

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE JOINT
APPLICATION OF GENERATION PIPELINE
LLC AND NEXUS GAS TRANSMISSION,
LLC FOR APPROVAL OF A PROPOSED
MEMBERSHIP INTEREST TRANSFER.

CASE NO. 19-366-GA-UNC

FINDING AND ORDER

Entered in the Journal on August 14, 2019

I. SUMMARY

{¶ 1} The Commission approves the joint application filed by Generation Pipeline LLC and NEXUS Gas Transmission, LLC for a proposed membership interest transfer.

II. PROCEDURAL BACKGROUND

{¶ 2} Pursuant to R.C. 4905.04, 4905.05, and 4905.06, the Commission is vested with the power and jurisdiction to supervise and regulate public utilities.

{¶ 3} Generation Pipeline LLC (Generation Pipeline) is a natural gas company as defined in R.C. 4905.03(E) and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission. The Commission previously authorized Generation Pipeline to operate a natural gas company in Case No. 15-1104-GA-ACE. *In re Generation Pipeline LLC*, Case No. 15-1104-GA-ACE, Finding and Order (Sept. 23, 2015).

{¶ 4} On February 1, 2019, Generation Pipeline and NEXUS Gas Transmission, LLC (NEXUS) filed a joint application (Application) to request approval for the sale of 100 percent of the membership interest in Generation Pipeline to NEXUS.

{¶ 5} On May 31, 2019, Staff filed a review and recommendation. No other comments were filed in this proceeding.

III. DISCUSSION

A. *Consideration of the Application*

{¶ 6} In the Application, Generation Pipeline and NEXUS (jointly, Applicants) state that the holders of 100 percent of Generation Pipeline's membership interests are proposing to sell their membership interests to NEXUS.¹ The Application indicates that NEXUS is a jointly owned entity with a 50 percent interest held by an indirect wholly-owned subsidiary of Enbridge Inc. (Enbridge) and the other 50 percent interest held by an indirect wholly-owned subsidiary of DTE Energy Company (DTE Energy).

{¶ 7} Applicants explain that Enbridge is a North American energy infrastructure company with an extensive network of crude oil, liquids, and natural gas pipelines, regulated natural gas distribution utilities, and renewable power generation. According to the Application, Enbridge delivers an average of 2.9 million barrels of crude oil each day through its mainline and express pipeline; accounts for approximately 62 percent of U.S.-bound Canadian crude oil exports; and moves approximately 22 percent of all natural gas consumed in the U.S., serving key supply basins and demand markets. Applicants state that Enbridge's regulated utilities serve approximately 3.7 million retail customers in Ontario, Quebec and New Brunswick.

{¶ 8} Applicants also state that DTE Energy is a Detroit-based diversified energy company involved in the development and management of energy-related businesses and services nationwide. Applicants note that DTE Energy's operating units include an electric utility serving 2.2 million customers in southeastern Michigan and a natural gas utility serving 1.3 million customers in Michigan. Furthermore, they state that DTE Energy's portfolio includes non-utility energy businesses focused on power and industrial projects, natural gas pipelines, gathering and storage, and energy marketing and trading.

¹ The current holders of 100 percent of Generation Pipeline's membership interests are Appalachian Midstream Partners, LLC, NM GEN, LLC, North Coast Gas Transmission LLC, JayWest Investments, LLC, SAG Partners LLC, Summit Ventures, LLC and GAMESJJ, LLC.

{¶ 9} Applicants indicate that the membership interest transfer will not affect day-to-day operations because Generation Pipeline will continue to possess the requisite managerial, technical, and financial expertise to operate as a natural gas company and public utility. Applicants explain that this is because Generation Pipeline is a wholly-owned subsidiary of North Coast Gas Transmission LLC (North Coast), a pipeline company as defined in R.C. 4905.03 and a public utility as defined in R.C. 4905.02. Applicants state that North Coast currently handles Generation Pipeline's day-to-day operations and will continue to do so after the proposed transfer until the operation of Generation Pipeline is gradually transitioned to the operator of NEXUS, Spectra Energy NEXUS Management, LLC, an indirect wholly-owned subsidiary of Enbridge.

{¶ 10} Moreover, Applicants express that the legal entity and regulatory status of Generation Pipeline will not change as a result of the transaction. Upon closing of the transaction, Applicants explain that Generation Pipeline will remain a separate public utility subject to the Commission's jurisdiction, will continue to provide public utility service, and will continue to own, operate, and maintain the facilities necessary to provide such service. Applicants note that Generation Pipeline's activities will continue to be accounted for separately, with separate books and records maintained. Furthermore, Applicants state that the transaction will have no effect on the rates, terms, or conditions of service to Generation Pipeline's existing customers because Generation Pipeline will continue to offer adequate service at reasonable rates and will continue to provide service under its existing, Commission-approved tariffs and special arrangements. Additionally, Applicants state that Generation Pipeline will continue to follow existing procedures for the Commission's review and approval of new rates and new contracts. As such, Applicants aver that, following the close of the transaction, Generation Pipeline will continue to exist and provide the same quality of service currently provided to its customers, which consist of two large industrial customers under contracts approved by the Commission.

B. Staff Review and Recommendation

{¶ 11} Staff states that it has reviewed the Application and believes that the transfer proposed by the Applicants does not harm the public interest at this time. Consequently, Staff recommends that the Commission approve the Application filed by Generation Pipeline and NEXUS.

C. Commission Conclusion

{¶ 12} The Commission finds that it has an interest in the membership interest transfer being proposed in the Application. R.C. 4905.04 through 4905.06 provide that the Commission has general supervision over public utilities within its jurisdiction and the responsibility to be apprised of the manner in which their properties are operated, managed, and conducted with respect to the adequacy of service or security of the public. Generation Pipeline is a public utility subject to the jurisdiction of this Commission, and the Commission maintains an interest in the operations and in the ability of Generation Pipeline to serve the public interest. Moreover, the Commission has a long history of reviewing proposed mergers and transfers of ownership interests of Ohio utilities to ensure that such transactions are in the public interest. *See, e.g., In re Toledo Cellular Telephone Co. and PacTel Cellular, Inc.*, Case No. 87-474-RC-ATC, Finding and Order (July 16, 1987); *In re Thermal Ventures, Inc. and Mill Creek Investments, Inc.*, Case No. 99-413-HT-UNC, Finding and Order (May 19, 1999); *In re The East Ohio Gas Co. and West Ohio Gas Co.*, Case No. 96-991-GA-UNC, Finding and Order (Dec. 19, 1996); *In re Ohio Power Co. and Columbus Southern Power Co.*, Case No. 10-2376-EL-UNC, Entry (Mar. 7, 2012); *In re Northeast Ohio Natural Gas Corp., Brainard Gas Corp., Orwell Natural Gas Co., and Spelman Pipeline Holdings, LLC*, Case No. 18-1484-GA-UNC, et al., Finding and Order (Jan. 3, 2019). Consequently, the Commission will assert jurisdiction over this application seeking approval of a membership transfer request.

{¶ 13} Upon review of the Applicants' Application, the Commission agrees with Staff's review of the transfer request. We find that the proposed sale of the membership interests in Generation Pipeline to NEXUS is reasonable and that the transfer request should be approved. As the Application indicates, following the close of the proposed membership

interest transfer, Generation Pipeline will continue to exist and provide the same quality of service to its two industrial customers. We find that Generation Pipeline's day-to-day operations will not be affected because of the change in ownership as it will remain a separate public utility subject to the Commission's jurisdiction and will continue to provide public utility service with no service interruptions. The membership interest transfer will also have no effect on the rates, terms, or conditions of service as approved by the Commission in Case No. 15-1104-GA-ACE for Generation Pipeline's existing customers. As such, we find that that the Application should be approved.

IV. ORDER

{¶ 14} It is, therefore,

{¶ 15} ORDERED, That Generation Pipeline's and NEXUS's application for a membership interest transfer be approved. It is, further,

{¶ 16} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 17} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

COMMISSIONERS:

Approving:

Sam Randazzo, Chairman

M. Beth Trombold

Lawrence K. Friedeman

Daniel R. Conway

Dennis P. Deters

AS/mef

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Summary: Finding & Order that the Commission approves the joint application filed by Generation Pipeline LLC and NEXUS Gas Transmission, LLC for a proposed membership interest transfer. electronically filed by Docketing Staff on behalf of Docketing