

July 9, 2015

Ms. Barcy McNeal, Secretary  
Docketing Division  
Public Utilities Commission of Ohio  
180 E Broad Street, 11<sup>th</sup> Floor  
Columbus, Ohio 43215-3793

RE: PUCO Case No. 15-1265-PL-AEC: *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.*

Dear Ms. McNeal,

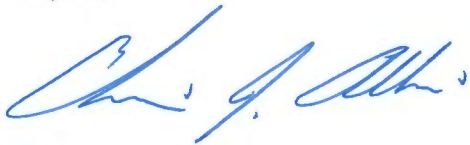
Attached please find a revised version of the Joint Application by Suburban Natural Gas Company and North Coast Gas Transmission LLC filed in Active Case No. 15-1265-PL-AEC. The revisions consist of: 1. The active case number added to the case caption, and; 2. The words "in Related Case No. 06-1100-PL-AEC" inserted at the end of the fourth paragraph.

A new case number and reference to the related case number are necessary because the original case (06-1100-PL-AEC) was improperly archived and attempted filings were not accepted by the Docketing Information System. Efforts by the staff to quickly resolve these issues were appreciated.

The revised Joint Application also contains the public (redacted) version of the proposed second amendment to the original transportation agreement. The original agreement was approved by the Commission on February 7, 2007, in the related case.

Please feel free to contact me with any questions or concerns regarding this submission.

Thank you,



Christopher J. Allwein

ATTACHMENTS

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Joint Application of )	
North Coast Gas Transmission LLC and )	
Suburban Natural Gas Company for )	Case No. 15-1265-PL-AEC
Approval of a Natural Gas Transportation )	
Agreement )	

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**REVISED JOINT APPLICATION**

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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.<sup>1</sup> 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.

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<sup>1</sup> Pursuant to R.C. 4905.31(E).

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, in Related Case No. 06-1100-PL-AEC.

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 amendment<sup>2</sup> 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

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<sup>2</sup> The proposed amendment is attached as Attachment A.

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

15. The Commission approved the stipulation<sup>4</sup> 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.”<sup>5</sup>

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.

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<sup>3</sup> *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).

<sup>4</sup> Order at 9 (Feb. 3, 2015).

<sup>5</sup> *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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**Attorney for Suburban Natural Gas Company**

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**Attorney for North Coast Transmission, LLC**



**SECOND AMENDMENT**

**TO THE NATURAL GAS TRANSPORTATION SERVICE AGREEMENT**

**BY THIS AGREEMENT**, executed this 8<sup>th</sup> day of July 2015, between North Coast Gas Transmission, LLC ("North Coast") and Suburban Natural Gas Company ("Shipper"), collectively sometimes referred to as the "Parties", for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, do hereby recite and agree as follows:

RECITALS

WHEREAS, the Parties entered into a Natural Gas Transportation Service Agreement dated July 17, 2006 ("Agreement") and service commenced under the Agreement; and

WHEREAS, the Parties amended certain terms and conditions of the Agreement that became effective November 1, 2013; and

WHEREAS, due to changes in supply, pricing and service logistics, the parties seek to amend certain terms and conditions of the Agreement to become effective August 1, 2015.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Parties agree as follows:

1. Paragraph 6.5 is hereby amended so that written notice to the Parties will be provided to:

<p>Suburban Natural Gas Company 2626 Lewis Center Road Lewis Center, OH 43215 Attn: Andrew J. Sonderman Facsimile; (740) 548-2455 <a href="mailto:asonderman@sngco.com">Email: asonderman@sngco.com</a></p>	<p>North Coast Gas Transmission, LLC 445 Hutchinson Avenue, Ste 830 Columbus, Ohio 43235 Attn: Jerry Westerfield Facsimile: (614) 505-7212 <a href="mailto:jwesterfield@somersetgas.com">jwesterfield@somersetgas.com</a></p>
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2. Paragraph 4.1 is hereby amended to include the sentence:

"Upon mutual agreement, the Parties may terminate this agreement prior to the completion of the Primary Term, in accordance with Paragraph 8.10."

3. The following paragraph is added to Section VIII of the Agreement:

“8.10 Upon mutual agreement, the Parties may terminate this agreement prior to the completion of the Primary Term. Termination of this agreement is subject to and may be executed only after receiving PUCO approval to terminate the agreement, pursuant to Section 4905.31, Revised Code. PUCO approval must include cost recovery of all termination fees and associated costs and approval must be as requested by the Shipper or by the Parties and without material modification by the PUCO. Associated costs include interest associated with any amortization requested or required by the Shipper. Upon receipt of PUCO approval, termination is completed by: (a) the Shipper’s tender to North Coast of an amount equal to [REDACTED]  
[REDACTED]  
[REDACTED] if the effective date of PUCO approval is later than August 1, 2015; and (b) North Coast’s receipt of the calculated amount tendered by Shipper.”

4. Except as herein provided, all other terms and conditions of the Agreement shall remain in full force and effect,

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the date set forth above.

NORTH COAST GAS TRANSMISSION,  
LLC

By:



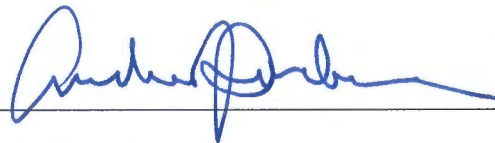
Michael Calderone  
President and Chief Executive Officer

Date:

July 8, 2015

SUBURBAN NATURAL GAS COMPANY

By:



Andrew J. Sonderman  
President and Chief Operating Officer

Date:

July 8, 2015

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**7/9/2015 12:32:35 PM**

**in**

**Case No(s). 15-1265-PL-AEC**

Summary: Correspondence , Revised Application and Public (REDACTED) Version of the Proposed Amendment to the Natural Gas Transportation Agreement electronically filed by Mr. Christopher J. Allwein on behalf of Suburban Natural Gas Company and North Coast Gas Transmission LLC