Ohio | Public Utilities Commission
Asim Z. Haque, Chairman

FILE

December 29, 2017

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

RE: *In the Matter of the Application of Suburban Natural Gas Company for Consent and Authority to Establish Long-Term Financial Arrangements*

Dear Docketing Division:

Enclosed please find Staff's Review and Recommendation in regard to the application of Suburban Natural Gas Company for authority to issue long-term debt in Case No. 17-2321-GA-AIS.

Doris McCarter
Division Chief, Capital Recovery and Financial Analysis
Rates and Analysis Department
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Suburban	)	
Natural Gas Company for Consent and	)	Case No. 17-2321-GA-AIS
Authority to Establish Long-Term Financial	)	
Arrangements	)	

Staff Review and Recommendation

APPLICATION DESCRIPTION

On November 8, 2017, Suburban Natural Gas Company (Suburban) filed an application with exhibits, which was amended on December 11, 2017, (collectively, Application), with the Public Utilities Commission of Ohio pursuant to Ohio Revised Code (R.C.) Sections 4905.40 and 4905.41, requesting authority to enter into long-term financial arrangements. These arrangements include:

1. A revolving line of credit of up to $8 million maturing in three years from the closing date. It will be subject to a variable interest rate equal to London Inter-Bank Offered Rate (LIBOR) plus 225 basis points and will be used for working capital requirements.

2. A senior term note of $5 million for five years from the closing date with an interest rate of LIBOR plus 245. Suburban will be required to enter into an interest rate protection contract. The long term note will refinance an existing term loan and amortize a portion of the existing line of credit.

3. A senior draw note of up to $8.5 million maturing in five years from the closing date. Through September 30, 2019, the payments will be interest only followed by equal monthly payments of principal and interest based on a 156 month amortization, with a variable interest rate of LIBOR plus 245 basis points. Suburban will be required to enter into an interest rate protection contract, with the rate fixed by a LIBOR rate swap. The proceeds will be used to finance an extension of an existing pipeline facility necessitated by a forecasted capacity increase to serve existing customers and add new customers.

REVIEW AND ANALYSIS

The exhibits included as part of the Application contained the terms and conditions of the loans, which after being amended appear reasonable for the type of financing being sought. In addition, Staff reviewed an updated 2017 balance sheet and a 2018 pro-forma balance sheet. The table below shows the effect of the proposed financing to the capital structure of Suburban.

Suburban Natural Gas Company
Capitalization Structure

	Actual as of 09/30/2017	(%)	Pro forma as of 12/31/2018	(%)
Long Term Debt	$ 729,167	4.45%	$ 13,018,849	45.93%
Equity	$ 15,672,780	95.55%	$ 15,328,940	54.07%
Total Capital	$ 16,401,947	100.0%	$ 28,347,789	100.0%

The long-term debts shown above include current portions of long-term debt for each reporting period. It should also be noted that these percentages do not include revolving lines of credit of $5,954,667 as of September 30, 2017, and $2,700,913 forecasted for December 31, 2018.

RECOMMENDATION

Upon review of the Application, the Staff believes the requested authority appears reasonable for a utility company the size of Suburban and recommends approval of the Application.