

## BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO DOCKETING DIV

2011 AUG 30 AM 10:45

In the Matter of the Application of  
Suburban Natural Gas Company for  
an Adjustment to the Infrastructure  
Replacement Program Rider

PUCO

Case No. 11-3234-GA-RDR

APPLICATION FOR APPROVAL OF AN ADJUSTMENT TO  
THE INFRASTRUCTURE REPLACEMENT RIDER OF  
SUBURBAN NATURAL GAS COMPANY

Pursuant to the Commission's September 15, 2009 Finding and Order in Case No. 09-573-GA-UNC, Suburban Natural Gas Company ("Suburban") respectfully requests that the Commission approve an adjustment to Suburban's Infrastructure Replacement Rider ("Rider IRP") reflecting costs associated with capital investments made by Suburban during the period July 1, 2010 through June 30, 2011. In support of its Application, Suburban states:

1. Suburban, a privately-owned Ohio corporation, is a public utility and natural gas company within the definitions of Sections 4905.02 and 4905.03(A)(6), Ohio Revised Code and, as such, is subject to the jurisdiction of this Commission pursuant to R.C. 4905.04, 4905.05, and 4905.06.

2. Suburban currently provides natural gas service in Ohio to approximately 15,000 residential, commercial, and industrial customers in Wood, Henry, Hancock, Lucas, Delaware, and Marion Counties.

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3. On June 1, 2009, pursuant to the Finding and Order in Case No. 07-689-GA-AIR, Suburban filed a plan for the timely replacement of prone-to-fail risers and a plan for the assumption of responsibilities associated with the installation, repair, replacement, and maintenance of customer service lines (“IRP”).

4. On September 15, 2009, in a Finding and Order in Case No. 09-573-GA-UNC, the Commission approved Suburban’s IRP and the recovery of the cost associated with the IRP.

5. At the time of the Commission’s approval, Suburban estimated that the IRP charge to customers would be \$0.29, \$0.58, \$0.84, \$1.10, and \$0.92 per month per customer in years one through five, respectively.

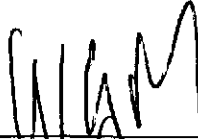
6. The approved IRP also requires that Suburban annually file an application to update its Rider IRP. Accordingly, by this Application, Suburban requests that the Commission approve a decrease in Suburban’s Rider IRP from \$0.39 per month per customer to \$0.25 per month per customer.

7. Suburban hereby submits the following schedules and exhibits supporting its request to adjust Rider IRP:

- a. Schedules A-1, A-2, and A-3 supporting Suburban’s IRP rate calculation;
- b. Schedules B-1, B-2, and B-3 representing Suburban’s proposed IRP tariff sheet, the proposed changes to Suburban’s IRP tariff sheet, and Suburban’s current tariff sheet, respectively;

- c. Exhibit 1: Direct Testimony of Nichole M. Clement.

Respectfully submitted,



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WILLIAM J. MICHAEL (0070921)

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REPLACEMENT OF SERVICE LINES AND  
RISERS – COMBINED EFFECT

**Suburban Natural Gas Company  
Infrastructure Replacement Program and Rider  
Replacement of Service Lines and Risers - Comm  
For the period July 2010 to June 2011 (12 mo as**

Account	Account Description	Actual July 10 Month 10	Actual Aug 2010 Month 11	Actual Sept 2010 Month 12	Actual Oct 2010 Month 13	Actual Nov 2010 Month 14	Actual Dec 2010 Month 15	Actual Jan 2011 Month 16	Actual Feb 2011 Month 17	Actual Mar 2011 Month 18	Actual Apr 2011 Month 19	Actual May 2011 Month 20	Actual June 2011 Month 21
38060	IRP Service Lines		\$ 3,500			\$ 500				\$ 500			\$ 3,000
38070	IRP Risers	\$ 8,501		\$ 5,058	\$ 16,623	\$ 16,676	\$ 350	\$ 350	\$ 99	\$ 350	\$ 19,335	\$ 25,851	\$ 54,475
Total		\$ 8,501	\$ 3,500	\$ 5,058	\$ 16,623	\$ 17,176	\$ 350	\$ 350	\$ 99	\$ 850	\$ 19,335	\$ 25,851	\$ 57,475

**50% of Replacement Cost Financed (taken out of rate base)**  
(recovered over 4 years (cost ~ 50% / 4 years))

[illegible]

## 50% recovered over 45 years (cost \* 50% / 45 years) (not taken out of rate base)

[illegible]

**Suburban Natural Gas Company  
Infrastructure Replacement Program and Rider  
Replacement of Service Lines and Risers - Combined Effect  
For the period July 2010 to June 2011 (12 mo actual)**

[illegible]

COST OF DEBT CALCULATION

Suburban Natural Gas Company  
Infrastructure Replacement Program and Rider  
Cost of Debt Calculation  
For the period July 2010 to June 2011 (12 mo actual)

	Actual July 10 Month 10	Actual Aug 2010 Month 11	Actual Sept 2010 Month 12	Actual Oct 2010 Month 13	Actual Nov 2010 Month 14	Actual Dec 2010 Month 15	Actual Jan 2011 Month 16	Actual Feb 2011 Month 17	Actual Mar 2011 Month 18	Actual Apr 2011 Month 19	Actual May 2011 Month 20	Actual June 2011 Month 21
Beginning Balance	\$ 57,306.50	\$ 60,317.98	\$ 60,740.23	\$ 61,905.12	\$ 68,799.81	\$ 75,797.92	\$ 74,203.94	\$ 72,606.32	\$ 70,879.57	\$ 68,527.27	\$ 77,408.69	\$ 88,346.67
Amount Borrowed	\$ 4,250.88	\$ 1,750.00	\$ 2,529.10	\$ 8,311.60	\$ 8,588.17	\$ 175.00	\$ 175.00	\$ 49.53	\$ 425.00	\$ 9,667.58	\$ 12,925.55	\$ 28,737.71
Amount Repaid (collected through rider - 1 mo. lag)	\$ 1,239.20	\$ 1,327.75	\$ 1,364.21	\$ 1,416.50	\$ 1,590.06	\$ 1,766.98	\$ 1,772.63	\$ 1,776.27	\$ 1,777.30	\$ 1,786.16	\$ 1,987.57	\$ 2,256.95
Ending Balance	\$ 60,317.98	\$ 60,740.23	\$ 61,905.12	\$ 68,799.81	\$ 75,797.92	\$ 74,203.94	\$ 72,606.32	\$ 70,879.57	\$ 69,527.27	\$ 77,408.69	\$ 88,346.67	\$ 114,827.53
Cost of Debt Per LOC	3.925%	3.925%	3.925%	3.925%	3.925%	2.428%	2.428%	2.428%	2.428%	2.428%	2.428%	2.428%
Interest to be Recovered	\$ 197.29	\$ 198.67	\$ 202.48	\$ 225.03	\$ 153.33	\$ 150.11	\$ 146.88	\$ 143.38	\$ 140.85	\$ 156.59	\$ 178.72	\$ 232.29



RATE OF RETURN

Suburban Natural Gas Company  
Infrastructure Replacement Program and Rider  
Rate of Return

For the period July 2010 to June 2011 (12 mo actual)

	Actual July 2010 Month 10	Actual Aug 2010 Month 11	Actual Sept 2010 Month 12	Actual Oct 2010 Month 13	Actual Nov 2010 Month 14	Actual Dec 2010 Month 15	Actual Jan 2011 Month 16	Actual Feb 2011 Month 17	Actual Mar 2011 Month 18	Actual Apr 2011 Month 19	Actual May 2011 Month 20	Actual June 2011 Month 21
Beginning Balance	\$ 59,288.17	\$ 63,428.70	\$ 65,060.67	\$ 67,468.51	\$ 75,654.16	\$ 84,100.99	\$ 84,118.75	\$ 84,136.18	\$ 84,027.82	\$ 84,294.84	\$ 93,803.65	\$ 106,552.52
Amount Expended	\$ 4,250.68	\$ 1,750.00	\$ 2,529.10	\$ 8,311.60	\$ 8,588.17	\$ 175.00	\$ 175.00	\$ 49.53	\$ 425.00	\$ 9,667.58	\$ 12,925.55	\$ 28,737.71
Amount Repaid (collected through rider - 1 yr. lag)	\$ 110.15	\$ 118.02	\$ 121.26	\$ 125.95	\$ 141.34	\$ 157.24	\$ 157.57	\$ 157.89	\$ 157.98	\$ 158.77	\$ 176.67	\$ 200.61
Ending Balance	\$ 63,428.70	\$ 65,060.67	\$ 67,468.51	\$ 75,654.16	\$ 84,100.99	\$ 84,118.75	\$ 84,136.18	\$ 84,027.82	\$ 84,294.84	\$ 93,803.65	\$ 106,552.52	\$ 135,089.62
Allowable Rate of Return	8.970%	8.970%	8.970%	8.970%	8.970%	8.970%	8.970%	8.970%	8.970%	8.970%	8.970%	8.970%
Return on Equity	\$ 474.13	\$ 486.33	\$ 504.33	\$ 565.51	\$ 628.65	\$ 628.79	\$ 628.92	\$ 628.11	\$ 630.10	\$ 701.18	\$ 796.48	\$ 1,009.79

PROPOSED TARIFF SHEET

**INFRASTRUCTURE REPLACEMENT PROGRAM RIDER**

**APPLICABILITY:**

Applicable to all customers.

**DESCRIPTION:**

An additional charge per month per account, regardless of gas consumed, to recover costs associated with Suburban's riser inventory and identification process; customer notification and education; the replacement of customer-owned Natural Gas Risers identified in the November 24, 2006 Report by the Staff of the Public Utilities Commission of Ohio in Case No. 05-463-GA-COI as prone to failure and repair or replacement of service lines as specified in the Company's IRP Plan filed with the Public Utilities Commission of Ohio. This Rider shall be calculated annually pursuant to a Notice filed no later than May 31 of each year based on nine months of actual data and three months of estimated data for the reporting year. The filing shall be updated by no later than August 31 of the same year to reflect the use of actual reporting year data. Such adjustments to the Rider will become effective with bills rendered on November 1 of each year.

**RATE:**

\$0.25 per Month

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ISSUED: \_\_\_\_\_, 2011      EFFECTIVE: \_\_\_\_\_ November 1, 2011

Filed pursuant to the Opinion and Order of the Public Utilities  
Commission of Ohio in Case No. 11-3234-GA-RDR dated \_\_\_\_\_, 2011

ISSUED BY DAVID L. PEMBERTON, JR., PRESIDENT

CHANGES TO CURRENT TARIFF SHEET

## INFRASTRUCTURE REPLACEMENT PROGRAM RIDER

### APPLICABILITY:

Applicable to all customers.

### DESCRIPTION:

An additional charge per month per account, regardless of gas consumed, to recover costs associated with Suburban's riser inventory and identification process; customer notification and education; the replacement of customer-owned Natural Gas Risers identified in the November 24, 2006 Report by the Staff of the Public Utilities Commission of Ohio in Case No. 05-463-GA-COI as prone to failure and repair or replacement of service lines as specified in the Company's IRP Plan filed with the Public Utilities Commission of Ohio. This Rider shall be calculated annually pursuant to a Notice filed no later than May 31 of each year based on nine months of actual data and three months of estimated data for the reporting year. The filing shall be updated by no later than August 31 of the same year to reflect the use of actual reporting year data. Such adjustments to the Rider will become effective with bills rendered on November 1 of each year.

### RATE:

\$0.39 25 per Month

ISSUED: ~~December 9, 2010~~  
November 1, 2011

EFFECTIVE: January 1, 2011

Filed pursuant to the Opinion and Order of the Public Utilities  
Commission of Ohio in Case No. ~~40-0763-GA-RDR~~ 11-3234-GA-RDR dated November 22,  
2010 \_\_\_\_\_, 2011

ISSUED BY DAVID L. PEMBERTON, JR., PRESIDENT

CURRENT TARIFF SHEET

**INFRASTRUCTURE REPLACEMENT PROGRAM RIDER**

**APPLICABILITY:**

Applicable to all customers.

**DESCRIPTION:**

An additional charge per month per account, regardless of gas consumed, to recover costs associated with Suburban's riser inventory and identification process; customer notification and education; the replacement of customer-owned Natural Gas Risers identified in the November 24, 2006 Report by the Staff of the Public Utilities Commission of Ohio in Case No. 05-463-GA-COI as prone to failure and repair or replacement of service lines as specified in the Company's IRP Plan filed with the Public Utilities Commission of Ohio. This Rider shall be calculated annually pursuant to a Notice filed no later than May 31 of each year based on nine months of actual data and three months of estimated data for the reporting year. The filing shall be updated by no later than August 31 of the same year to reflect the use of actual reporting year data. Such adjustments to the Rider will become effective with bills rendered on November 1 of each year.

**RATE:**

\$0.39 per Month

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ISSUED: December 9, 2010      EFFECTIVE: January 1, 2011

Filed pursuant to the Opinion and Order of the Public Utilities  
Commission of Ohio in Case No. 10-0763-GA-RDR dated November 22, 2010

ISSUED BY DAVID L. PEMBERTON, JR., PRESIDENT



TESTIMONY OF NICHOLE M. CLEMENT

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of  
Suburban Natural Gas Company for  
an Adjustment to the Infrastructure      Case No. 11- 3234-GA-RDR  
Replacement Program Rider

DIRECT TESTIMONY OF NICHOLE M. CLEMENT  
ON BEHALF OF  
SUBURBAN NATURAL GAS COMPANY

August 30, 2011

## **I. INTRODUCTION**

**Q. Please state your name and business address.**

**A.** Nichole M. Clement, 551 Lake Cascades Parkway, Findlay, Ohio 45840.

**Q. By whom are you employed and in what capacity?**

**A.** Pry Professional Group, Certified Public Accountant.

**Q. How long have you been associated with Pry Professional Group?**

**A.** I have been associated with Pry Professional Group for over 16 years.

**Q. On whose behalf are you offering testimony in this proceeding?**

**A.** I have been authorized to appear and testify on behalf of Suburban Natural Gas Company, the applicant in this case.

**Q. Please outline your educational background and business experience.**

**A.** I graduated from Bowling Green State University in 1994 with a degree in Business Administration with a specialization in accounting. I received my Certified Public Accountants designation in 1998. I have worked with public utility companies at Pry Professional Group for the past 16 years.

**Q. Do you have any experience testifying at the Commission?**

**A.** Yes. On August 17, 2007, I submitted testimony at the Commission on behalf of Suburban in Case No. 07-689-GA-AIR and on September 14, 2010 in Case No. 10-763-GA-RDR. Also, I am generally familiar with the rate-making process and the accounting practices of public utilities.

**Q. What is the purpose of your testimony in this proceeding?**

**A.** The purpose of my testimony is to support the adjustment to Suburban's Infrastructure Replacement Plan Rider ("Rider IRP"). I will describe the infrastructure replacement efforts that Suburban has made. Also, I will describe how Suburban calculated the cost of such efforts as set forth in Schedules A-1, A-2, and A-3 of the Application.

**Q. Are you sponsoring any parts of the Application?**

**A.** Yes, I am sponsoring Schedules A-1, A-2, and A-3.

## **II. SUBURBAN'S INFRASTRUCTURE REPLACEMENT PLAN**

**Q. What are the costs Suburban is recovering through Rider IRP?**

**A.** In Case No. 09-573-GA-UNC, the Commission approved Suburban's plan for timely replacement of prone-to-fail risers and a plan for the assumption of the responsibilities associated with installation, repair, replacement, and maintenance of customer service lines ("IRP"). In that case, the Commission also approved the recovery of costs associated with the IRP. When the IRP was approved, Suburban estimated that the incremental costs of the IRP would be approximately \$252,000 per year.

**Q. Has Suburban begun implementing the IRP?**

**A.** Yes, in October 2009, Suburban began replacing aging service lines at various locations throughout its service territory and replacing prone-to-fail customer risers.

**Q. Are the costs of implementing the IRP in line with Suburban's original estimates?**

**A.** The costs are lower for year two in comparison with Suburban's original estimate, in part due to the fact that fewer risers and service lines were replaced than originally estimated. Additionally, costs for the risers and service lines have been slightly lower than originally projected. As such the estimate for year three incorporates the anticipated lower cost. For the twelve month period beginning July 1, 2010 and ending June 30, 2011 the cost of the IRP is \$155,170.

**Q. What is the current rate that customers are being charged under Rider IRP?**

**A.** Customers are now charged \$.39 per customer per month for Rider IRP.

**Q. What is the new rate you are proposing for Rider IRP?**

**A.** \$.25 per customer per month.

**Q. Why is Suburban proposing to decrease the Rider IRP Charge?**

**A.** Suburban is proposing to decrease Rider IRP to reflect the decrease in costs Suburban expects to incur as a result of implementing the IRP in year three beginning July 1, 2011 and ending June 30, 2012.

**Q. Is the \$.25 customer charge in line with Suburban's estimates for the third year of the IRP?**

**A.** When the Commission approved the IRP, the charge to customers was estimated to be \$0.29, \$0.58, \$0.84, \$1.10, and \$0.92 per month per customer in years one through five, respectively. A \$.25 charge is less than the initial estimates for year three of the IRP.

**Q. How was the \$.25 customer charge calculated for the third year of the IRP?**

**A.** The calculation was based on actual data for July 1, 2010 through June 30, 2011 and estimated data for July 1, 2011 through June 30, 2012. The amount that was over-collected in year two is reducing the proposed recovery for year three. The basis of the calculation is that approved in Case No. 09-573-GA-UNC.

**Q. In your opinion is a \$.25 customer charge reasonable?**

**A.** Yes. As you can see from Schedules A-1, A-2, and A-3 of the Application, \$.25 is a reasonable charge for year three of the IRP and thus should be approved by the Commission.

**Q. Does this conclude your testimony?**

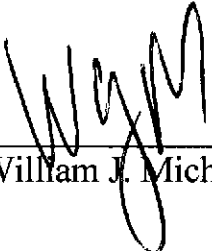
**A. Yes, it does.**

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application for Approval of an Adjustment to the Infrastructure Replacement Rider was served upon the following parties of record or as a courtesy, via U.S. Mail, postage prepaid, on August 30, 2011.

Thomas Lindgren  
Werner Margard  
Attorney General  
Public Utilities Commission of Ohio  
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Doris McCarter, Division Chief  
Capital Recovery and Financial Analysis  
Utilities Department  
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\_\_\_\_\_  
William J. Michael