostman, President




Nathan Bell, Secretary and Treasurer

VERIFICATION PAGE

STATE OF Ohio)
Fairfield COUNTY) SS:

Ken Oostman personally appeared before me, a Notary Public, in and for said State, and being first duly sworn said that he is President of Northeast Ohio Natural Gas Corp. and that the statements in the foregoing Application are true and accurate to the best of his knowledge.


Ken Oostman, President

Sworn to before me and subscribed in my presence by Ken Oostman this 30th day of March,



Jennifer Kronenbitter
Notary Public
In and for the State of Ohio
My Commission Expires
Feb 9, 2027


Notary Public

VERIFICATION PAGE

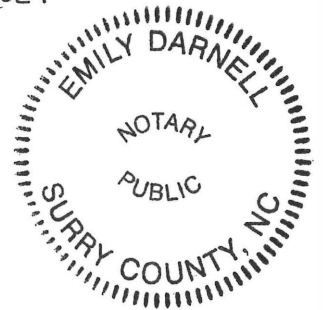
STATE OF North Carolina)
Surry COUNTY) SS:

Nathan Bell personally appeared before me, a Notary Public, in and for said State, and being first duly sworn said that he is Secretary and Treasurer of Northeast Ohio Natural Gas Corp. and that the statements in the foregoing Application are true and accurate to the best of his knowledge.

Nathan Bell
Nathan Bell, Secretary and Treasurer

Sworn to before me and subscribed in my presence by Nathan Bell this 28th day of March, 2023.

Emily Darnell
Notary Public May 14th 2027



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 31st day of March 2023. The PUCO's e-filing system will electronically serve notice of the filing of this document on counsel for all parties. The foregoing was also served on the following via U.S. Mail and/or electronic mail:

Office of the Ohio Consumers' Counsel
65 East State Street, Suite 700
Columbus, Ohio 43215-4213
maureen.willis@occ.ohio.gov

Ohio Partners for Affordable Energy
c/o Robert Dove
P.O. Box 12451
Columbus, Ohio 43212-2451
rdove@keglerbrown.com

/s/ N. Trevor Alexander

Attorney for Northeast Ohio Natural Gas
Corp.

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ALTERNATIVE RATE PLAN EXHIBITS

I. R.C. 4929.111(B), ESTIMATED TOTAL COST OF THE CAPITAL EXPENDITURE PROGRAM

Pursuant to R.C. 4929.111(B), NEO states that the forecasted total capital expenditures for the first 5 years of the Capital Expenditure Program will be approximately \$47.2 million with approximately \$9.2 million projected for 2023. The actual expenditures will vary by category, and, in the future, the actual total amount expended will vary from year to year depending on surrounding circumstances.

II. OHIO ADM. CODE 4901:1-19-06(C)(2)(a), DETAILED ALTERNATIVE RATE PLAN AND RELATED INFORMATION

A. Rider CEP

NEO has an obligation, under R.C. 4905.22, to furnish necessary and adequate services and facilities to its 34,000 customers. To continue to furnish these necessary and adequate services and facilities, NEO proposes to establish a Capital Expenditure Program and an associated rider to recover the costs associated with capital expenditures that facilitate the necessary investment in NEO's system and in the infrastructure that benefits Ohio citizens and businesses.

1. Components of Rider CEP

Although NEO's system presently provides safe and reliable service, the Company has determined that a prioritized and methodical expansion, improvement, and replacement of certain infrastructure is necessary to ensure the continuation of safe, reliable, and adequate service in the future. As such, NEO seeks approval of a Capital Expenditure Program Rider ("Rider CEP") designed to recover, through an automatic adjustment mechanism, infrastructure expansion, improvement, and replacement costs. Qualifying costs shall include those authorized by R.C. 4929.111(A):

- “(1) Any infrastructure expansion, infrastructure improvement, or infrastructure replacement program;
- (2) Any program to install, upgrade, or replace information technology systems;
- (3) Any program reasonably necessary to comply with any rules, regulations, or orders of the commission or other governmental entity having jurisdiction.”

2. Benefits of Rider CEP

NEO believes that its proposed Rider CEP offers significant benefits. Rider CEP will provide timely cost recovery of infrastructure expansion, improvement, and replacement. As the Commission has repeatedly recognized for both gas and electric utilities, that timely cost recovery encourages investments which benefit all customers.

Rider CEP is particularly critical to NEO because NEO is faced with several major capital projects which are projected to increase NEO's plant in service by 41% over the next 5 years. These projects are necessary to improve the reliability of NEO's system and to address planned abandonments by other utilities which require NEO to arrange for other sources of supply. Without Rider CEP, NEO would be forced into seeking rate cases on a much more frequent basis (perhaps

annually), which is obviously inefficient. Rider CEP will avoid regulatory lag associated with recovery for those projects.

As other Ohio gas utilities enacting similar programs have recognized, a capital expenditure program will reduce replacement costs, as it is less costly to plan and replace than it is to react when these assets need immediate, urgent attention. Proactively seeking a capital expenditure program via Rider CEP will be more cost-effective and time-efficient for all interested parties.

3. Rider CEP Rates, Terms, and Conditions

NEO proposes the recovery of all Rider CEP expenses incurred through the billing of a monthly charge to customers based on the following:

1. NEO will track all qualifying expenses incurred starting December 31, 2022 on a calendar year basis.
2. The recovery of Rider CEP costs will be based on the prior calendar year investment in expanding, improving, and replacing the infrastructure identified above.
3. The first year any investment is made, the depreciation recovery to be included in the revenue calculation will be 50% of the normal annual depreciation for that investment. Investments made before the previous calendar year will have depreciation on the full amount at year-end.
4. In the calendar year immediately following the most current investment calendar year, the total cumulative investment in expanding, improving, and replacing infrastructure items will become the basis for calculating the return on investment.

5. The investment basis will be multiplied by the cost of capital the Commission approves in this proceeding, grossed up for income taxes. Using the cost of capital as proposed in the Application, the grossed-up cost of capital would be 10.59%.
6. The Company will recover annual depreciation as calculated in accordance with #3, which will be added to the amount calculated in #5.
7. The Company will also recover estimated annual property tax on the investment using the Company's average property tax rate applied to the estimated assessed value, which will also be added to the amount calculated in #5.
8. The total revenue requirement will then be split by rate class according to the cost-of-service study and rate design as proposed in the Application. The revenue requirement for each class is divided by the number of customers in that class at the calendar year end and then divided by twelve. The resulting cost for each class is charged as a monthly charge for that class. Contract service customers are excluded from the charges.
9. Rider CEP costs will be subject to a monthly rate cap as applicable which will vary by year as described in witness testimony. If costs exceed the monthly rate cap, the Company may defer those costs on its books. Such costs shall be deferred with carrying charges calculated at NEO's long-term debt rate. NEO may then include such deferred costs in any subsequent year and recover the deferred costs so long as the inclusion of the deferred costs does not cause NEO to exceed the Rider CEP monthly rate cap in the subsequent year in which the deferred costs are included in the Rider CEP adjustment filing. If NEO would exceed the monthly rate cap in that

subsequent year, NEO may again defer the excess costs into the following year until all costs have been recovered.

10. On or before May 1 of each year, a reconciliation of the revenue collected in the previous calendar year related to NEO's investment 2 years ago and prior will result in an adjustment that will carry forward to be part of the required revenue being calculated for the current calendar year. This adjustment will be combined with the Rider CEP charge for the current year to calculate the net new Rider CEP charge. The details will be filed with the Commission for review as explained below.

4. Procedure for Cost Recovery of Rider CEP Rates

Beginning May 1, 2024, and May 1 of each calendar year thereafter, NEO will file in this docket an updated report with schedules detailing the CEP qualified investments accumulated through the prior calendar year (the "Annual Report"). As described above, the rate of return and depreciation on this investment will be calculated and combined with the over/under recovery of the investment and depreciation from 2 years ago and prior to result in a CEP recovery rate for the current calendar year (effective October 1 of current/same year except as below). The Annual Report will provide the Commission Staff with sufficient accounting and billing record details to enable it to analyze and audit the schedules. To the extent disputed, NEO will bear the burden of proof in its Annual Report demonstrating the justness and reasonableness of the level of recovery of expenditures associated with Rider CEP. If the Commission Staff fails to take any action with respect to the Annual Report by September 20 of the same year in which the Annual Report is filed, Rider CEP rates shall go into effect as of October 1 of the same year.

5. Impact of Proposed Rider CEP

Proposed Rider CEP costs will be allocated to all tariff customers based on the proposed allocation of base revenue in this Application. Because Rider CEP costs will be subject to a monthly rate cap and because the costs of these infrastructure expansion, improvement, and replacement investments are not collected from customers immediately as NEO makes the investments, but rather spread over the useful life of the investments, the corresponding impact to the customers' bills is moderated.

The projected impact of this rider on individual customer's bills will be addressed through witness testimony. The impact is currently expected to be approximately \$10 per residential customer annually for the first year (or approximately \$0.83/month). However, the exact rates in effect will depend on the results of the Annual Report that NEO will file with the Commission pursuant to the Alternative Rate Plan.

B. Rider IRP

NEO has approximately 15 miles of bare steel pipe, 11 miles of vintage plastic pipe, approximately 2,300 bare steel and or mechanically coupled services and approximately 1,000 flex service risers and 200 inside meter sets. NEO also has one distinct low-pressure delivery system (7 inches water column) where there is no overpressure protection device at the customer meter set.

Regarding NEO's automated meter reading, NEO plans to install approximately 25,000 encoder receiver transmitters ("ERTs"). Currently, approximately 7,000 meters have AMR capable meter indexes, and NEO plans to replace over 1,000 meters incapable of accepting ERT index due to the make, model, and/or vintage of the meter body.

In order to address these important service and safety issues, and to fully build out the Company's automated meter reading capability, NEO proposes an accelerated replacement program.

1. Components of Rider IRP

Although NEO's system presently provides safe and reliable service, the Company has determined that a prioritized and methodical replacement or upgrade of the infrastructure identified below is necessary to ensure the continuation of safe, reliable, and adequate service in the future. As such, NEO seeks approval of an Infrastructure Replacement Plan Rider ("Rider IRP") designed to recover, through an automatic adjustment mechanism, infrastructure upgrade or replacement costs of bare steel and low-pressure system replacements, and automated meter reading/advanced meters for certain locations.

2. Benefits of Rider IRP

NEO believes that its proposed Rider IRP offers significant benefits. Specifically, Rider IRP will eliminate potential safety concerns through the replacement or upgrade of aging infrastructure. While the Company intends to continue replacing or upgrading infrastructure where there are operational issues or leaks, it also seeks to remain proactive and diligent about replacing and upgrading its aging infrastructure before an accident occurs or before serious problems arise. Rider IRP will accelerate the process of upgrading higher risk infrastructure and systematically replacing the facilities with incremental rate adjustments, rather than simply reacting to large-scale emergency infrastructure needs as they arise.

Not only will being proactive enhance customer safety and system reliability, Rider IRP will also confer substantial financial benefits to customers while also preserving the administrative resources of the Commission. Rider IRP will reduce the need to file potentially dramatic,

substantial rate increases to fund any immediate, emergency infrastructure replacement measures in the future. As other Ohio gas utilities enacting similar programs have recognized, an infrastructure replacement program will reduce replacement costs, as it is less costly to plan and replace than it is to react when these assets need immediate, urgent attention. Rider IRP will benefit the Commission insofar as the Company will not have to file successive applications for rate increases to address ongoing, substantial infrastructure replacement/repair needs. Proactively seeking an infrastructure replacement program via Rider IRP will be more cost-effective and time-efficient for all interested parties, including the Commission.

3. Rider IRP Rates, Terms, and Conditions

NEO proposes the recovery of all Rider IRP expenses incurred through the billing of a monthly charge to customers based on the following:

1. NEO will track all qualifying expenses incurred starting December 31, 2022 on a calendar year basis.
2. The recovery of Rider IRP costs will be based on the prior calendar year investment in replacing and/or upgrading the infrastructure identified above.
3. The first year any investment is made, the depreciation recovery to be included in the revenue calculation will be 50% of the normal annual depreciation for that investment. Investments made before the previous calendar year will have depreciation on the full amount at year-end.
4. In the calendar year immediately following the most current investment calendar year, the total cumulative investment in upgrading/replacing infrastructure items will become the basis for calculating the return on investment.

5. The investment basis will be multiplied by the cost of capital the Commission approves in this proceeding, grossed up for income taxes. Using the cost of capital as proposed in the Application, the grossed-up cost of capital would be 10.59%.
6. The Company will recover annual depreciation as calculated in accordance with #3, which will be added to the amount calculated in #5.
7. The Company will also recover estimated annual property tax on the investment using the Company's average property tax rate applied to the estimated assessed value, which will also be added to the amount calculated in #5.
8. The total revenue requirement will then be split by rate class according to the cost-of-service study and rate design as proposed in the Application. The revenue requirement for each class is divided by the number of customers in that class at the calendar year end and then divided by twelve. The resulting cost for each class is charged as a monthly charge for that class. Contract service customers are excluded from the charges.
9. Rider IRP costs will be subject to a monthly rate cap as applicable which will vary by year as described in witness testimony. If costs exceed the monthly rate cap, the Company may defer those costs on its books. Such costs shall be deferred with carrying charges calculated at NEO's long-term debt rate. NEO may then include such deferred costs in any subsequent year, and recover the deferred costs so long as the inclusion of the deferred costs does not cause NEO to exceed the Rider IRP monthly rate cap in the subsequent year in which the deferred costs are included in the Rider IRP adjustment filing. If NEO would exceed the monthly rate cap in that

subsequent year, NEO may again defer the excess costs into the following year until all costs have been recovered.

10. On or before May 1 of each year, a reconciliation of the revenue collected in the previous calendar year related to NEO's investment 2 years ago and prior will result in an adjustment that will carry forward to be part of the required revenue being calculated for the current calendar year. This adjustment will be combined with the Rider IRP charge for the current year to calculate the net new Rider IRP charge. The details will be filed with the Commission for review as explained below.

4. Procedure for Cost Recovery of Rider IRP Rates

Beginning May 1, 2024, and May 1 of each calendar year thereafter, NEO will file in this docket an updated report with schedules detailing the IRP qualified investments accumulated through the prior calendar year (the "Annual Report"). As described above, the rate of return and depreciation on this investment will be calculated and combined with the over/under recovery of the investment and depreciation from 2 years ago and prior to result in an IRP recovery rate for the current calendar year (effective October 1 of current/same year except as below). The Annual Report will provide the Commission Staff with sufficient accounting and billing record details to enable it to analyze and audit the schedules. To the extent disputed, NEO will bear the burden of proof in its Annual Report demonstrating the justness and reasonableness of the level of recovery of expenditures associated with Rider IRP. If the Commission Staff fails to take any action with respect to the Annual Report by September 20 of the same year in which the Annual Report is filed, Rider IRP rates shall go into effect as of October 1 of the same year.

5. Impact of Proposed Rider IRP

Proposed Rider IRP costs will be allocated to all tariff customers based on the proposed allocation of base revenue in this Application. Because Rider IRP costs will be subject to a monthly rate cap and because the costs of these infrastructure investments are not collected from customers immediately as NEO makes the investments, but rather spread over the useful life of the investments, the corresponding impact to the customers' bills is moderated.

The projected impact of this rider on individual customer's bills will be addressed through witness testimony. The impact is currently expected to be approximately \$0.16 per customer annually for the first year (or approximately \$0.01/month). However, the exact rates in effect will depend on the results of the Annual Report that NEO will file with the Commission pursuant to the Alternative Rate Plan.

III. OHIO ADM. CODE 4901:1-19-06(C)(2)(b), STATEMENTS REGARDING EXEMPTIONS

NEO has not been authorized to exempt any services.

IV. OHIO ADM. CODE 4901:1-19-06(C)(2)(c), CROSS-SUBSIDIZATION

The Alternative Rate Plan will not result in the cross-subsidization of services. With respect to Rider CEP and Rider IRP, all customers will benefit from the continued provision of safe, affordable, and reliable service, and rates will be subject to Commission review and approval.

V. OHIO ADM. CODE 4901:1-19-06(C)(2)(d), COMPLIANCE WITH REVISED CODE PROVISIONS

A. Compliance with R.C. 4905.35.

R.C. 4905.35 provides in its entirety as follows:

(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.

NEO is compliant with R.C. 4905.35. 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)(1), 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.

With respect to R.C. 4905.35(B)(2), NEO does not offer to customers any bundle of both regulated and unregulated service.

In accordance with R.C. 4905.35(B)(3), NEO does not 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 NEO.

B. Substantial compliance with R.C. 4929.02.

R.C. 4929.02 establishes Ohio’s state policy regarding the provision of natural gas service and goods. Among other things, the policy promotes the availability of adequate, reliable, and reasonably priced natural gas services and goods¹ as well as the unbundling and comparability of those services and goods.²

As a preliminary matter, NEO is committed to fulfilling the policy goals of R.C. 4929.02. NEO has always, and intends to continue to, provide “adequate, reliable, and reasonably priced natural gas services and goods.”³ For transport customers, NEO intends to continue providing those customers with an effective choice of supplier.⁴ NEO provides customers with essential information in its bills and on its website.⁵ 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.⁶ Finally, NEO’s history of cost effective safe and reliable service facilitate the state’s competitiveness in the global economy.⁷

In addition, NEO’s Application and Alternative Rate Plan are consistent with the state’s policy goals and therefore NEO expects to continue to be in substantial compliance with the policies of R.C. 4929.02 after implementation of the Alternative Rate Plan. NEO’s proposed Rider CEP and Rider IRP will not detrimentally affect NEO’s compliance with state policy. Ongoing deferrals and investment will continue to be subject to Commission review and approval. Given that NEO’s Alternative Rate Plan is consistent with and in furtherance of the provision of just and

¹ R.C. 4929.02(A)(1).

² R.C. 4929.02(A)(2).

³ R.C. 4929.02(A)(1).

⁴ R.C. 4929.02(A)(2).

⁵ R.C. 4929.02(A)(5).

⁶ R.C. 4929.02(A)(8), (9).

⁷ R.C. 4929.02(A)(10).

reasonable service, the Alternative Rate Plan and proposed methods of recovery through Rider CEP and Rider IRP are both in keeping with state policy.

Rider CEP and Rider IRP are consistent with similar programs already approved for other utilities.⁸ Therefore, the Commission has already considered and accepted the numerous benefits associated with riders of this type, and therefore a lengthy discussion is unnecessary. Because NEO's proposal mirrors proposals that the Commission previously approved and found to be consistent with the obligation under R.C. 4905.22 to furnish necessary and adequate services and facilities, which the Commission found to be just and reasonable, the Commission should make the same finding with respect to NEO's Alternative Rate Plan. However, it is worthwhile to note that because NEO has fewer IRP qualified systems than other similar programs, Rider IRP will cost less on a per customer basis than other similar programs. Accordingly, Rider IRP is even more beneficial for customers than programs approved for other utilities.

In sum, implementation of NEO's Alternative Rate Plan, combined with NEO's existing services and programs, will ensure continued compliance with the policies described in R.C. 4929.02.

C. The Alternative Rate Plan is just and reasonable.

For the reasons stated above, NEO's Alternative Rate Plan is just and reasonable. NEO's plan to recover costs on an annual basis is directly authorized by statute and will facilitate necessary investment in NEO's system and in the infrastructure that benefits Ohio citizens and businesses.

⁸ See, e.g., Case Nos. 13-1571-GA-ALT (NEO); 11-2401-GA-ALT (Dominion East Ohio); 11-5515-GA-ALT (Columbia Gas of Ohio, Inc.); & 15-0362-GA-ALT (Dominion East Ohio).

Further, the Commission has approved similar applications by other utilities for alternative rate plans to implement capital expenditure programs and accompanying riders, finding that those plans met state policies, and promoted the availability of adequate, reliable, and reasonably priced services and goods.⁹ The Commission has also found a number of benefits associated with capital expenditure programs, including financial benefits and other benefits to the system as a whole, such as promoting a safer, more reliable system and an enhanced customer experience, timely recovery of capital investments, and encouraging investment in the distribution system for new and existing customers.¹⁰ These same benefits may reasonably be expected to accrue under NEO's plan. For these reasons, NEO's Alternative Rate Plan should be deemed just and reasonable and approved.

VI. OHIO ADM. CODE 4901:1-19-06(C)(2)(e), LIST OF WITNESSES

In accordance with the Commission's rules, below is the list of witnesses who will sponsor testimony on behalf of NEO's Alternative Rate Plan in this proceeding:

- Ken Oostman (Rider CEP and Rider IRP)
- Jed Henthorne (Financial information associated with Rider CEP and Rider IRP)

⁹ See, e.g., *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation to Establish a Capital Expenditure Program Rider Mechanism*, Case No. 17-2202-GA-ALT, Opinion and Order at 27–28 (Nov. 28, 2018).

¹⁰ *Id.*

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Summary: Application Application to Increase Rates and Charges electronically
filed by Ms. Kari D. Hehmeyer on behalf of Northeast Ohio Natural Gas Corp..