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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of the Joint Application of)
 North Coast Gas Transmission LLC and)
 Suburban Natural Gas Company for)
 Approval of a Natural Gas Transportation)
 Agreement)

Case No. ~~06-1100-PL-AEC~~
 15-1265-PL-AEC

PUCO

JOINT APPLICATION

Suburban Natural Gas Company ("Suburban") and North Coast Gas Transmission Company LLC ("North Coast" or collectively "Applicants"), hereby submit a Joint Application for approval of an amendment to an existing natural gas transportation agreement ("Joint Application") that will terminate the contract.¹ Applicants further request authority for Suburban to recover the amortized termination fee and interest charges it incurs through Suburban's Gas Cost Recovery Rate as described below. This Joint Application is aligned with an Order of the Public Utilities Commission of Ohio requiring Suburban to reexamine its capacity contracts. The Joint Application serves the public interest, and is expected to reduce gas costs paid by Suburban's customers. Therefore, Applicants respectfully request the Commission approve the proposed amendment to the existing agreement. In support of the proposal, Applicants state the following:

1. On March 30, 2004, in Case No. 04-265-PL-ATA, the Public Utilities Commission of Ohio ("Commission") authorized North Coast to operate as an intrastate pipeline company in Ohio subject to the Commission's regulation.

2. Suburban is a public utility and a natural gas company providing service to customers in Ohio and is subject to the jurisdiction of this Commission under Sections 4905.02 and 4905.03, Revised Code.

¹ Pursuant to R.C. 4905.31(E).

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3. North Coast owns the rights to the Buckeye 425 Pipeline, the Buckeye 10-inch Pipeline, the Ashland 8-inch Pipeline and the Toledo-Marion 6-inch Pipeline. This system allows North Coast to operate across the northern tier of Ohio with interconnections into the Dominion East Ohio, Columbia Gas of Ohio, KNG Energy Service, and Suburban territories.

4. On July 17, 2006, Applicants entered into a Natural Gas Transportation Services Agreement (“Agreement”). The Agreement was approved by the Commission on February 7, 2007.

5. The Agreement was developed and executed in good faith by both parties. The Agreement was based on economic and financial circumstances existing at the time and provided benefits to both parties.

6. The Agreement enabled Suburban to utilize the Toledo-Marion pipeline for transportation of natural gas within the State of Ohio to supplement and diversify Suburban’s available supplies and suppliers of natural gas and to better fulfill Suburban’s supply obligations to customers.

7. The term of the Agreement commenced on November 1, 2008, and is currently scheduled to terminate on October 31, 2018. The existing Agreement requires Suburban to pay a monthly demand charge, regardless of whether any gas is delivered from North Coast to Suburban, plus a volumetric charge. For the reasons below, Suburban has not utilized and will not utilize resources from North Coast, thereby rendering the existing Agreement uneconomical for Suburban’s customers.

8. The Applicants, due to changes in supply, pricing and service logistics, jointly and respectfully request the Commission allow the parties to amend the terms of the Agreement by decreasing the contract period, thereby terminating the Agreement.

9. Under the proposal, Suburban would pay an early termination fee to buy out the remainder of the Agreement from North Coast. The buyout would be amortized over a period of sixty months with the amortization to be included in the ECG component of Suburban's GCR calculation and would reduce monthly gas costs paid by Suburban's customers. Thus, the Applicants request Commission approval for recovery by Suburban of the amortized termination fee and interest charges through Suburban's GCR rate.

10. North Coast is amenable to the early termination of the contract and the proposed fee agreement. North Coast's obligation to serve Suburban's system would cease as of the date of the termination of the Agreement.

11. Suburban would continue to have access to adequate gas supply and maintain a diversity of suppliers, including resources from the Appalachian Basin. These resources will allow Suburban to continue to provide reliable service and optimal pricing to its customers. These resources are consistent with the Company's long-term strategic supply plan.

12. Therefore, the Applicants respectfully request that the Commission consider and approve the amendment² for the following reasons:

I. Termination of the Agreement is in Alignment with the Commission's Recent Order in Case Number 14-216-GA-GCR Requiring Suburban to "evaluate the necessity for any and all capacity contracts when they near expiration."

13. The Application is aligned with the Commission's recent Order in Suburban's last Gas Cost Recovery ("GCR") case.

14. In the Order, the Commission highlighted the Staff's finding and recommendation that Suburban evaluate the "necessity for any and all capacity contracts":

Because Suburban has far greater capacity entitlements than what is necessary to serve its customers' loads, Staff recommended that Suburban continue to monitor customer growth and the amount of capacity required to serve its customers. Staff

² The proposed amendment is attached as Attachment A.

urged Suburban to evaluate the necessity for any and all capacity contracts when they near expiration.³

15. The Commission approved the stipulation⁴ between the Staff and the Company. The stipulation included the requirement that Suburban “monitor customer growth and the amount of capacity required to serve its customers and evaluate the necessity for each capacity contract when it is near expiration.”⁵

16. For reasons discussed below, this transportation agreement is not being utilized by Suburban to serve its customers and will not be utilized for the remainder of the current contract term. Thus, upon the Commission’s approval, the parties will terminate the Agreement. Under the Applicants’ proposed amendment, Suburban will address Staff’s concern noted above by terminating a capacity contract that no longer fits its gas supply planning prior to its expiration date.

17. Approval of the Joint Application will provide Suburban’s customers with a reduction in the EGC Component of Suburban’s GCR rate.

II. Termination of the Contract will Reduce Expected Gas Costs paid by Suburban’s Customers in Gas Cost Recovery Rates.

18. The payment to North Coast from Suburban would be a lump-sum payment. Suburban would access a currently approved debt facility to fund the payment amount and amortize the termination payment over a 60-month period.

³ *In the Matter of the Regulation of the Purchased Gas Adjustment Clauses Contained Within the Rate Schedules of Suburban Natural Gas Company and Related Matters*, Case No. 14-216-GA-GCR, Commission Opinion and Order at 4 (February 3, 2015).

⁴ Order at 9 (Feb. 3, 2015).

⁵ *In the Matter of the Regulation of the Purchased Gas Adjustment Clauses Contained Within the Rate Schedules of Suburban Natural Gas Company and Related Matters*, Case No. 14-216-GA-GCR, Commission Opinion and Order at 6 (February 3, 2015).

19. The 60-month amortization of the termination fee and associated interest charges would be included in with Suburban's current GCR rate and recovered through the modified GCR rate.

20. The termination of demand charges otherwise payable under the contract, and payment of the lower termination fee would reduce the monthly GCR rate paid by Suburban's customers. Thus, in addition to compliance with the Commission's Order to shed capacity, approval of this proposal will lower costs for Suburban's customers.

21. The proposed amendment will not compromise system reliability for Suburban's customers.

III. Termination of the Agreement will serve the Public Interest by Ensuring Reliable Delivery of Gas to Suburban's Customers.

22. Several changes have occurred since 2006 which render the current agreement impracticable for Suburban and its customers.

23. Suburban's customer base has grown by more than 5,000 customers. Most of this growth has occurred at the Southern end of Suburban's service area in southern Delaware County.

24. In order to serve these customers with natural gas supplied from North Coast, which enters the Company's distribution system from the North, Suburban would be required to lower system pressure in the southern portions of its pipeline system below acceptable levels. Thus, any appreciable utilization of the current Agreement jeopardizes system reliability to Suburban's customers, particularly in periods of extended, extreme cold weather.

25. Since 2006, the quantities and quality of available gas from the Eastern Utica Shale have increased to the point that the prices are lower and the delivery is consistent.

Suburban currently is able to access this Eastern gas supply from different points on its system that do not require pipeline system pressure reductions.

26. In contrast, North Coast receives and transports its gas from the West. In addition to system pressure concerns, this gas is currently priced significantly higher than natural gas transported by suppliers from the East. For the combination of these reasons, Suburban has not shipped gas through North Coast under this agreement for over a year.

27. Thus, as the Joint Application demonstrates, this amendment allows Suburban to maintain system reliability and lower supply prices for its customers.

28. Ohio Revised Code Section 4905.31(E) allows for agreements between utilities to establish reasonable arrangements that may include "Any [...] financial device that may be practicable or advantageous to the parties interested." As the above Application demonstrates, this amendment to the existing natural gas transportation services agreement is such a device that is practicable to the Joint Applicants and advantageous to Suburban's customers.

WHEREFORE, Suburban Natural Gas Company and North Coast Transmission LLC, respectfully request that the Commission approve this Application to amend the Natural Gas Transportation Services contract as submitted by the Joint Applicants, and to allow recovery of the amortized termination costs including financing costs incurred through Suburban's GCR rate.

Respectfully submitted,

/s/ Christopher J. Allwein

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