FILE

13

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Foraker Gas Company, Inc. for Approval of an Amendment to its Contracts Governing the Provision of Natural Gas Service to its Residential and Commercial Customers and Related Matters.	:	Case No. 13-1910-GA-AEC
In the Matter of the Application of Foraker Gas Company for Authority to Implement a Purchased Gas Adjustment Clause pursuant to Chapter 4901:1-14, Ohio Administrative Code.	:	Case No. 13-1911-GA-GCR

APPLICATION

Foraker Gas Company, Inc. ("Foraker"), pursuant to Section 4905.31, Revised Code, hereby applies to the Commission for approval of amendments to its contracts governing the provision of natural gas service to its residential and commercial customers. Foraker further requests that the Commission pre-grant approval of such additional contracts as Foraker may enter into with other residential and commercial customers, so long as the rates and terms contained therein are consistent with those set forth in the amendments. Because the proposed amendments would replace the current bundled per-Mcf rate for service with a base distribution rate and a separate gas cost recovery ("GCR") rate for commodity service, Foraker also requests authority to implement a purchased gas adjustment clause pursuant to Chapter 4901:1-14, Ohio Administrative Code ("OAC") and requests that the Commission establish a GCR docket for the filing of monthly adjustments to the GCR rate in accordance with Rule 4901:1-14-05, OAC. In support of its application, Foraker states as follows:

1. Foraker is a public utility and natural gas company as defined by Sections 4905.02 and 4905.03(E), Revised Code. As such, Foraker is subject to the jurisdiction of this Commission pursuant to Sections 4905.04, 4905.05, and 4905.06, Revised Code.

2. Foraker provides natural gas service to some 300 residential customers and some 26 commercial customers, most of which are located in rural areas of Perry County, Ohio. The company was formed in 1960 to supply locally-produced natural gas to four pottery and tile manufacturers with facilities in the New Lexington-Junction City area. Its system consists of some 70 miles of gathering and distribution lines that were installed to furnish locally-produced gas to these four customers. At the time the system was installed, a number of property owners asked Foraker for taps on its lines to provide them with a back-up to their own wells as an additional source of gas supply. Foraker agreed to install taps and to provide locally-produced gas to these landowners. However, it was understood and agreed that Foraker's obligation to provide service was dependent upon continued local production and the continued use of such locally-produced gas by its industrial customers and that, upon failure of either of these conditions, Foraker could, after notice, cease to provide service and remove its lines.

3. From time to time, Foraker took on additional residential customers located on property adjacent to its existing lines, but, in each instance, it was the property owner that approached Foraker for service, often because production from the owner's own well was dwindling. Although Foraker accommodated these requests by installing taps on its lines, Foraker required each customer to sign a gas user agreement memorializing the caveat that Foraker's service was interruptible in nature and was contingent upon continued local production

and the continued use of locally-produced gas by its four major customers. Thus, Foraker's provision of gas supply to these residential customers was incidental to its business of supplying gas to its four industrial customers and did not create a continuing public utility obligation to serve. Foraker has never solicited residential customers, nor will it extend its existing lines to serve new residential customers. However, although it has rarely done so, Foraker will extended its lines to serve additional commercial customers in instances where the extension is cost-justified.

4. For many years, Foraker did not charge its residential customers for the natural gas it supplied. However, in the mid-1970's, Foraker did begin to meter its customers' usage and charge a modest uniform per-Mcf rate. All meters were installed at the taps, so, in many instances, there is a substantial distance (sometimes in excess of 2,500 feet) between the tap and the residence, and, as provided in the gas user agreements, the customer accepted responsibility for the installation and maintenance of all facilities from the tap to the residence.

5. The gas user agreements entered into after Foraker began charging for service referred to the obligation to pay the "present price" for the service, but even in the case of the agreements that identified a specific "present price," it was understood that Foraker could adjust the price from time to time.[1] Foraker filed annual reports with the Commission, paid all

[1] The only customers not charged the same rate are six residential customers to which Foraker provides service pursuant to right-of-way agreements that specify a fixed price or rate discount as consideration for Foraker's use of a corridor on the landowner's property to install and maintain a gathering line. Foraker, of course, continues to honor these agreements. The right-of-way customers that are subject to fixed price agreements are not affected by this application. The right-of-way customers served pursuant to a discount will continue to receive that discount on the base rate portion of their bills.

applicable utility taxes and assessments, and complied with the applicable pipeline safety requirements. However, Foraker did not seek Commission approval of the gas user agreements, many of which had been in place since the 1960s, based on advice communicated to it informally by the Commission staff ("Staff") that, under the circumstances, this service was not jurisdictional. Foraker always provided (and still provides) written notice to its customers before adjusting the price. Further, although the gas user agreements entered into after Foraker began charging its residential customers for service referred to a charge for late payment, Foraker has never imposed a late payment fee.

6. In 1996, the Commission received an informal complaint from a Foraker customer – the first complaint in Foraker's history – regarding a high bill. The bill amount questioned by the customer was the result of a regulator malfunction and the matter was quickly resolved to the customer's satisfaction. However, in the course of investigating the complaint, Staff took a different view with respect to the Commission's jurisdiction over the service involved, and, as a result, Foraker filed applications for approval of its user agreements with its residential and commercial customers and an application for approval of a proposed tariff, each of which was ultimately approved by the Commission in late 1998.[2]

7. As local production diminished, Foraker established a connection with a Columbia Gas Transmission Corporation transmission line to augment its gas supply, and, over time, has become more heavily dependent on contracts with independent suppliers to meet the needs of its customers. As a result, Foraker's fixed residential and commercial rates can (and

---

[2] *See Foraker Gas Company, Inc.*, Case Nos. 96-329-GA-AEC, 96-330-GA-AEC, and 96-328-GA-ATA.

have in the past) become woefully inadequate during periods of high gas prices. To address this market volatility problem, Foraker now wishes to unbundle its rates by incorporating a Commission-regulated purchased gas adjustment clause to recover its commodity costs, producing a rate structure consisting of a monthly customer charge, a base distribution rate, a GCR rate, and a gross receipts tax rider as shown in the proposed amendments to the residential and commercial gas user agreements attached hereto as Exhibits A and B, respectively. The GCR rate would be adjusted and trued up monthly in accordance with Rule 4901:1-14-05, OAC.

8. To make this change revenue neutral from the customer's standpoint, Foraker has retained its current $12.00 per month customer charge and has analyzed its 2012 sales volumes, billed revenues, and gas costs so as to break out the commodity cost component of its per-Mcf rates. With the gas costs removed, the indicated base distribution rate is $5.68 per Mcf for residential service and $6.42 per Mcf for commercial service. The workpapers supporting these calculations have been provided to Staff. The proposed initial GCR rate of $3.43 is based on the expected gas cost for the remainder of the current quarter (the three months ending September 30, 2013) as contemplated by the Appendix to Rule 4901:1-14-05, OAC. Thereafter, the GCR rate will be adjusted monthly in accordance with the procedures set forth in the Appendix.

9. The Commission has previously determined that Foraker's provision of service to its residential and commercial customers pursuant to individual contracts constitutes a reasonable arrangement under Section 4905.31, Revised Code, and Foraker's Commission-approved tariff specifically provides that its rates will be governed by Commission-approved contracts. By this application for approval of amendments to its gas user agreements, Foraker merely seeks to fine

tune this arrangement by incorporating a GCR rate, a measure which will permit it to weather increases in gas costs and which will benefit customers by reducing their bills when gas costs go down. The Commission has previously determined that an application by a natural gas distribution utility seeking to unbundle its existing per-Mcf tariffed rate by implementing a GCR rate to recover commodity costs falls under the provisions of Section 4905.302, Revise Code, and, thus, does not trigger the requirements of Sections 4909.18 and 4909.19, Revised Code.[3] Further, in this instance, because the methodology Foraker has employed to unbundle its rates is intended to make the transition to the GCR rate revenue neutral from the standpoint of the customer, the initial impact will have, at most, a minimal effec on the level of the individual customer's bill.

10. Copies of executed residential and commercial contract amendments for which Foraker seeks approval are attached hereto as Exhibits A and B, respectively. The amendments will be distributed to all customers that have not yet executed same, and will be accompanied by a customer notice in a form to be submitted to Staff for review. Upon approval of the proposed amendments, Foraker will file a revised bill format reflecting the inclusion of a GCR rate.

11. If the Commission finds that the amendments set forth in Exhibits A and B to the application represent reasonable arrangements pursuant to Section 4905.31, Foraker requests that the Commission, as a part of its order in this case, also pre-grant approval of any gas user agreements containing the rate structure set forth therein that Foraker may enter into with other residential and commercial customers in the future.

---

[3] *See In the Matter of the Application of Constitution Gas Transport Co., Inc.*, Case No. 05-1230-GA-GCR (Finding and Order dated November 25, 2005, at 2-3).

Upon approval by the Commission, the rates structure set forth in the amendments ı in place until such time as Foraker enters into new contracts with the affected and secures approval of such contracts from the Commission, or until Foraker a tariffed rate for residential and commercial service pursuant to an application filed ı Section 4909.18, Revised Code.

IEREFORE, Foraker respectfully requests that the Commission find that the ı should be granted pursuant to Section 4905.31, Revised Code, pre-grant approval of onal conforming user agreements as Foraker may enter into with other residential and ıl customers in the future, and establish a Foraker GCR docket.

Respectfully submitted,

FORAKER GAS COMPANY, INC.

Barth E. Royer
Bell & Royer Co., LPA
33 South Grant Avenue
Columbus, Ohio 43215-3927
614 228-0704 – Phone
614 228-0201 – Fax
BarthRoyer@aol.com – Email

Attorney for Foraker Gas Company, Inc.

EXHIBIT A

FORAKER GAS COMPANY, INC.

FIRST AMENDMENT TO RESIDENTIAL GAS USER AGREEMENT

This FIRST AMENDMENT TO GAS USER AGREEMENT is made and entered into this _4th_ day of September___2013 by and between Foraker Gas Company, Inc. ("SELLER") and

[redacted] ____ [redacted]____

(Name)

____New Lexington, OH 43764_____

Address)

("BUYER"), to amend the GAS USER AGREEMENT previously entered into by SELLER and BUYER (collectively, the "Parties").

WHEREAS, pursuant to the GAS USER AGREEMENT, SELLER charges BUYER a monthly customer charge of $12.00 per month, a fixed rate per Mcf for natural gas delivered to BUYER, and a charge to recover SELLER's Ohio gross receipts tax obligation; and

WHEREAS, the price of the natural gas delivered by SELLER to BUYER fluctuates over time, which means that the fixed rate per Mcf may under-recover or over-recover SELLER's cost of gas in any given period; and

WHEREAS, the Parties agree that it is in their mutual interest that the GAS USER AGREEMENT be amended to permit SELLER to incorporate a gas cost recovery ("GCR") rate to recover its actual cost of gas, said GCR rate to be subject to regulation by the Public Utilities Commission of Ohio ("PUCO");

NOW, THEREFORE, the Parties agree that the "Payment" section of the GAS USER AGREEMENT user agreement be amended to read as set forth below, or, if there is no "Payment" section in the GAS USER AGREEMENT, that the following language be incorporated in the GAS USER AGREEMENT:

PAYMENT.

Effective with bills rendered following PUCO approval of this FIRST AMENDMENT TO GAS USER AGREEMENT, SELLER shall charge BUYER the following rates and charges for natural gas service:

a. Monthly Customer Charge. SELLER shall charge a fixed monthly customer charge of $12.00 per meter per month regardless of the amount of gas if, any, consumed during the month.

b. Base Rate. SELLER shall charge a base distribution rate of $5.68 per Mcf of gas delivered.

c. Gas Cost Recovery Rate. SELLER shall charge a GCR rate to recover its actual cost of gas delivered, which shall be subject to the jurisdiction of, and regulated by, the PUCO, and which shall be adjusted monthly in accordance with PUCO rules.

d. Gross Receipts Tax Rider. SELLER shall charge a gross receipts tax rider rate reflecting SELLER's effective gross receipts tax rate on amounts billed by SELLER to recover SELLER's Ohio gross receipts tax liability.

e. Tax Change Adjustments. If, during the term of the GAS USER AGREEMENT, a governmental authority imposes a new tax, removes an existing tax, or increases or reduces the rate of an existing tax, the effect of which is to increase or reduce the annual tax liability of SELLER, SELLER shall be entitled to adjust its rates by implementing a new charge or, if applicable, eliminating or adjusting an existing charge, calculated so as to produce the pro forma annual revenues that will reflect the increase or decrease in the Company's annual tax liability.

Bills are payable upon receipt. If bill payment is not received at SELLER's office on or before the 15th day after the date of the postmark, a late payment charge will apply as provided in SELLER's PUCO tariff. Bills not paid within 60 days shall subject BUYER to disconnection under the disconnection procedures in the PUCO rules.

IN WITNESS WHEREOF, the Parties have affixed their signatures as of the day and year first written above.

FORAKER GAS COMPANY, INC.,	BUYER
SELLER	
Daniel G. Foraker, President	[redacted]

EXHIBIT B

FORAKER GAS COMPANY, INC.

FIRST AMENDMENT TO COMMERCIAL GAS USER AGREEMENT

This FIRST AMENDMENT TO GAS USER AGREEMENT is made and entered into this _5th_ day of September__, 2013 by and between Foraker Gas Company, Inc. ("SELLER") and

[redacted]
(Name)

New Lexington, OH 43764
(Address)

("BUYER"), to amend the GAS USER AGREEMENT previously entered into by SELLER and BUYER (collectively, the "Parties").

WHEREAS, pursuant to the GAS USER AGREEMENT, SELLER charges BUYER a monthly customer charge of $12.00 per month, a fixed rate per Mcf for natural gas delivered to BUYER, and a charge to recover SELLER's Ohio gross receipts tax obligation; and

WHEREAS, the price of the natural gas delivered by SELLER to BUYER fluctuates over time, which means that the fixed rate per Mcf may under-recover or over-recover SELLER's cost of gas; and

WHEREAS, the Parties agree that it is in their mutual interest that the GAS USER AGREEMENT be amended to permit SELLER to incorporate a gas cost recovery ("GCR") rate to recover its actual cost of gas, said GCR rate to be subject to regulation by the Public Utilities Commission of Ohio ("PUCO");

NOW, THEREFORE, the Parties agree that the "Payment" section of the GAS USER AGREEMENT user agreement be amended to read as set forth below, or, if there is no "Payment" section in the GAS USER AGREEMENT, that the following language be incorporated in the GAS USER AGREEMENT:

PAYMENT.

Effective with bills rendered following PUCO approval of this FIRST AMENDMENT TO GAS USER AGREEMENT, SELLER shall charge BUYER the following rates and charges for natural gas service:

a. Monthly Customer Charge. SELLER shall charge a fixed monthly customer charge of $12.00 per meter per month regardless of the amount of gas if, any, consumed during the month.

b. Base Rate. SELLER shall charge a base distribution rate of $6.42 per Mcf of gas delivered.

c. Gas Cost Recovery Rate. SELLER shall charge a GCR rate to recover its actual cost of gas delivered, which shall be subject to the jurisdiction of, and regulated by, the PUCO, and which shall be adjusted monthly in accordance with PUCO rules.

d. Gross Receipts Tax Rider. SELLER shall charge a gross receipts tax rider rate reflecting SELLER's effective gross receipts tax rate on amounts billed by SELLER to recover SELLER's Ohio gross receipts tax liability.

e. Tax Change Adjustments. If, during the term of the GAS USER AGREEMENT, a governmental authority imposes a new tax, removes an existing tax, or increases or reduces the rate of an existing tax, the effect of which is to increase or reduce the annual tax liability of SELLER, SELLER shall be entitled to adjust its rates by implementing a new charge or, if applicable, eliminating or adjusting an existing charge, calculated so as to produce the pro forma annual revenues that will reflect the increase or decrease in the Company's annual tax liability.

Bills are payable upon receipt. If bill payment is not received at SELLER's office on or before the 15th day after the date of the bill's postmark, a late payment charge will apply as provided in SELLER's PUCO tariff. Bills not paid within 60 days shall subject BUYER to disconnection under the disconnection procedures in the PUCO rules.

IN WITNESS WHEREOF, the Parties have affixed their signatures as of the day and year first written above.

FORAKER GAS COMPANY, INC.,
SELLER

Daniel G. Foraker, President

BUYER

[redacted]