

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Suburban Natural Gas Company for)	
Approval of an Alternative Rate Plan)	
Not for an Increase in Rates)	Case No. 17-594-GA-ALT
Proposing to Initiate a Revenue Decoupling)	
Mechanism Which Provides for a Straight)	
Fixed Variable Rate Design)	

**APPLICATION OF
SUBURBAN NATURAL GAS COMPANY
FOR APPROVAL OF AN ALTERNATIVE RATE PLAN
NOT FOR AN INCREASE IN RATES
PROPOSING A REVENUE DECOUPLING MECHANISM**

Pursuant to Sections 4905.02, 4929.051, and 4909.18 of the Revised Code, applicant, Suburban Natural Gas Company ("Suburban" or "Applicant"), hereby files an application for approval of an alternative rate plan, not for an increase in rates. In support thereof, Suburban respectfully states:

1. Suburban is a public utility and a natural gas company as those terms are defined by Sections 4905.02 and 4905.03(E) of the Revised Code, and therefore is subject to the jurisdiction of the Public Utilities Commission of Ohio ("Commission").

2. This Application is made pursuant to Sections 4929.05, 4929.051, and 4909.18 of the Revised Code and Rules 4901:1-19-02(C), 4901:1-19-06, and 4901:1-19-13 of the Ohio Administrative Code (O.A.C.), which permit a natural gas company to file an application for approval of an alternative rate plan proposing to initiate a revenue decoupling mechanism which provides for a Straight Fixed Variable ("SFV") rate design as an application not for an increase in rates.

3. Suburban provides natural gas service to approximately 16,758 customers in two

distinct distribution systems in northwest and central Ohio. The northwest Ohio system (hereinafter, "CORE") serves approximately 4,059 customers located in Henry, Lucas and Wood Counties. Suburban maintains an operations and customer service center in Cygnet. Suburban's central Ohio system (hereinafter, "SCOL") serves approximately 12,699 customers in Delaware and Marion Counties. Its headquarters, an administrative office, and operations center are located in Lewis Center, Ohio.

4. As required by Rule 4901:1-19-06(A), O.A.C., a Notice of Intent to file this Application for approval of an alternative rate plan pursuant to Sections 4929.05 and 4929.051(A), Revised Code, was served upon the Staff of the Commission on February 28, 2017. See Exhibit I.

5. Suburban's current distribution base rates were established by the Commission's Opinion and Order issued March 19, 2008, in Case No. 07-689-GA-AIR.¹ Those rates were based on a test year of the twelve months ending July 31, 2007, and a date certain of December 31, 2006.

6. The test year sales volumes upon which the base rates in Case No. 07-689-GA-AIR were established consisted of 1,442,134 thousand cubic feet (Mcf) for all customers. In its March 19, 2008 Opinion and Order in Case No. 07-689-GA-AIR, the Commission authorized a rate of return of 8.97 percent which, when applied to the jurisdictional rate base of \$10,704,240, resulted in allowable net operating income of \$960,170. This was based on allowable annual expenses of \$21,067,332, and allowable gross annual operating

¹*In the Matter of the Application of Suburban Natural Gas Company for Authority to Increase its Rates and Charges in Certain Areas of its Service Territory*, Case No. 07-689-GA-AIR, Opinion and Order (March 19, 2008).

revenue of \$22,027,502.² See Attachment NMC-1 to Nichole M. Clement's direct testimony filed contemporaneously with this Application.

7. By its Opinion and Order entered on June 29, 2011 in Case No. 08-947-GA-ABN,³ Suburban was authorized to abandon service through transmission and distribution facilities serving the villages of Deshler, Hamler, Holgate, Hoytville, and Malinta, which had previously been owned by the villages and leased to Suburban (hereinafter, "Deshler System"). Deshler System customers' average consumption per degree day for the twelve months ending December 2010 was approximately 14 percent more than the average consumption per degree day for customers served by the SCOL system.

8. Since the abandonment of the Deshler System, the CORE system's consumption per degree day has dropped from .177 centum cubic feet (Ccf) per customer degree day for the twelve months ending December 2010 to .159 Ccf per customer degree day for the twelve months ending December 2016.

9. In the SCOL system, Suburban's Ccf per customer degree day in 2007 was .2131, largely influenced by the significant commercial load in the Polaris development in southern Delaware County. By 2010, consumption per degree day in SCOL had dropped to .165. This was a period of significant residential growth on Suburban's SCOL system. That trend has continued since 2010. As a result, consumption per degree day has continued its decline, from .165 Ccf per customer degree day for the twelve months ending December 2010, to .134 Ccf per customer degree day for the twelve months ending December 2016.

10. Because of the significant customer growth Suburban has experienced from

² Id. at 8.

³ *In the Matter of the Application of Suburban Natural Gas Company for Authority to Abandon Service Pursuant to Sections 4905.20 and 4905.21, Revised Code*, Case No. 08-947-GA-ABN (June 29, 2011).

approximately 14,882 customers for the 2007 test year level to approximately 16,758 customers today, the drop in consumption per customer degree day results primarily from more energy efficient homes and conservation efforts by Suburban's customers in response to volatile commodity prices.

11. Approximately 98 percent of Suburban's 16,758 customers are residential and small commercial and, therefore, heat-sensitive. Suburban's currently effective tariff includes a General Service rate schedule for all retail sales customers. Transportation customers receive delivery service under a Transportation Service tariff or special arrangements approved by the Commission.

12. Because the rate design adopted in Suburban's last rate case was primarily based on volumes delivered to customers during the test year, the failure to attain those same delivered volumes despite consistently strong growth in the number of customers served has caused a significant revenue shortfall for Suburban. The current rate design for Suburban customers has only two components: a volumetric rate which is applied to the quantity of natural gas each customer consumes and a fixed monthly customer charge. The monthly customer charge captures only the cost of metering and billing. Thus, the erosion in volumes delivered to customers in most recent years has created a severe underfunding of Suburban's ability to meet maintenance costs, working capital, and investment capital necessary to ensure high quality, safe natural gas service, and has hindered Suburban's opportunity to earn the reasonable rate of return established in its 2007 rate case.

13. Suburban's current rate design is unjust and unreasonable. Under traditional natural gas rate design, including Suburban's current rate design, a relatively small proportion of Suburban's fixed costs are allocated to a low fixed monthly customer charge, with the remaining

fixed costs recovered through a higher variable usage component. Thus, the ability of Suburban to recover its fixed distribution service costs hinges in large part on its actual gas sales, even though Suburban's distribution costs are essentially fixed regardless of how much gas is sold. As acknowledged on multiple occasions by the Commission and the Supreme Court of Ohio, the natural gas market currently is characterized by volatile prices, which is one reason customers have increased their efforts to conserve gas on historic levels.⁴ Additionally, unpredictable variations in weather and temperature, particularly warmer winters that result in decreased volumetric gas sales, expose Suburban to the substantial risk of depleted revenues that do not allow Suburban to recover its fixed distribution service costs. Approximately 98 percent of Suburban's total load consists of heat-sensitive residential and small commercial customers. Suburban only can recover its authorized revenues when temperatures are normal or colder than normal; Suburban's revenues are significantly depressed in warmer winters, which have been increasingly frequent. The above factors have significantly eroded Suburban's revenues, despite strong customer additions. The current tariff pages (redlined) are attached as Exhibit B. The risk of weather variations that impact both the company (in warmer than normal winters) and its customers (in colder than normal winters) as well as the subsidization of lower usage customers by higher usage customers can be avoided by the approval in this proceeding of a SFV rate design, which has been adopted uniformly in a number of gas utility rate cases over the last decade.

⁴ *In the Matter of the Application of Eastern Natural Gas Company for Approval of an Alternative Rate Plan Proposing a Revenue Decoupling Mechanism*, Case Nos. 08-940-GA-ALT and 08-941-GA-ALT, Opinion and Order at 14 (June 16, 2010); *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 07-1080-GA-AIR, et al., Opinion and Order at 11-15 (January 7, 2009); *In re Columbia Gas of Ohio, Inc.*, Case No. 08-72-GA-AIR, Opinion and Order at 16-17, 19-20 (December 3, 2008); *In re The East Ohio Gas Company, dba Dominion East of Ohio*, Case No. 07-829-GA-AIR, et al., Opinion and Order at 22 (October 15, 2008); *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Rates*, Case No. 07-589-GA-AIR, Opinion and Order at 17 (May 28, 2008); see also *Ohio Consumers' Counsel v. Pub. Util. Comm.*, 2010-Ohio-134, 125 Ohio St. 3d 57, 926 N.E.2d 261 (Ohio 2010); *Ohio Consumers' Counsel v. Pub. Util. Comm.*, 2010-Ohio-6239, 127 Ohio St. 3d 524, 941 N.E.2d 757 (Ohio 2010).

14. In the Staff Report submitted in Case No. 07-689-GA-AIR on January 9, 2008, Staff supported the Company's proposed monthly customer charge of \$9.18, but acknowledged that its analysis supported a higher customer charge, and stated "it should be noted that the Commission Staff would like to see the Applicant move towards a 'Straight Fixed Variable Costing' methodology for future customer charge calculation."⁵

15. Suburban believes that by initiating a revenue decoupling mechanism, which provides for a SFV rate design in this proceeding, it can both recoup its legitimate costs and support energy conservation by its customers. Currently, energy conservation by its customers directly and adversely affects Suburban's ability to recoup its reasonable expenses and earn a reasonable return on investment.

16. A SFV rate design is permitted under Ohio law and has been adopted by the Commission in several cases identified herein. Section 4929.05, Revised Code, provides that, as part of an application filed pursuant to Section 4909.18, Revised Code, a natural gas company may request approval of an alternative rate plan. An application filed under Section 4909.18, Revised Code, may be for an increase in rates or not for an increase in rates. Section 4929.051(A), Revised Code, states that an alternative rate plan filed under Section 4929.05, Revised Code, and proposing a "revenue decoupling mechanism," may be an application not for an increase in rates, if the proposed rates are based upon the billing determinants and revenue requirement from the company's most recent rate case proceeding and the plan establishes, continues, or expands an energy efficiency or energy conservation program. "Revenue decoupling mechanism" means "a rate design or other cost recovery mechanism that provides recovery of the fixed costs of service and a fair and reasonable rate of return, irrespective of

⁵ *In the Matter of the Application of the Suburban Natural Gas Company for Authority to Increase its Rates and Changes in Certain Areas of its Service Territory*, Case No. 07-689-GA-AIR, Staff Report at 22 (Jan. 9, 2008).

system throughput or volumetric sales.” Section 4929.01(O), Revised Code.

17. The Commission has expressly determined that Sections 4929.05 and 4929.051, Revised Code, authorize a decoupling mechanism in the form of a Straight Fixed Variable Rate Design:⁶

Section 4929.05, Revised Code, provides that, as part of an application filed pursuant to Section 4909.18, Revised Code, a natural gas company may request approval of an alternative rate plan. An application filed under Section 4909.18, Revised Code, can either be for an increase in rates or not for an increase in rates. Section 4929.051, Revised Code, states that an alternative rate plan filed under Section 4929.05, Revised Code, and proposing a revenue decoupling mechanism may be an application not for an increase in rates, if the proposed rates are based upon the billing determinants and revenue requirement from the company's most recent rate case proceeding and the plan establishes, continues, or expands an energy efficiency or energy conservation program.

* * *

In considering the stipulation and the transition to an SFV rate design, the Commission notes that, historically, natural gas rate design included a modest customer charge which only covered a portion of the fixed costs, such as metering charges, but recovered other fixed charges through a volumetric rate that added to the cost of the natural gas itself. That rate structure, while not truly cost-reflective, gave the utility an opportunity to recover its revenue requirement as long as gas consumption was at or above the level upon which rates were based. However, as we noted in *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Rates*, Case No. 07-589-GA-AIR, Opinion and Order, at 17 (May 28, 2008), (Duke Rate Case) and in other recent gas alternative rate cases, as we do in these two cases, conditions in the natural gas industry have changed markedly in the past several years. The volatile and sustained price increases that now characterize the natural gas market have led customers to increase conservation efforts. The resulting decrease in sales has negatively impacted the ongoing financial stability of Eastern and Pike, as well as their ability to attract new capital to invest in their networks. The erosion in sales also discourages Eastern and Pike from promoting energy efficiency and conservation. The Commission has determined previously, and does so again today, that a rate design which begins to separate or "decouple" a gas company's recovery of its cost of delivering the gas from the amount of gas customers actually consume is necessary to align the new market realities with important regulatory objectives. We believe it is in the interest of all customers that Eastern and Pike have adequate and stable revenues to pay for the costs of their operations and capital and to ensure the continued

⁶*In the Matter of the Application of Eastern Natural Gas Company for Approval of an Alternative Rate Plan Proposing a Revenue Decoupling Mechanism*, Case Nos. 08-940-GA-ALT and 08-941-GA-ALT, Opinion and Order at 2, 14-16 (June 16, 2010) (Eastern and Pike SFV Case).

provision of safe and reliable service. We further believe that there is a societal benefit to promoting conservation by altering a company's rate design to diminish the current built-in incentive to increase gas sales. A rate design that prevents a company from embracing energy conservation efforts is not in the public interest.

* * *

While the Commission agrees that it is appropriate and beneficial for these companies to move towards a SFV rate design, we find that the proposals should be modified to reflect a two-year transition, similar to our determinations in the Duke Rate Case and the other previous gas alternative rate cases wherein the SFV rate design was adopted. The Commission recognizes that, with this change in rate design, as with any change, some customers will benefit while other customers will be worse off, as compared with the existing rate design. The levelized rate design will impact low usage customers more, since those customers have not been paying their entire share of fixed costs under the existing rate design. Higher-use customers, who have been overpaying their share of fixed costs, will actually experience a rate reduction. Customers in the middle ranges will see only slight adjustments to their bills. The Commission is sensitive to the impact of any rate increases on customers, especially during these tough economic times. Phasing in the new rate design over a two-year period will help mitigate the impact of the increase faced by low-usage customers.

18. Consistent with the Commission's decision in the Eastern and Pike SFV Case approving SFV rate designs and the Staff's recommendation in Suburban's 2007 rate application, Suburban seeks to decouple its rates and initiate a SFV rate design without filing an application for an increase in rates by using the billing determinants from a more recent 12-month period that included a normal weather heating season to restructure rates that produce revenues which do not exceed the revenue level generated in that more recent year and by establishing an energy efficiency or energy conservation program.

19. Through its Application, Suburban is also proposing to bifurcate the General Service schedule into two rate schedules: Small General Service or SGS (residential/small commercial customer accounts with annual consumption less than 300 Mcf); and Large General Service or LGS (large commercial and industrial customer accounts with consumption of annual 300 Mcf or greater).

20. Because the revenue effects of current conservation and warmer than normal winters on Suburban are acute, Suburban proposes to use the billing determinants and revenue level generated from a more recent “normal” heating season, the year ending December 2013, but to alter the rate design so that more of the revenue is based on the fixed monthly customer charge and less comes from the volumetric charges. The movement toward a SFV rate design would produce revenues at the same level achieved in the 12-month period ending December 2013 by using the billing determinants authorized in the last rate case, but achieved with much lower consumption of natural gas. This was the approach approved by the Commission in the Eastern and Pike SFV Case cited herein.

21. Utilizing its current rate design approved in its last rate case, Suburban had 15,525 total customers, 1,726,826 Mcf of throughput, and generated \$6,587,196.74 in base revenues for the twelve months ending December 2013.

22. Under Section 4909.18, Revised Code, Suburban could have chosen to file an application to increase rates in order to address both the need to meet prudently incurred operation and maintenance expenses, earn an equitable return, and revise the rate design. However, such a course of action may not be optimal for Suburban’s customers, who ultimately would bear the expense of a rate case which, given Suburban’s small size, is disproportionate to the lower cost for customers of a larger utility on a per capita basis.

23. The proposed SFV rate design will reduce the linkage between volumes sold and cost recovery by increasing the fixed monthly customer charge and reducing the volumetric rate. This application recognizes the concept of gradualism and the need to mitigate any impact of the rate design change on low-usage customers, who essentially have been subsidized by high usage customers under the current rate design, by proposing that the new SFV rate design be phased in

over a two-year period as explained below.

For Small General Service customers, Suburban proposes a 225 percent increase in its monthly customer charge from \$9.18 to \$29.81 over a two-year period. In the first year, the monthly customer charge would be \$19.50, which is an increase of 112 percent over the current monthly charge. In the second year, the monthly customer charge would be \$29.81, which is an increase of approximately 53 percent over the first year monthly charge. For Large General Service customers, Suburban proposes to establish a monthly customer charge of \$150.00 over a two-year period. In the first year, the monthly customer charge would be \$79.59 and it would increase to \$150.00 for the second year.

Volumetric base rates for Small General Service customers would be eliminated over the same two-year period. In the first year, the volumetric base rate would be reduced by approximately 50 percent from \$2.84029 per Mcf to \$1.41937371 per Mcf. In the second year, the volumetric base rate would be reduced by 100 percent from the first year's reduction, from \$1.41937371 to \$0.00.

Volumetric base rates for Large General Service customers would be reduced over the same two-year period. In the first year, the volumetric base rate would be reduced by approximately 18 percent from \$2.84029 per Mcf to \$2.33622840 per Mcf. In the second year, the volumetric base rate would be reduced by 22 percent from the first year's reduction, from \$2.33622840 to \$1.83216680.

The above-proposed rates and percentages do not reflect the amount to be added as a monthly rider to the customer charges which will help fund the proposed energy efficiency pilot program described below.

24. The calculated actual unadjusted rate of return for Suburban for the twelve-months ending December 2013 is 6.88 percent. The rate of return generated by the proposed rates would be identical because the proposed rate design has been calculated to be revenue neutral in 2013 when compared to the rate of return generated in 2013 based upon the currently effective rate design. The 6.88 percent rate of return is less than the 8.97 percent rate of return authorized in Case No. 07-689-GA-AIR.

25. Section 4929.051(A), Revised Code, requires the establishment, continuation, or expansion of an energy efficiency or energy conservation program. Suburban does not currently have such a program. As part of this Application, Suburban proposes that an Energy Efficiency Program (“EEP”) Pilot, as well as a fixed, monthly customer charge to fund the EEP Pilot, be established and approved. Under the proposal, Suburban requests that the EEP Rider be set at an initial rate of \$0.00. Suburban envisions targeting the EEP to weatherization of highest usage residences of residential consumers who participate in its PIPP program. The increased energy efficiency of such residences will benefit all customers by reducing arrearages that ultimately are paid by all other customers. Suburban would work with Staff, the Office of the Ohio Consumers’ Counsel, and stakeholders from Community Action Agencies in Delaware, Marion, and Wood Counties to structure the EEP Pilot, including the identification of the monthly rider charge. Suburban proposes to submit this initial rider charge for approval by the Commission within four months after approval of the Application in this proceeding.

26. The typical Suburban residential customer uses 857 Ccf of gas a year. Under the existing rates approved in Case No. 07-689-GA-AIR and applying the average residential consumption curve, the average residential customer would pay distribution service rates of \$353.57 per year. Under the proposed SFV rate design, the annual cost for an average residential

customer would be \$355.64 in the first phase-in year and \$357.72 in the second phase-in year. For a residential customer consuming only 429 Ccf a year (half the average), the increase would be \$62.88 in the first phase-in year (a 27 percent increase) and \$62.83 in the second phase-in year (a 21 percent increase).

The average Suburban commercial customer would consume 16,762 Ccf per year and under current rates would pay distribution service rates of \$4,871.05. Under the proposed SFV rate design, the annual cost to an average commercial customer would be identical to costs under the current rates.

27. Because this Application does not seek an increase in rates, Suburban will not be filing a notice of intent or a prefiling notice or complete other standard filing requirements for such rate increase applications under Section 4909.18(A)-(D), Revised Code, or Appendix A or Rule 4901-7-01, O.A.C. However, Suburban proposes to provide notice of this Application and provide for an opportunity for a hearing if the Commission deems a hearing necessary. Suburban proposes that the Commission authorize it to provide the customer notice set forth in Exhibit H to this Application as a bill insert or by other appropriate means.

28. Pursuant to Section 4929.05(A)(1), Revised Code, and as explained in Exhibit F, Suburban is in compliance with Section 4905.35, Revised Code, and is in substantial compliance with the policy of this state specified in Section 4929.02, Revised Code. Suburban will not make or give any undue or unreasonable preference or advantage to any person, firm, corporation, or locality or subject any person, firm, corporation, or locality to any undue or unreasonable prejudice or disadvantage. Suburban offers its regulated services to all similarly situated consumers. Suburban does not condition or limit the availability of any regulated services or goods or condition the availability of a discounted rate or improved quality, price,

term, or condition for any regulated services or goods, on the basis of the identity of the supplier of any other services or goods or on the purchase of any unregulated services or goods from Suburban.

29. Pursuant to Section 4929.05(A)(2), Revised Code, Suburban is expected to continue to be in substantial compliance with the policy of this state specified in Section 4929.02, Revised Code, after implementation of the alternative rate plan. Suburban currently promotes the availability to consumers of adequate, reliable, and reasonably priced natural gas services and will continue to do so after implementation of this alternative rate plan. See Exhibit F.

30. The approval of the SFV rate design as described in Exhibit C and as set forth in the proposed tariffs, Exhibit A, is just and reasonable. The approval of the EEP program, as well as the corresponding EEP Rider, is also just and reasonable. The implementation of both a SVF rate design and EEP Pilot will allow Suburban to continue its promotion of conservation and at the same time allow it to recover the revenues necessary to earn a reasonable rate of return, consistent with Section 4929.051, Revised Code.

31. Suburban submits this Application pursuant to Sections 4929.05 and 4929.051, Revised Code. Exhibits A through I are attached to this Application and are incorporated herein.

32. As required by Rule 4901:1-19-06(B)(1), O.A.C., supporting testimony is being filed with the Application and Exhibits. See Exhibit G for the list of witnesses sponsoring the Exhibits. Additionally, the Application has been served on the Office of the Ohio Consumers' Counsel and all parties of record in Suburban's last rate case proceeding. Rule 4901:1-19-06(B)(2), O.A.C.

33. As required by Rule 4901:1-19-06(B)(1), O.A.C., Suburban will make available at its principal business office, 2626 Lewis Center Road, Lewis Center, Ohio 43035, and on its website, a copy of its alternative regulation plan for public inspection.

34. Given the importance of implementing a rate design that promotes conservation by eliminating any incentive to increase gas sales, and to provide customers with the benefit during the 2017-18 winter heating season of the reduction in the volumetric charge, Suburban requests implementation of the proposed alternative rate plan by October 1, 2017. To this end, Suburban proposes the following procedural schedule:

- (a) June 26, 2017: Deadline for the filing of the Staff Report.
- (b) July 26, 2017:
 - (i) Deadline for intervention.
 - (ii) Deadline for the filing objections to the Staff Report.
- (c) August 9, 2017: Deadline for the service of discovery requests.
- (d) August 16, 2017: Deadline for the filing of intervenors' and Staff's direct testimony.
- (e) August 23, 2017: An evidentiary hearing if necessary.

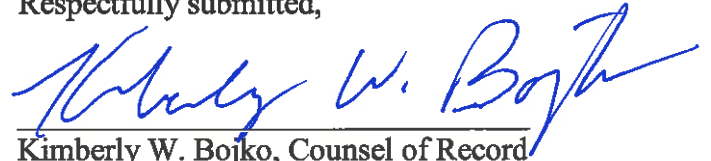
WHEREFORE, Suburban Natural Gas Company respectfully requests that the Commission:

- (a) Accept this Application for filing;
- (b) Find that this Application, and the information contained and incorporated herein, is an application not for an increase in rates that complies with Sections 4909.18, 4929.05(A), and 4929.051(A), Revised Code, and with the applicable Ohio Administrative Code provisions;

- (c) Find that the current rate plan is unjust, unreasonable, and insufficient to yield reasonable compensation to Suburban for the gas service rendered;
- (d) Find that the proposed alternative rate plan proposing to initiate a revenue decoupling mechanism which provides for a SFV rate design and the proposed rates, prices, and charges in the SFV rate design are just and reasonable and, therefore, find that a hearing on the application is not necessary;
- (e) Find that Suburban is in compliance with Section 4905.35, Revised Code, and in substantial compliance with the state policies specified in Section 4929.02, Revised Code; and that Suburban is expected to continue to be in substantial compliance with the state policies specified in Section 4929.02, Revised Code, after its alternative rate plan is implemented;
- (f) Find that the proposed alternative rate plan establishes an energy efficiency or energy conservation program;
- (g) Fix a date, prior to October 1, 2017, on or after which service provided is subject to the proposed alternative rate plan so that the alternative rate plan may take effect for the 2017-18 winter heating season;
- (h) Authorize Suburban to provide notice of this Application; and

- (i) Approve the proposed tariff pages (Exhibit A), including the alternative rate plan proposing to initiate a revenue decoupling mechanism that provides for a SFV rate design and the EEP Pilot program.

Respectfully submitted,



Kimberly W. Bojko, Counsel of Record

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Company

VERIFICATION

STATE OF OHIO)
COUNTY OF DELAWARE) ss

I, Andrew J. Sonderman, President of Suburban Natural Gas Company, verify that the information contained in this Application is true and correct to the best of my knowledge.


Andrew J. Sonderman, President

Sworn before me and subscribed in my presence this 24 day of April, 2017.

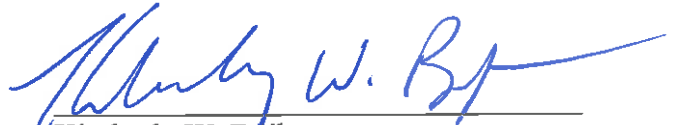


HEATHER CHURCH
NOTARY PUBLIC
STATE OF OHIO
RECORDED IN
DELAWARE COUNTY
My Commission Expires
October 1, 2019


Notary Public

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Application and Exhibits were served upon the following persons by electronic mail this 25th day of April, 2017.


Kimberly W. Bojko

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EXHIBIT A

Proposed Tariffs

See attached.

SECTION V – RATES

GENERAL SERVICE TARIFF SCHEDULE

Applicability:

Applicable to small general service and large general service sales volumes.

Small General Sales Rate (applicable to customers with annual usage less than 300 Mcf):

All Mcf per meter, per month, \$1.41937371 per Mcf.

A Customer Charge of \$19.50 per meter, per month, regardless of usage.

Large General Service Rate (applicable to customers with annual usage of 300 Mcf or more):

All Mcf per meter per month, \$2.33622840 per Mcf.

A Customer Charge of \$79.59 per meter, per month, regardless of usage.

Gas Cost Recovery:

All gas consumed is subject to the Gas Cost Recovery (GCR) per Mcf applied to the customer's monthly consumption. The final GCR rates shall be determined under the provisions of the uniform purchased gas adjustment as set forth in Ohio Administrative Code Chapter 4901:1-14 and any subsequent revisions thereof, and by the lawful orders of the Public Utilities Commission of Ohio.

Gross Receipts Tax Rider:

The amount due on all bills shall be adjusted for the Ohio gross receipts excise tax at the rate of 4.9810%.

MCF Tax Rider:

The amount on all bills shall be adjusted for the Ohio Excise (Mcf) tax as follows:

First 100 Mcf per account per month	\$.1593 per Mcf
Next 1900 Mcf per account per month	\$.0877 per Mcf
Over 2000 Mcf per account per month	\$.0411 per Mcf

Issued: _____, 2017

Effective: _____, 2017

Filed pursuant to the Opinion and Order of the
Public Utilities Commission of Ohio in
Case No. 17-594-GA-ALT, dated _____, 2017

ISSUED BY ANDREW J. SONDERMAN, PRESIDENT

ENERGY EFFICIENCY PROGRAM RIDER

APPLICABILITY:

Applicable to all Small General Service Customers.

DESCRIPTION:

An additional charge to fund the costs associated with the implantation of cost-effective weatherization measures made available to high usage residential Percentage of Income Plan Program (PIPP) customers served under the Small General Service (SGS) Rate Schedule.

RATE:

A charge of \$0.00 per month to be applied to SGS rate schedule accounts,

Issued: _____, 2017

Effective: _____, 2017

Filed pursuant to the Opinion and Order of the
Public Utilities Commission of Ohio in
Case No17-594-GA-ALT, dated _____, 2017

ISSUED BY ANDREW J. SONDERMAN, PRESIDENT

Net Monthly Bill:

Computed in accordance with following charges:

Administrative Charge: Two Hundred fifty dollars (\$250).

Transportation Charge: Not to exceed \$2.84029 per Mcf for each Mcf transported, less all related gas costs. This rate shall be in addition to any applicable monthly customer charge and late payment charge. The minimum rate shall cover the variable costs of service, plus make a contribution to total Company fixed costs. Unless otherwise agreed by the Company and Customer, Customer shall pay the maximum rate for all volumes delivered hereunder. In addition, Customers are also subject to the Demand Charge and other charges described herein, including imbalance charges.

Imbalances:

- (a) In the months when Customer's cumulative daily receipts, less retainage, are less than Customer's cumulative usage, the Company shall sell gas associated with this negative imbalance to Customer at the Company's Asset Manager's current month's invoices weighted average costs of gas (WACOG) times one hundred twenty percent (120%). The WACOG would include cost of gas, firm transportation charges, commodity and demand charges and, if applicable, asset management payments.
- (b) In the months when Customer's cumulative delivery receipts, less retainage, are greater than Customer's cumulative usage, the Company shall purchase the excess volumes associated with this positive imbalance, at a rate determined by the Asset Manager's current month's invoices weighted average cost of gas (WACOG) times eighty percent (80%). In such case, the WACOG includes only the volumetric cost of gas.
- (c) In addition, if in any month the Company incurs a storage overrun or excess storage injection penalty from an applicable interstate or intrastate pipeline in that month, Customer is subject to its pro rata share of that penalty. All imbalance charges shall be applied to Customer's next monthly bill.
- (d) As an alternative to the monthly reconciliation procedure set forth in the proceeding paragraphs of this Section, the Company and Customer may enter into a special arrangement for the balancing of receipts and deliveries subject to the approval of the Public Utilities Commission of Ohio pursuant to Ohio Revised Code Section 4905.31.
- (e) Excess daily deliveries or receipts in violation of subsection (c)(iii) of Section VI, Nominations shall be charged or credited as a monthly imbalance hereunder.

Issued: _____, 2017

Effective: _____, 2017

Filed Pursuant to the Opinion and Order
of the Public Utilities Commission in
Case No. 17-594-GA-ALT, dated _____, 2017

ISSUED BY ANDREW J. SONDERMAN, PRESIDENT

EXHIBIT B

**Existing Tariffs-
Redlined**

See attached.

SECTION V – RATES

GENERAL SERVICE TARIFF SCHEDULE

Applicability:

~~Applicable to all small general service and large general service sales volumes.~~

Small General Sales Rate (applicable to customers with annual usage less than 300 Mcf):

~~All Mcf per meter, per month, \$2.840291.41937371 per Mcf.~~

~~A Customer Charge of \$9.1819.50 per meter, per month, regardless of usage.~~

Large General Service Rate (applicable to customers with annual usage of 300 Mcf or more):

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~~All Mcf per meter per month, \$2.33622840 per Mcf.~~

~~A Customer Charge of \$79.59 per meter, per month, regardless of usage.~~

Gas Cost Recovery:

All gas consumed is subject to the Gas Cost Recovery (GCR) per Mcf applied to the customer's monthly consumption. The final GCR *rates shall be determined under the provisions of the uniform* purchased gas adjustment as set forth in Ohio Administrative Code Chapter 4901:1-14 and any subsequent revisions thereof, and by the lawful orders of the Public Utilities Commission of Ohio.

Gross Receipts Tax Rider:

The amount due on all bills shall be adjusted for the Ohio gross receipts excise tax at the rate of 4.9810%.

MCF Tax Rider:

The amount on all bills shall be adjusted for the Ohio Excise (Mcf) tax as follows:

First 100 Mcf per account per month	\$.1593 per Mcf
Next 1900 Mcf per account per month	\$.0877 per Mcf
Over 2000 Mcf per account per month	\$.0411 per Mcf

Issued: July 1, 2011, 2017

Effective: July 1, 2011, 2017

Filed pursuant to the Opinion and Order of the
Public Utilities Commission of Ohio in

Case No. 08-947-GA-ABN17-594-GA-ALT, dated June 29, 2011, 2017

ISSUED BY DAVID L. PEMBERTON, JR. ANDREW J. SONDERMAN, PRESIDENT

{RESERVED}
ENERGY EFFICIENCY PROGRAM RIDER

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APPLICABILITY:

Applicable to all Small General Service Customers.

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DESCRIPTION:

An additional charge to fund the costs associated with the implantation of cost-effective weatherization measures made available to high usage residential Percentage of Income Plan Program (PIPP) customers served under the Small General Service (SGS) Rate Schedule.

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RATE:

A charge of \$0.00 per month to be applied to SGS rate schedule accounts.

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Issued: ~~April 17, 2008~~, 2017 Effective: ~~April 17, 2008~~, 2017

Filed pursuant to the Opinion and Order of the
Public Utilities Commission of Ohio in

Case No. ~~07-689-GA-AIR17-594-GA-ALT~~, dated ~~March 19, 20008~~, 2017

ISSUED BY ~~DAVID L. PEMBERTON, JR.~~ ANDREW J. SONDERMAN, PRESIDENT

Net Monthly Bill:

Computed in accordance with following charges:

Administrative Charge: Two Hundred fifty dollars (\$250).

Transportation Charge: Not to exceed \$2.84029 per Mcf for each Mcf transported-base rate then in effect, less all related gas costs. This rate shall be in addition to any applicable monthly customer charge and late payment charge. The minimum rate shall cover the variable costs of service, plus make a contribution to total Company fixed costs. Unless otherwise agreed by the Company and Customer, Customer shall pay the maximum rate for all volumes delivered hereunder. In addition, Customers are also subject to the Demand Charge and other charges described herein, including imbalance charges.

Imbalances:

- (a) In the months when Customer's cumulative daily receipts, less retainage, are less than Customer's cumulative usage, the Company shall sell gas associated with this negative imbalance to Customer at the Company's Asset Manager's current month's invoices weighted average costs of gas (WACOG) times one hundred twenty percent (120%). The WACOG would include cost of gas, firm transportation charges, commodity and demand charges and, if applicable, asset management payments.
- (b) In the months when Customer's cumulative delivery receipts, less retainage, are greater than Customer's cumulative usage, the Company shall purchase the excess volumes associated with this positive imbalance, at a rate determined by the Asset Manager's current month's invoices weighted average cost of gas (WACOG) times eighty percent (80%). In such case, the WACOG includes only the volumetric cost of gas.
- (c) In addition, if in any month the Company incurs a storage overrun or excess storage injection penalty from an applicable interstate or intrastate pipeline in that month, Customer is subject to its pro rata share of that penalty. All imbalance charges shall be applied to Customer's next monthly bill.
- (d) As an alternative to the monthly reconciliation procedure set forth in the proceeding paragraphs of this Section, the Company and Customer may enter into a special arrangement for the balancing of receipts and deliveries subject to the approval of the Public Utilities Commission of Ohio pursuant to Ohio Revised Code Section 4905.31.

Issued: May 10, 2011, 2017 Effective: May 10, 2011, 2017

Filed Pursuant to the Opinion and Order
of the Public Utilities Commission in

Case No. 11-87 GA-ATA17-594-GA-ALT, dated May 4, 2011, 2017

ISSUED BY DAVID L. PEMBERTON, JR. ANDREW J. SONDERMAN, PRESIDENT

- (e) Excess daily deliveries or receipts in violation of subsection (c)(iii) of Section VI, Nominations shall be charged or credited as a monthly imbalance hereunder.

Issued: ~~May 10, 2011~~ _____, 2017 Effective: ~~May 10, 2011~~ _____, 2017

Filed Pursuant to the Opinion and Order

of the Public Utilities Commission in

Case No. ~~11-87-GA-ATA~~ 17-594-GA-ALT, dated ~~May 4, 2011~~ _____, 2017

ISSUED BY ~~DAVID L. PEMBERTON, JR.~~ ANDREW J. SONDERMAN, PRESIDENT

EXHIBIT C

Alternative Rate Plan Description

Pursuant to Rule 4901:1-19-06(C)(1), Ohio Administrative Code, Suburban sets forth the following facts and grounds upon which its Application for an Alternative Rate Plan is based, the proposed Plan's elements, the proposed Plan's transition plans, and the rationale for the proposed tariff changes for all impacted natural gas services:

I. Facts and Grounds for the Application

Suburban's Application proposes three initiatives: (1) implementation over a two-year period of a revenue decoupling mechanism in the form of a straight fixed variable ("SFV") rate design for Suburban's retail sales customers; (2) bifurcation of Suburban's General Service ("GS") rate schedule into two rate schedules: (i) Small General Service ("SGS"), consisting of residential and small commercial customer accounts with annual consumption less than 300 Mcf; and (ii) Large General Service ("LGS"), consisting of large commercial and industrial customer accounts with annual consumption of 300 Mcf or greater; and (3) an energy efficiency program pilot and rider targeted at Suburban's highest usage percentage of income payment plan ("PIPP") customers. Each initiative is described below.

A. Proposed SFV Rate Design.

The current rate design adopted in Suburban's last rate case based on a 2006-07 test year has two components: a volumetric rate which is applied to the quantity of gas each customer consumes and a low fixed monthly customer charge.¹ The monthly customer charge captures

¹ *In the Matter of the Application of Suburban Natural Gas Company for Authority to Increase its Rates and Charges in Certain Areas of its Service Territory*, Case No. 07-689-GA-AIR, Opinion and Order (March 19, 2008).

only the cost of metering and billing and constitutes a relatively small proportion of Suburban's fixed costs. The rate design adopted in Suburban's last rate case was based primarily on volumes delivered to customers during the test year. Approximately 98 percent of Suburban's total load consists of heat-sensitive residential and small commercial customers. Thus, the current ability of Suburban to recover its distribution service costs hinges in large part on its actual gas sales, even though Suburban's distribution costs are essentially fixed regardless of how much gas is sold.

Despite strong customer additions since Suburban's last rate case, volumes delivered to Suburban's customers have significantly decreased. The drop in consumption is primarily the result of more energy efficient homes and conservation efforts by Suburban's customers in response to volatile commodity prices. In addition, warmer winters, which significantly reduce consumption, have been increasingly frequent. The erosion in volumes delivered to customers in recent years has created a severe underfunding of Suburban's ability to meet maintenance costs, working capital, and investment capital necessary to ensure high quality, safe natural gas service, and has hindered Suburban's opportunity to earn the reasonable rate of return established in its last rate case.

The purpose of Suburban's proposed SFV rate design is to allow Suburban to recoup its reasonable expenses and earn a reasonable rate of return established in its last rate case. The proposed SFV rate design would ensure that more of Suburban's revenue is based on the fixed monthly customer charge, and less of the revenue is derived from the volumetric charges. The increases proposed in the customer charges for each rate class are correspondingly offset by a reduction in the volumetric rate. A portion of Suburban's revenues would still be dependent on volumetric sales under the proposed SFV rate design. Suburban's proposed SFV rate design

eliminates higher usage customers' subsidization of lower usage customers, supports energy conservation by Suburban's customers, and reduces the often significant, weather-dependent fluctuations in customers' monthly invoices.

The Commission has consistently approved applications for the adoption of SFV rates and either the total elimination or significant reduction of volumetric rates for a number of companies, including Columbia Gas of Ohio, Duke Energy Ohio, Vectren Energy Delivery of Ohio, Dominion East Ohio, Eastern Natural Gas Company and Pike Natural Gas Company.² The Commission uniformly adopted its Staff's recommendations to move from volumetric rates to SFV rates in these prior cases, as reflected in its Opinion and Order issued in the Eastern and Pike SFV Case.³

The SFV rate designs approved by the Commission in each of these instances embody either no volumetric rate component, or a significantly lower volumetric rate component, than Suburban's current \$2.84029/Mcf volumetric base rate. As a result, the above companies have avoided—either completely or in large part—the erosion in base revenues Suburban has experienced over this same period. Additionally, as noted in Suburban's Application, in Suburban's last rate application proceeding in Case No. 07-689-GA-AIR, the Staff Report stated that "Commission Staff would like to see the Applicant move towards a 'Straight Fixed Variable Costing' methodology for future customer charge calculation."⁴

² See *In re Duke Energy Ohio, Inc.*, Case No. 07-589-GA-AIR et al., Opinion and Order (May 28, 2008); *In re The East Ohio Gas Company, dba Dominion East of Ohio*, Case No. 07-829-GA-AIR, et al., Opinion and Order (October 15, 2008); *In re Columbia Gas of Ohio, Inc.*, Case No. 08-72-GA-AIR, Opinion and Order (December 3, 2008); *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 07-1080-GA-AIR, et al., Opinion and Order (January 7, 2009); *In re Eastern Natural Gas Company and In re Pike Natural Gas Company*, Case Nos. 08-940-GA-ALT and 08-941-GA-ALT, Opinion and Order (June 16, 2010) ("Eastern and Pike SFV Case").

³ Id. at 14.

⁴ *In the Matter of the Application of Suburban Natural Gas Company for Authority to Increase its Rates and Charges in Certain Areas of its Service Territory*, Case No. 07-689-GA-AIR, Staff Report at 22 (January 8, 2009).

Suburban's proposed SFV rate design is not a rate increase. The Commission previously stated:

Section 4929.05, Revised Code, provides that, as part of an application filed pursuant to Section 4909.18, Revised Code, a natural gas company may request approval of an alternate rate plan. An application filed under Section 4909.18, Revised Code, can either be for an increase in rates or not for an increase in rates. Section 4929.051, Revised Code, states that an alternative rate plan filed under Section 4929.05, Revised Code, and proposing a revenue decoupling mechanism may be an application not for an increase in rates, if the proposed rates are based upon the bill determinants and revenue requirement from the company's most recent rate case proceeding and the plan establishes, continues, or expands an energy efficiency or energy conservation program.⁵

The Commission expressly considered the applications in the Eastern and Pike SFV Case as applications for an alternative rate plan filed under 4909.18, Revised Code, not for an increase in rates. Suburban's Application is based on the billing determinants in its most recent rate case, Case No. 07-689-GA-AIR (Opinion and Order entered on March 19, 2008), updated (as authorized in the Eastern and Pike SFV Case) for customers, sales, and revenue levels generated in calendar year 2013, which is the calendar year of Suburban's most recent essentially "normal" heating season.

The two-year phase-in of Suburban's proposed SFV rate design is intended to reduce the potential "rate shock" to low usage customers as the subsidy they currently enjoy under Suburban's effective rates (at the expense of higher usage consumers) is reduced and ultimately eliminated. The Commission's prior approvals of SFV rate designs have all supported the phase-in approach, consistent with its long-standing support for the concept of gradualism:

While the Commission agrees that it is appropriate and beneficial for these companies to move towards a SFV rate design, we find that the proposals should

⁵ *In re Eastern Natural Gas Company and In re Pike Natural Gas Company*, Case Nos. 08-940-GA-ALT and 08-941-GA-ALT, Opinion and Order at 2 (June 16, 2010).

be modified to reflect a two-year transition, similar to our determinations in the Duke Rate Case and the other previous gas alternative rate cases wherein the SFV rate design was adopted. The Commission recognizes that, with this change in rate design, as with any change, some customers will benefit while other customers will be worse off, as compared with the existing rate design. The levelized rate design will impact low usage customers more, since those customers have not been paying their entire share of fixed costs under the existing rate design. Higher-use customers, who have been overpaying their share of fixed costs, will actually experience a rate reduction. Customers in the middle ranges will see only slight adjustments to their bills. The Commission is sensitive to the impact of any rate increases on customers, especially during these tough economic times. Phasing in the new rate design over a two-year period will help mitigate the impact of the increase faced by low-usage customers.⁶

B. Proposed Bifurcation of Suburban's General Service Rate Schedule.

Suburban's currently effective tariff includes a General Service ("GS") rate schedule for all retail sale customers. Transportation customers receive delivery service under a Transportation service tariff or special arrangements approved by the Commission.

Suburban's GS rate schedule covers Suburban's residential, commercial, and industrial retail sales customers regardless of load profile. In order to avoid unfairly affecting one class of customers for the benefit of another due to the substantially different energy consumption of each class, Suburban's Application proposes to split the GS class into two distinct sub-classes. Suburban identified annual loads of 300 Mcf and higher as an appropriate level at which to differentiate the classes. Accordingly, Suburban's Application proposes to bifurcate the GS rate schedule into the following two rate schedules: (i) Small General Service ("SGS"), consisting of residential and small commercial customer accounts with annual consumption less than 300 Mcf; and (ii) Large General Service ("LGS"), consisting of large commercial and industrial customer accounts with annual consumption of 300 Mcf or greater.

The proposed LGS tariffs in Suburban's Application assign revenue responsibility to

⁶ Id. at 15-16.

throughput that is not appropriate for residential and small commercial customers whose load is far more heat-sensitive. The revised rates for both classes of customers are designed to generate the same revenue for which these customers were responsible in 2013 under Suburban's existing GS tariff.

C. Proposed Energy Efficiency Program Pilot.

Section 4929.051(A), Revised Code, provides that an alternative rate plan filed under Section 4929.05, Revised Code, and proposing a revenue decoupling mechanism, may be an application not for an increase in rates, if the proposed rates are based upon the billing determinants and revenue requirement from the company's most recent rate case proceeding and "the plan establishes, continues, or expands an energy efficiency or energy conservation program." Currently, Suburban does not have an energy efficiency or energy conservation program.

As part of its Application, Suburban proposes that an Energy Efficiency Program ("EEP") Pilot, as well as a fixed, monthly customer charge to fund the EEP Pilot, be established and approved. Under the proposal, the EEP Rider will be set at an initial rate of \$0.00. Suburban envisions targeting the EEP to weatherization of highest usage residences of residential consumers who participate in its PIPP program because higher volume residential consumers are impacted significantly more by the volumetric rate than residential consumers with lower usage. The increased energy efficiency of such residences will benefit all customers by reducing arrearages that ultimately are paid by all other customers.

II. Elements of the Plan

Suburban's current GS rate consists of a monthly customer charge of \$9.18 per meter per month, and a volumetric charge for each Mcf delivered of \$2.84029. As stated previously, the current customer charge only recovers measurement and billing-related expenses, and the current \$2.84029/Mcf volumetric charge is intended to recover the remainder of Suburban's fixed costs.

Suburban proposes to decouple its current rate to move toward an SFV rate design over a two-year period. Suburban also proposes to bifurcate the GS rate schedule into the following two rate schedules: (i) SGS, consisting of residential and small commercial customer accounts with annual consumption less than 300 Mcf; and (ii) LGS, consisting of large commercial and industrial customer accounts with annual consumption of 300 Mcf or greater. Suburban's proposed SFV rate design with phase-in and bifurcation of its GS rate schedule is as follows:

For SGS customers, Suburban proposes a 225 percent increase in its monthly customer charge from \$9.18 to \$29.81 over a two-year period. In the first year, the monthly customer charge would be \$19.50, which is an increase of 112 percent over the current monthly charge. In the second year, the monthly customer charge would be \$29.81, which is an increase of approximately 53 percent over the first year monthly charge.

For LGS customers, Suburban proposes to establish a monthly customer charge of \$150.00 over a two-year period. In the first year, the monthly customer charge would be \$79.59 and it would increase to \$150.00 for the second year.

Volumetric base rates for SGS customers would be eliminated over the same two-year period. In the first year, the volumetric base rate would be reduced by approximately 50 percent from \$2.84029 per Mcf to \$1.41937371 per Mcf. In the second year, the volumetric base rate would be reduced by 100 percent from the first year's reduction, from \$1.41937371 to \$0.00.

Volumetric base rates for LGS customers would be reduced over the same two-year period. In the first year, the volumetric base rate would be reduced by approximately 18 percent from \$2.84029 per Mcf to \$2.33622840 per Mcf. In the second year, the volumetric base rate would be reduced by 22 percent from the first year's reduction, from \$2.33622840 to \$1.83216680.

The above-proposed monthly customer charges and volumetric rates are reflected in the charts below:

Proposed SGS Rate Schedule:

	Monthly Customer Charge	Volumetric Rate Per Mcf
Year 1	\$19.50	\$1.41937371
Year 2	\$29.81	\$0.00

Proposed LGS Rate Schedule:

	Monthly Customer Charge	Volumetric Rate Per Mcf
Year 1	\$79.50	\$2.33622840
Year 2	\$150.00	\$1.83216680

The above-proposed rates and percentages do not reflect the amount to be added as a monthly rider to the customer charges, which will help fund the proposed EEP Pilot program. Suburban proposes that the EEP Pilot Rider be set at an initial rate of \$0.00. Suburban would work with Staff, the Office of the Ohio Consumers' Counsel, and stakeholders from Community Action Agencies in Delaware, Marion, and Wood Counties to structure the EEP Pilot and identify the initial monthly rider charge. Suburban proposes to submit an EEP Pilot Rider charge for approval by the Commission within four months of the filing of approved tariffs in this proceeding.

The typical Suburban residential customer uses 857 Ccf of gas a year. Under the existing rates approved in Suburban's last rate case, Case No. 07-689-GA-AIR, and applying the average residential consumption curve, the average residential customer pays \$353.57 per year in distribution costs. Under the proposed SFV rate design, the annual cost for an average residential customer would be \$355.64 in the first phase-in year and \$357.72 in the second phase-in year. For a residential customer consuming only 429 Ccf a year (half the average consumption), the increase would be \$62.88 in the first phase-in year (a 27 percent increase) and \$62.83 in the second phase-in year (a 21 percent increase).

The average Suburban commercial customer consumes 16,762 Ccf per year, and under current rates pays distribution service rates of \$4,871.05 per year. Under the proposed SFV rate design, the annual cost to an average commercial customer would be identical to costs under the current rates.

The proposed rates will generate a 6.88 percent rate of return. This is identical to the calculated actual unadjusted rate of return for Suburban for the twelve-months ending December 2013 because the proposed rate design has been calculated to be revenue neutral in 2013 when compared to the rate of return generated in 2013 based upon the currently effective rate design. The 6.88 percent rate of return is less than the 8.97 percent rate of return authorized in Suburban's last rate case, Case No. 07-689-GA-AIR.

Given the importance of implementing a rate design that promotes conservation by eliminating any incentive to increase gas sales, and to provide customers with the benefit of the reduction in the volumetric charge under the proposed SFV rate design and the benefit of bifurcation of the GS rate schedule during the 2017-2018 winter heating season, Suburban proposes to implement the alternative rate plan by October 1, 2017.

III. Transition Plans

As discussed, Suburban proposes to: (1) transition its current rate design for all GS customers to an SFV rate design over a two-year period to promote gradualism; (2) bifurcate its GS rate schedule into: (i) a SGS rate schedule for residential and small commercial customer accounts with annual consumption less than 300 Mcf, and (ii) a LGS rate schedule for large commercial and industrial customer accounts with annual consumption of 300 Mcf or greater to avoid unfairly affecting one class of customers for the benefit of another due to the substantially different energy consumption of each class; and (3) implement an EEP Pilot program and Rider targeted at Suburban's highest usage PIPP customers to promote energy efficiency and energy conservation, pursuant to Section 4929.051, Revised Code.

It is Suburban's intent to begin the implementation of the proposed SFV rate design and bifurcation of the GS rate schedule by October 1, 2017, so that Suburban's customers may receive the benefits of this rate restructuring for the 2017-2018 winter heating season. Suburban proposes that the EEP Pilot Rider be set at an initial rate of \$0.00. Suburban proposes to submit an initial rider charge for approval by the Commission within four months of the filing of approved tariffs in this proceeding. During the transition period and prior to the filing of the EEP Pilot Rider application, Suburban intends to work with Staff, the Office of the Ohio Consumers' Counsel, and stakeholders from Community Action Agencies in Delaware, Marion, and Wood Counties to structure the EEP Pilot and identify the initial monthly rider charge.

IV. Rationale for Proposed Tariff Changes

Sections I, II, and III above provide the rationale for the tariff changes/new tariffs proposed by Suburban. See also Suburban's Application, Exhibits attached to Suburban's Application, and Direct Testimony of Andrew J. Sonderman, President and Chief Operating Officer of Suburban.

EXHIBIT D

Statement of Suburban Regarding Exempt Services

Pursuant to Rule 4901:1-19-06(C)(3), Ohio Administrative Code, Suburban states that it has not been authorized to exempt any service under Section 4929.04, Revised Code.

EXHIBIT E

Statement of Suburban Regarding Cross-Subsidization of Services

Pursuant to Rule 4901:1-19-06(C)(4), Ohio Administrative Code, Suburban states that it does not expect any cross-subsidization of services to occur under its proposed Alternative Rate Plan. In fact, the transition to the straight-fixed variable rate design proposed in Suburban's Application will ultimately eliminate the subsidization occurring within the residential and commercial customer classes, in which large volume residential and commercial customers subsidize low volume residential and commercial customers' contribution to the fixed costs of distribution service resulting from volumetric rates for distribution service.

EXHIBIT F

**Statement of Suburban Regarding Compliance with
Sections 4905.35 and 4929.02, Revised Code**

Pursuant to Rule 4901:1-19-06(C)(5), Ohio Administrative Code, Suburban states that the proposed alternative rate plan in its Application complies with Section 4905.35, Revised Code, and substantially complies, and is expected to continue to substantially comply, with the policies of this state specified in Section 4929.02, Revised Code, after implementation of the proposed alternative rate plan. Additionally, Suburban states that the alternative rate plan proposed in its Application is just and reasonable.

Section 4905.35, Revised Code, prohibits a natural gas company that is a public utility from making or giving any undue or unreasonable preference or advantage to anyone or subjecting anyone to undue or unreasonable prejudice or disadvantage; requires a utility to offer regulated services or goods to all similarly situated consumers, including those with which it is affiliated or controls, under comparable terms and conditions; mandates the unbundling of services where such services include both regulated and unregulated services or goods; and prohibits a utility from conditioning or limiting the availability or condition of services or goods on the basis of the identity of the supplier of any other services or goods or on the purchase of unregulated services or goods. Suburban's public utility services and goods are available on a comparable and non-discriminatory basis. Suburban also offers its regulated services and goods to all similarly-situated consumers, including any persons with which it is affiliated or which it controls, under comparable terms and conditions. Consistent with the obligation to make its service offerings on a comparable and non-discriminatory basis, Suburban has applied these

principles in developing its service offerings, the terms and conditions upon which it provides public utility service, and its rates. Such services, terms and conditions, and rates have been reviewed and approved by the Commission and are currently incorporated in Suburban's tariff. Suburban does not intend to offer consumers a bundled service that includes both regulated and unregulated services or goods. Finally, Suburban does not condition or limit the availability of any regulated services or goods, or condition the availability of a discounted rate or improved quality price, term, or condition for any regulated services or goods, on the basis of the identity of the supplier of any other services or goods or on the purchase of any unregulated services or goods from Suburban.

Section 4929.02, Revised Code, establishes the state policy regarding the provisions of natural gas service and goods. Among other things, this policy promotes the availability of adequate, reliable, and reasonably priced services and goods and the unbundling and comparability of those services and goods; supports diversity by giving consumers effective choices over supplies and suppliers; encourages innovation and market access for cost-effective supply- and demand-side services and goods; acknowledges the importance of effective competition and the regulatory treatment needed to support competition; and promotes an alignment of natural gas company interests with consumer interest in energy efficiency and energy conservation.

Suburban currently works to promote, encourage, recognize, facilitate, and ensure that the policies and goals in Section 4929.02, Revised Code, are met. Suburban makes adequate, reliable, and reasonably priced natural gas services and goods available to consumers and will continue to do so after implementation of its alternative rate plan. In addition, the alternative rate plan proposed in Suburban's Application, which includes a two-year phase-in of the SFV rate

design, bifurcation of the GS rate schedule, and establishment of the EEP Pilot and Rider, will eliminate higher usage customers' subsidization of lower usage customers; reduce the often significant, weather-dependent fluctuations in customers' monthly invoices; promote energy efficiency and conservation practices by both removing disincentives for supporting such practices, while at the same time affirmatively promoting such practices through the implementation of an EEP Pilot and Rider; help Suburban to better compete with other utilities which have already transitioned to SFV rate designs; and allow Suburban to recover the revenues necessary to earn a reasonable rate of return, all in furtherance of the policies and goals set forth in Section 4929.02, Revised Code. For all of the above reasons, Suburban's proposed alternative rate plan also is just and reasonable.

EXHIBIT G

List of Witnesses Sponsoring Suburban's Application Exhibits

Pursuant to Rule 4901:1-19-06(C)(6), Ohio Administrative Code, Suburban submits the following list of witnesses sponsoring each of the Exhibits attached to its Application:

<u>Exhibit</u>	<u>Witness</u>
Exhibit A	Andrew J. Sonderman
Exhibit B	Andrew J. Sonderman
Exhibit C	Andrew J. Sonderman
Exhibit D	Andrew J. Sonderman
Exhibit E	Andrew J. Sonderman
Exhibit F	Andrew J. Sonderman
Exhibit G	Andrew J. Sonderman
Exhibit H	Andrew J. Sonderman

EXHIBIT H

Customer Notice

LEGAL NOTICE

Notice is given that Suburban Natural Gas Company (hereinafter, “Suburban” or “Applicant”) has filed an alternative regulation application not for an increase in rates with the Public Utilities Commission of Ohio (Case No. 17-594-GA-ALT) proposing to divide its current General Service rate schedule so that Suburban would be allowed to charge all Small General Service and Large General Service sales customer a monthly customer charge that would move toward a Straight-Fixed Variable (“SFV”) Methodology. Residential and small commercial customers with annual delivered volumes of less than 300,000 cubic feet (300 Mcf) would be served under the Small General Service (“SGS”) Rate Schedule. Non-residential customers with annual delivered volumes of 300 Mcf or more would be served under the Large General Service (“LGS”) Rate Schedule. No Transportation Service customers are served under the currently effective General Service Rate, but that rate schedule also will be affected.

Suburban also proposes to phase in its revised SGS and LGS rates over two years. Suburban’s proposal is to increase the current customer charge of \$9.18 per month in two steps and make corresponding reductions to its current volumetric rate of \$2.84029 per Mcf as follows:

Suburban Natural Gas Company
Case No. 17-594-GA-ALT
Alternative Rate Plan

SGS Rate Schedule:

	Monthly Customer Charge	Volumetric Rate Per Mcf
Year 1	\$19.50	\$1.41937371
Year 2	\$29.81	\$0.00

LGS Rate Schedule:

	Monthly Customer Charge	Volumetric Rate Per Mcf
Year 1	\$79.50	\$2.33622840
Year 2	\$150.00	\$1.83216680

An average residential customer uses 857 Ccf of gas per year, and pays \$353.57 per year (exclusive of gas supply cost). Under the proposed SFV rate design, the annual cost for the average residential customer would be \$355.64 in the first year, and \$357.72 in the second year. A residential customer consuming only 429 Ccf (half the average consumption) would see an increase of \$62.88 in the first year, and \$62.83 in the second year.

The average large commercial customer consumes 16,762 Ccf annually, and under current rates pays \$4,871.05 per year (exclusive of gas supply cost). Under the proposed SFV rate design, the annual cost to the average large commercial customer will be identical to the cost under current rates.

This proposal will change Suburban's rate design from a structure where the Company's opportunity to earn its allowed return is heavily dependent upon sales volumes to a rate structure which is less dependent on sales volumes. The proposed SFV rate design more accurately reflects how Suburban incurs the cost of serving its customers.

Suburban is also proposing to initiate an Energy Efficiency Program ("EEP") Pilot program, as well as a fixed, monthly customer charge to fund the EEP Pilot. Under the proposal, Suburban requests that the EEP Rider be set at an initial rate of \$0.00, pending design of the

program with all stakeholders, and approval by the Commission. Suburban proposes to target the EEP program for weatherization of highest usage Percentage of Income Plan (PIPP) customers' residences. All customers benefit from the reduction of PIPP arrearages that would otherwise be paid by all other customers.

Any interested person, firm, corporation or entity desiring an oral hearing in this matter should file a request stating the reasons for the request, along with a Motion to Intervene in this proceeding, on or before July 26, 2017. Unless the Commission receives such a request for an oral hearing and an accompanying Motion to Intervene, the case will be decided on the basis of the information contained in the Application and the attached Exhibits. Further information about this proposal (Case No. 17-594-GA-ALT) may be obtained by viewing the proposal at Suburban's principal business office, 2626 Lewis Center Road, Lewis Center, Ohio 43035; by viewing the proposal on Suburban's web page at <http://sngco.com>; by contacting the Public Utilities Commission of Ohio, 180 East Broad Street, Columbus, Ohio 43215-3793; by viewing the Commission's web page at <http://www.puc.state.oh.us>; or by contacting the Commission's hotline at 1-800-686-7826 or in Columbus at 614-466-3292. The hearing impaired can reach the Commission at 7-1-1 (TTY-TDD).

EXHIBIT I

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February 28, 2017

VIA E-MAIL

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Mr. Patrick Donlon
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Re: Notice of Intent to file Alternative Rate Plan Application:
*In the Matter of the Application of Suburban Natural Gas Company for
Approval of an Alternative Rate Plan Not for an Increase in Rates
Proposing to Initiate a Revenue Decoupling Mechanism Which Provides
for a Straight Fixed Variable Rate Design, Case No. 17-594-GA-ALT*

Dear Mr. Williams and Mr. Donlon:

Pursuant to Rule 4901:1-19-06(A), O.A.C., Suburban Natural Gas Company (Suburban) through its undersigned counsel, hereby formally notifies Commission Staff of Suburban's intent to file an application for approval of an alternative rate plan not for an increase in rates under R.C. 4929.05 and R.C. 4929.051(A). Suburban's application will request approval to initiate a revenue decoupling mechanism, such as a straight fixed variable rate design, pursuant to R.C. 4929.01(O), R.C. 4929.051(A), and Rule 4901:1-19-13(B), O.A.C. Suburban anticipates that it will file its application no earlier than 30 calendar days from the date of this letter.

Should you have any questions, please do not hesitate to contact me.

Respectfully Submitted,



Kimberly W. Bojko

cc: David Lipthrott
(david.lipthrott@puco.ohio.gov)

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in

Case No(s). 17-0594-GA-ALT

Summary: Application Of Suburban Natural Gas Company For Approval Of An Alternative Rate Plan Not for An Increase In Rates Proposing A Revenue Decoupling Mechanism electronically filed by Mrs. Kimberly W. Bojko on behalf of Suburban Natural Gas Company