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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of )  
 Suburban Natural Gas Company for )  
 Authority to Abandon Service )  
 Pursuant to Ohio Revised Code )  
 Sections 4905.20 and 4905.21 )

Case No. 08-947-GA-ABN

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**Reply Memorandum of Ohio Intrastate Energy, LLC  
 To Stipulation and Recommendation**

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Ohio Intrastate Energy, LLC ("Ohio Intrastate") submits this Reply Memorandum to the above-referenced Stipulation and Recommendation ("Stipulation") filed in this case on June 17, 2011 by Suburban Natural Gas Company ("Suburban"), KNG Energy, Inc. ("KNG"), Ohio Gas Company ("Ohio Gas"), the Village of Deshler, and the Staff of the Commission ("Staff"). Ohio Intrastate notes that in pertinent part, the Stipulation reflects, virtually without change, the Joint Motion filed by KNG, Ohio Gas and Deshler on June 13, 2011 and recommends that KNG Energy, Inc. should be authorized to provide temporary service to customers being served on the Hoytville municipal distribution system and customers being served on the Hoytville to McComb six-inch pipeline south of Hoytville that are currently being served by Suburban until Ohio Intrastate is authorized by the Commission to commence service as a natural gas company.

Ohio Intrastate has made application at Case No. 11-3171-GA-ATA for approval to commence retail distribution service in unincorporated areas not governed by the municipal ordinance rates established by the Village of Hoytville in its Ordinance No.

2011-3, passed by the Village Council on May 9, 2011. Ohio Intrastate is also the successful bidder for the purchase from the Village of McComb of its six-inch transmission pipeline running south from Hoytville to McComb. Sale documents have been drafted and exchanged and it is anticipated that closing will occur in the near future. As Ohio Intrastate noted in its Motion for Leave to Intervene filed on June 15, Suburban's transfer of its interest in that line will occur simultaneously with the transfer of its interest in the "Remainder Facilities" comprising the integrated transmission system commonly owned by the Villages of Deshler, Holgate, Hamler, Hoytville, Malinta and McComb.

Ohio Intrastate has also been diligently working to finalize its operational, accounting and billing and supply arrangements. In that regard, Ohio Intrastate is negotiating with another natural gas company to provide operational services in addition to retaining its own operations staff. It has reached agreement in concept with a financial accounting firm to provide necessary accounting services. It is currently negotiating for billing services with another established firm.

With respect to supply arrangements, Ohio Intrastate submitted a gate access request to Suburban Natural Gas Company which it rejected by letter from its general counsel to the Manager of Ohio Intrastate on May 25, 2011 as being non-compliant with Suburban's proposal. Ohio Intrastate next requested a proposal from KNG Energy on May 27 to provide gate service and transportation from the new point of interconnection with Ohio Gas Company authorized by the Commission in its Finding and Order in Case No. 11-1115-GA-ATR. On June 9, with no indication why no response had been submitted sooner, counsel for KNG Energy forwarded an application for transportation

service with the representation that it included information that KNG Energy would need in order to respond to Ohio Intrastate Energy's request for a gate access and transportation proposal.<sup>1</sup>

Ohio Intrastate will continue to finalize its operational, financial and supply arrangements as quickly as possible.

With respect to the recommendation of the parties joining in the Stipulation that KNG Energy be substituted for Suburban Natural Gas as provider to customers served in the Village of Hoytville and adjacent unincorporated areas served through Hoytville's transmission facilities, Ohio Intrastate reiterates that it has no objection to the institution of temporary service by KNG Energy, pending a finding and order by the Commission on Ohio Intrastate's pending application in Case No. 11-3171-GA-ATA to commence retail operations as a natural gas company serving customers in unincorporated areas not subject to municipal ordinance rates. Nonetheless, adoption of the Stipulation and Recommendation should not prejudice Ohio Intrastate either as to finalization of its supply arrangements or its access to information and documentation that will be important to its operation of the Hoytville system and Hoytville-McComb transmission line.<sup>2</sup>

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<sup>1</sup> Ohio Intrastate notes that on June 20, KNG filed a Response to the Reply Memorandum Ohio Intrastate filed on June 17. In part, KNG contends that its formal response to Ohio Intrastate's application for gate access and transportation service must await the Commission's final order on Ohio Intrastate's application to initiate retail service in unincorporated areas not served pursuant to municipal ordinance rates. (KNG Response, p. 4). That position is untenable, and KNG should respond without delay since the Hoytville Village Council has enacted a municipal ordinance providing for service by Ohio Intrastate within the Village of Hoytville. Service by Ohio Intrastate within the Village is not subject to the Commission's final order on its pending application for authority to serve unincorporated areas. Action on Ohio Intrastate's service application thus does not require KNG to delay pending a finding and order in that case.

<sup>2</sup> For the reasons discussed in footnote 1, Ohio Intrastate does not find KNG's offer of "informal discussions" regarding service through KNG's facilities sufficient (KNG Response, fn. 12); Ohio Intrastate has a legitimate right to engage in "formal" negotiations regarding the terms of service through KNG's facilities now, and that should be recognized in the Commission's finding and order in this proceeding.

In addition to matters raised in its Reply Memorandum to the Joint Motion, which will not be repeated here and are incorporated by this reference, Ohio Intrastate raises the following issues that the Commission should address in its finding and order considering the Stipulation in this case:

1. At p. 17 of the Stipulation, reference is made to the customer information Suburban agrees to submit to KNG, Ohio Gas and Deshler. Ohio Intrastate submits that it is reasonable and appropriate that Suburban contemporaneously provide Ohio Intrastate Energy the same access to this customer account information, and following the same procedure, with respect to the customers served in Hoytville and along the Hoytville-McComb transmission pipeline. Moreover, to make this information contemporaneously available to Ohio Intrastate should not cause any of the other parties any additional administrative burden.
2. In its Response to Ohio Intrastate's Reply Memorandum, KNG attempted to address Ohio Intrastate's concerns that when the temporary service KNG provides is no longer required, then KNG will transfer the temporarily served customers to Ohio Intrastate "subject to terms similar to those set out in the Transition Plan proposed herein for the transfer of customers to KNG by Suburban" (KNG Response, p. 6, 7). Ohio Intrastate submits that it will be appropriate in its finding and order in this proceeding to direct that KNG and Ohio Intrastate submit a joint application for substitution of service containing a transition plan

governing all the necessary steps to effectuate that substitution of service without interruption of service and as transparently as possible from the customers' perspective.

3. At page 18 the Stipulation sets forth the recommended procedure for customer notification of the substitution of service of KNG, Ohio Gas and Deshler in place of Suburban. The Stipulation does not specifically address the notification by KNG to those customers for whom the Stipulation recommends temporary service in Hoytville and along the Hoytville-McComb transmission pipeline. Because of the potential for customer confusion inherent in the temporary service proposal, it is reasonable and appropriate that KNG be directed by the Commission to cooperate with Ohio Intrastate Energy in designing the customer notification materials for customers who ultimately will be served by Ohio Intrastate.
4. Paragraph 22(d) and Exhibit C attached to the Stipulation lists the property, maintenance and customer records Suburban agrees to provide to Ohio Gas, KNG and Deshler in order for them to assume responsibility for the System providing service to the affected customers. Ohio Intrastate submits that it is reasonable and appropriate that Suburban contemporaneously provide Ohio Intrastate Energy Ohio Intrastate Energy the same access to this Exhibit C information, and following the same procedure, with respect to the customers served in Hoytville and along the Hoytville-McComb transmission pipeline. Moreover, to make this

information contemporaneously available to Ohio Intrastate should not cause any of the other parties any additional administrative burden.

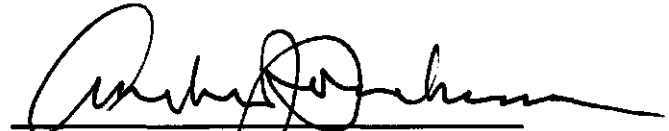
5. Exhibit D, identifying “line-pack gas” as of the Transfer Date identifies specific volumes for which Ohio Gas, KNG and Deshler agree to compensate Suburban at its weighted average cost of gas as delivered of \$7.88/Mcf. Ohio Intrastate notes that the line-pack volumes associated with Hoytville and McComb are aggregated with volumes for “North Baltimore to Henry County” without differentiation. It is appropriate and reasonable for Suburban to provide estimates of the line-pack for these facilities on a disaggregated basis as it has done with respect to facilities in Deshler, Hamler, Holgate and Malinta.

### **CONCLUSION**

Ohio Intrastate supports in concept the temporary service proposal for customers served through Hoytville facilities and the Hoytville-McComb six-inch pipeline in substitution for service by Suburban Natural Gas. Ohio Intrastate commits to the expeditious finalization of operational, financial accounting, billing services and supply arrangements. It respectfully renews its request for an immediate technical conference with all parties to address the issues raised in its Reply Memorandum to the Joint Motion filed on June 13 with the prospect of arriving at unqualified support by all parties for the proposed substitution of service by the Villages or their successors in place of service provided by Suburban Natural Gas. Should the Commission determine that a Technical Conference is not necessary, Ohio Intrastate respectfully requests that the Finding and Order in this proceeding considering the Stipulation and Recommendation address the

points raised in the foregoing Reply Memorandum to the Stipulation and Recommendation filed on June 17, 2011.

Respectfully submitted,



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Counsel for Ohio Intrastate Energy, LLC

#### CERTIFICATE OF SERVICE

The undersigned counsel for Ohio Intrastate Energy, LLC certifies that the foregoing Reply Memorandum of Ohio Intrastate Energy, LLC to the Stipulation and Recommendation filed by KNG Energy, Inc., Ohio Gas Company, the Village of Deshler, Ohio and the Staff of the Commission was served on the following counsel of record on this 21<sup>st</sup> day of June, 2011 by electronic mail, hand-delivery or ordinary U.S. Mail, postage prepaid:

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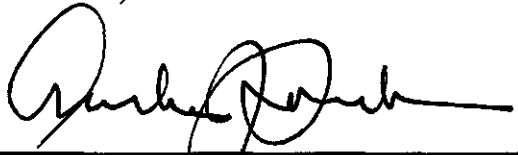
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