

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Suburban)	
Natural Gas Company for an Increase in Gas)	Case No. 18-1205-GA-AIR
Distribution Rates)	
In the Matter of the Application of Suburban)	Case No. 18-1206-GA-ATA
Natural Gas Company for Tariff Approval)	
In the Matter of the Application of Suburban)	
Natural Gas Company for Approval of Certain)	Case No. 18-1207-GA-AAM
Accounting Authority)	

DIRECT TESTIMONY
OF
ANDREW J. SONDERMAN

On Behalf of
THE SUBURBAN NATURAL GAS COMPANY

X	Management Policies, Practices, and Organization
	Operating Income
	Rate Base
X	Allocations
	Rate of Return
X	Rates and Tariffs
X	Other

September 14, 2018

Q. Please state your name and business address.

A. Andrew J. Sonderman, 2626 Lewis Center Road, Lewis Center, Ohio 43035.

Q. By whom are you employed and in what capacity?

A. I am President and Chief Operating Officer of Suburban Natural Gas Company ("Suburban" or "Company").

Q. How long have you been associated with Suburban, and what were your prior professional engagements?

A. I joined Suburban in February 2015. Prior to joining Suburban, I was a Director with the law firm of Kegler Brown Hill & Ritter, LPA in Columbus commencing in January 2011, and with other Columbus law firms commencing in 2004. I represented gas and electric utilities and competitive retail gas and electric suppliers in utility regulatory and civil litigation matters. From 1978 through 2003 I was employed by NiSource, Inc. and, prior to its acquisition by NiSource, the gas distribution utilities of the Columbia Energy Group, including Columbia Gas Ohio. I served as general counsel and corporate secretary for those utilities from 1990 through 2003.

Q. Please outline your educational background.

A. In 1973 I received a Bachelor of Arts degree from Kent State University, with majors in history and political science. I received my law degree from The Ohio State University College of Law in 1976. In 1988, I completed the Advanced Management Program at The Fuqua School of Business of Duke University.

Q. Please describe the operations of Suburban Natural Gas Company?

A. Suburban is a natural gas company as defined in R.C. 4905.03(E) and, thus, is a public utility subject to the jurisdiction of the Public Utilities Commission of Ohio ("Commission"). Suburban distributes natural gas in northwestern Ohio, in Lucas, Wood

1 and Henry Counties. Based on the most recent billings, we serve approximately 4,067
2 retail customers in Bowling Green, Cygnet, Dunbridge, Grand Rapids, Haskins, Jerry City,
3 McClure, Tontogany and Weston. We also serve approximately 13,314 retail customers
4 in Delaware and Marion Counties. All of our southern system in Delaware and Marion
5 Counties has been built since 1988. Our most significant growth has occurred, and
6 continues, in Delaware County. Our customer base is approximately 98 percent heat
7 sensitive residential and commercial load. We have a small number of transportation
8 service customers served either under our transportation service tariff or special
9 arrangements approved by the Commission. We operate over 484 miles of gas mains, 23
10 miles of which is bare steel (and being replaced at the rate of no less than one mile
11 annually), 112 miles of cathodically protected steel, and 349 miles of plastic.

12
13 Suburban is a privately-owned Ohio corporation, tracing its existence through predecessor
14 companies to the “oil boom” days of northwestern Ohio in 1882. We have an operations
15 and customer service center in Cygnet, and a headquarters and operations and customer
16 service center in Lewis Center.

17
18 We currently have a complement of 37 dedicated professional, clerical and manual
19 employees. An organization table is attached to my testimony (Attachment A). We follow
20 appropriate formal policies and procedures to ensure the efficiency of our operations, the
21 safety of our employees, and the safety of the public. Recently, we were audited by the
22 Commission Staff with respect to our customer service performance, our field operations

1 in the south system and our headquarters' records. All audits identified full compliance
2 with applicable requirements and no deficiencies.

3
4 We recently commenced construction of a 4.9 mile, 12 inch high pressure pipeline
5 extension from the current terminus of the 20 mile Del-Mar pipeline, which we operate
6 under a Commission-approved lease arrangement with Del-Mar Pipeline, LLC. This
7 extension is essential due to the continuing robust growth we are experiencing in Delaware
8 County.

9 **Q. What is the purpose of your testimony in this proceeding?**

10 **A.** My testimony generally supports Suburban's request for an increase in Suburban's rates
11 and charges. Our test year data demonstrate that our revenues are not sufficient to provide
12 a reasonable return for the investment that has been, is being, and must continue to be made
13 to meet our public service obligations and provide the quality service our customers are
14 entitled. Additionally, I specifically support the Company's request to replace its existing
15 tariff with a new tariff that makes necessary updates, eliminates materials that are no longer
16 useful and adds new provisions in a more organized and readable tariff (See Schedules E-
17 1 and E-2). I also support the narrative rationale for the proposed tariff revisions contained
18 in Schedule E-3.

19 **Q. Did you prepare the Section E Schedules?**

20
21 **A.** Schedules E-1, E-2, and E-3 were prepared by me or under my direction. Ms. Nichole
22 M. Clement, a witness in this proceeding, prepared the remaining Section E Schedules.

1 **Q. What has contributed to Suburban’s insufficient earnings?**

2 **A.**Suburban has grown significantly since the rates established in Case No. 07-0689-GA-AIR
3 were placed into effect. Consequently, our plant in service investment has increased
4 substantially. Currently, we are investing \$8.5 million in the 4.95-mile extension of our
5 primary supply pipeline serving our Marion and Delaware County service areas. This
6 extension received automatic Ohio Power Siting Board approval this past April; and
7 construction commenced on August 30, 2018 with a scheduled in service date before
8 December 1, 2018. The financing for this project was approved by the Commission in
9 Case No. 17-2321-GA-AIS on January 10, 2018.

10
11 Second, our operating expenses have also increased over the last ten years in a few
12 important respects that far exceed the rate of inflation. Employee compensation and
13 benefits are two such categories. Our increased customer base and geographical footprint
14 require the attraction and retention of qualified employees, which requires us to compete
15 at market-based wage rates. A few years ago we added a pipeline construction crew to our
16 complement, which has enabled us to install our mains more economically than through
17 the utilization of outside contractors, with greater efficiency and responsiveness.

18
19 In the past year, we experienced great difficulty in finding qualified applicants for our entry
20 level field service representative and construction crew positions, as well as customer
21 service representative positions. Employment advertisements were not resulting in
22 applications. Therefore, we commissioned an independent market survey of our hourly
23 and salaried positions and, based on the findings and recommendations of that study, we

1 determined that market-based compensation increases were essential to compete
2 successfully to hire – and retain – qualified individuals interested in making a career with
3 Suburban. We have initiated the first of these changes, and the remainder will be
4 implemented on January 1 and April 1, 2019.

5 **Q. Did the Commission-approved implementation of a straight fixed-variable (“SFV”)**
6 **rate design have any impact on the Company’s earnings?**

7
8 **A.** The Commission’s Order in Case No. 17-0594-GA-ALT issued on November 1, 2017
9 authorized Suburban to file rates designed on the basis of the same rate determinants as
10 had been applied in Case No. 07-0689-GA-AIR. It authorized Suburban to implement a
11 SFV rate design in two phases as well as to establish a Small General Service rate for
12 residential and small commercial customers with annual volumes of less than 300 Mcf, and
13 a Large General Service rate for commercial and industrial customers with volumes of 300
14 Mcf/year or greater. This did not increase Suburban’s rates; it simply modified the relative
15 revenue recovery through the monthly customer charge and the volumetric charge added
16 to the cost of gas purchased. The Commission’s Order sought to minimize the impact of
17 the increase in the customer charge and corresponding reduction (and, ultimately for Small
18 General Service customers, elimination) of the volumetric charge by allowing Suburban to
19 implement the change in two phases on November 1, 2017 and November 1, 2018.

20
21 The point in adopting the SFV rate design was to track more accurately how a utility like
22 Suburban incurs its costs to serve its customers. Our load is heavily tilted toward
23 residential and commercial heating customers. Our costs to serve that market segment are
24 almost exclusively fixed costs without regard to the volume supplied to each individual
25 customer. Due to this fact, the rate design in the 2007 rate case, which embodied a \$9.18

1 monthly customer charge and a \$2.84/Mcf volumetric charge, exposed Suburban to
2 unjustified revenue risk based on weather volatility.

3
4 While the SFV rate design has reduced (in the first phase implemented last November 1st)
5 Suburban's weather-related revenue volatility, which will be further reduced when the
6 second phase becomes effective on November 1, 2018, it was not an increase in Suburban's
7 revenue requirement and provided no recognition of the investment that has been made in
8 serving our customers since 2007.

9
10 Although the Office of Ohio Consumers' Counsel ("OCC") continues to argue against the
11 SFV rate concept in its Motion to Intervene filed in this proceeding, it is important to note
12 that the Commission has already approved Suburban's SFV rate design and that issue need
13 not be re-litigated in this case. In focusing exclusively on the increase in the customer
14 charge, the OCC completely ignores the corresponding reduction (and elimination for
15 Small General Service customers) of the volumetric rate which is paramount to the SFV
16 rate design. Ignoring this corresponding benefit to customers is perplexing. OCC speaks
17 of rate shock, however, the true effect of adoption of the SFV rate design is to protect
18 OCC's residential constituents from the highest distribution charges when volumes of gas
19 consumed are at their highest – particularly in a colder than normal winter such as was
20 experienced in the winter of 2014. The SFV design also removes any incentive for
21 Suburban to encourage usage by its heat sensitive residential and small commercial
22 customers. Finally, any specter of rate shock was negated by the two-step implementation
23 of the new rate design.

1 Accordingly, the \$9.18 customer charge in effect prior to implementing the first phase of
2 the SFV rate design is not the appropriate comparison to Suburban's proposed new rate for
3 two reasons. First, although the customer charge increased, there was a corresponding
4 reduction/elimination of the volumetric charge that operated to neutralize the increase in
5 the customer charge. Second, the second phase of the SFV rate design, with its \$29.42
6 monthly customer charge and zero volumetric rate for residential consumers, is in fact the
7 rate that the Commission has approved to go into effect November 1, 2018 and, thus, is the
8 proper basis for comparison to the proposed rate in this case that will not go into effect
9 until approximately the third quarter of 2019.

10
11 Suburban should not be penalized for responsibly avoiding rate increase applications until
12 truly necessary, as it is now.

13 **Q. Please discuss the inclusion of new miscellaneous charges, as well as increases to**
14 **miscellaneous charges in your current tariff.**

15
16 **A.** As we reviewed costs that the Company incurs for certain tasks that must be completed in
17 the course of our service, we observed that certain charges in our current tariff were out
18 dated and not aligned with the natural gas industry for similar services. These included our
19 current charge for reconnection of service after termination of service for non-payment,
20 which is \$20.00. We observed that a more typical charge for reconnection is \$36.00, which
21 would be more aligned with our actual costs to reconnect service. Accordingly, we propose
22 that change. Likewise, we currently charge \$35.00 for a meter test when a customer
23 requests a test and the meter tests within the acceptable accuracy range of plus or minus 3
24 percent. We propose to raise the meter test charge to \$40.00 for a Rate SGS customer, and
25 to \$100.00 for a Rate LGS or LGTS customer. The proposed charges would be more

1 aligned with industry standards and our actual costs. The differential is justified by the
2 increased cost to Suburban for testing larger volume meters.

3
4 We also determined that certain additional miscellaneous charges are necessary and
5 appropriate. We propose to institute a tie-in charge of \$300.00 or actual cost, whichever
6 is less, when reconnection is required after fraud or theft of service. This is consistent with
7 industry standards and would reflect the actual cost of this service. Similarly, when we
8 must send an employee to conduct a theft of service investigation, we propose a charge of
9 \$125 (in addition to any other reconnection charges that apply). This is consistent with
10 industry standard and would compensate Suburban for the employee's time to conduct such
11 investigation. When we must relocate a meter setting at the request of a customer, we
12 propose to charge the customer the actual cost of that relocation. Occasionally, we are
13 required to uprate the meter we have supplied to a customer based on the customer's
14 changed load profile. When that occurs, we propose to charge the incremental cost of the
15 uprated meter and the actual cost of any additional equipment that is required to be
16 installed, including an excess flow valve ("EFV"). Finally, when we install an EFV upon
17 customer request, we propose to charge the actual cost for the installation of the EFV.

18
19 I submit that these increases, and the initiation of the additional miscellaneous charges, are
20 reasonable and justified by the nature of the task.

1 **Q. Please discuss the Btu Adjustment that Suburban Natural Gas proposes in this**
2 **proceeding.**

3
4 **A.** Because we will have eliminated the volumetric charge for customers served under Rate
5 SGS on November 1, 2018 in the second phase of our SFV implementation, this adjustment
6 will only impact customers served under Rate LGS and Rate LGTS.

7
8 With the minor exception of gas deliveries we receive under purchase agreements with
9 Columbia Gas of Ohio at the Lazelle Road point of delivery and the Big Walnut point of
10 delivery in southern Delaware County, all of our gas supplies are received at points of
11 delivery on Columbia Gas Transmission, which was acquired by TransCanada Corporation
12 in 2016. All those deliveries are measured thermally, in dekatherms. A dekatherm is
13 equivalent to 1 million Btus. As has been demonstrated over the last several years, the heat
14 content of natural gas sourced from the Marcellus and Utica shale is higher than the heat
15 content of natural gas sourced from the Gulf Coast (which had been the primary production
16 source for deliveries through Columbia Gulf Transmission to Columbia Gas
17 Transmission).

18
19 Our customer delivery meters measure the volume of gas delivered, not the thermal
20 content. Because of this, the volume of gas needed to provide the same energy is lower
21 when the heat content increases, and higher when the heat content decreases. This creates
22 a mismatch between what Suburban is billed for delivered therms of gas, and the volumes
23 we bill to our customers for gas delivered to them. Our proposed Btu adjustment will
24 reconcile that mismatch. When the weighted average Btu content for the test year is higher
25 than the Btu content of gas delivered to us by our interstate pipeline, absent a Btu

adjustment Suburban will not recover its fixed costs. Conversely, when the billing month weighted average Btu content is lower than the test year weighted average Btu content, customers are harmed without a Btu adjustment to recognize that difference. So far in 2018, the weighted average Btu content per month delivered by Columbia Gas Transmission in our two market areas has differed a fair amount as noted on the below table.

	Market Area 1 SNG North System	Market Area 3 SNG South System
Jan-18	1075	1066
Feb-18	1073	1062
Mar-18	1075	1063
Apr-18	1067	1061
May-18	1056	1061
Jun-18	1063	1070
Jul-18	1071	1072
Aug-18	1057	1053

Q. Can you describe the calculation that will be made to accomplish the Btu Adjustment?

A. We will utilize a fraction to adjust the volumes delivered to our customers to reflect the heat content for the most recent month we have been billed for deliveries from Columbia Gas Transmission. The numerator of the fraction will be the weighted monthly average for the billing days in our billing month, which for the month of August 2018 would have been 1057 Btu/cubic foot as an example. The denominator will be the weighted average Btu content for our test year. At “Section II Definitions” of our Proposed Tariffs, in Definition C, “Btu/Btu Adjustment”, a value of 1,000 is identified as the denominator of the fraction to be employed in calculating the Btu Adjustment. That value is only a placeholder. Because our test year is the twelve months commencing on March 1, 2018 and ending on February 28, 2019, we do not yet have actual weighted average Btu values for the test year applicable to Columbia Gas Transmission’s deliveries into its Market Area

1 1 (Toledo), which includes our Northern System, and its Market Area 3 (Lima), which
2 includes our Southern System.

3
4 Once the test year actual data is available, we will employ the appropriate weighted average
5 figures for each market area and revise the proposed tariff provision appropriately. That
6 calculation will be reflected on our customers' bills. Other natural gas companies in Ohio
7 have either employed or are proposing to employ a heat content adjustment in pending rate
8 proceedings. The heat content adjustment mechanism is in wide use nationally by natural
9 gas companies.

10 **Q. Do you have any corrections to make to the Proposed Tariffs submitted in this**
11 **proceeding?**

12 **A. Yes.** I note an omission on Original Sheet No. 5, Page 2 of 9, under the heading "b.
13 **Customer Service Line**", in the first sentence in subsection iv. As corrected, it should
14 read:

15 "Except as otherwise limited in the preceding subsections (i-iii), in service
16 agreements or rate schedules, when necessary to meet competition, the
17 Company will install up to 250 feet of curb-to-meter service line of up two
18 two-inch diameter for Residential and Small Commercial properties without
19 cost to the property owner."

20 Attached to my testimony is a corrected Schedule E-1, Original Sheet No. 5, Page 2 of 9
21 (Attachment B).

1 I also attach a corrected Schedule E-1, Original Sheet No. 9, Page 2 of 7 (Attachment C).

2 We have added language to clarify that the Infrastructure Replacement Program Rider is
3 subject to reconciliation or adjustment including, but not limited to, increases or refunds.

4 **Q. Who else will be testifying for Suburban Natural Gas Company in this case?**

5 **A.** Ms. Nichole M. Clement, a Principal in the firm of Gilmore Jasion Mahler, LTD, Certified
6 Public Accountants, will testify with regard to Operating Income, Rate Base, Rate of
7 Return and Tariffs. We have no witness on allocations because we have no corporate
8 allocations.

9 **Q. Please summarize what you are requesting from this Commission?**

10 **A.** I respectfully request that the Commission approve this Application for an increase in rates
11 because the relief we request is just and reasonable. It is no more than is necessary to grant
12 Suburban the opportunity, through continuing diligent management, to earn a reasonable
13 return on the investment of our investors. We believe that our current earnings are clearly
14 insufficient after ten years of significant investment in our growing system and the impact
15 of massive increases in employee benefit program costs and ongoing inflationary impact
16 on operational expenses. Further, we are now investing an additional \$8.5 million in
17 betterment of our pipeline system to meet the growing needs of our customer base.
18 Moreover, Suburban has been exemplary in its adherence to pipeline safety requirements
19 and best practices. The Commission's GCR, PIPP, UEX, Customer Service, Operations
20 and Records Audits demonstrate our compliance with the Commission's rules and
21 regulations.

22 **Q. Does this conclude your direct testimony?**

23 **A.** Yes.

CERTIFICATE OF SERVICE

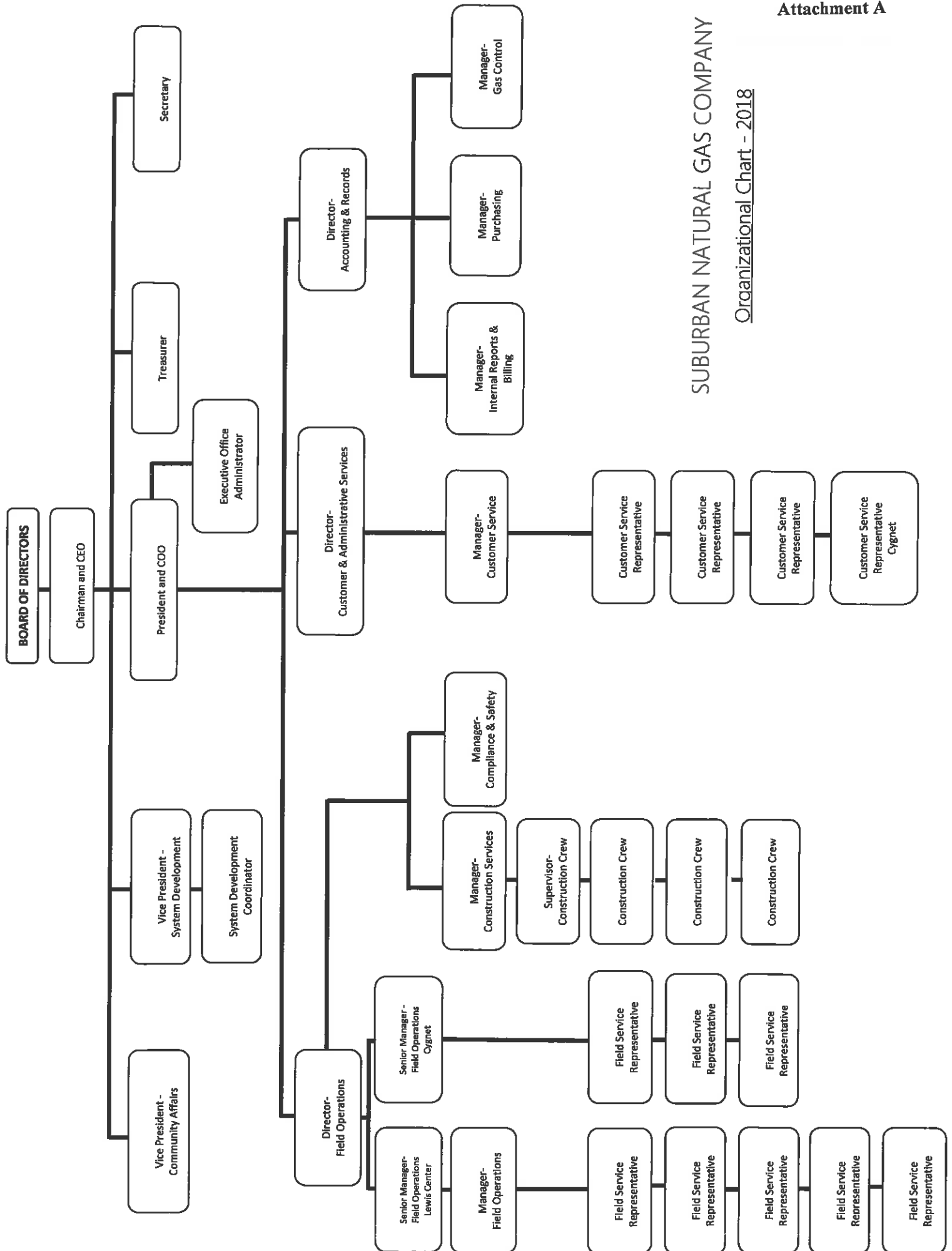
The undersigned hereby certifies that a true and accurate copy of the foregoing document was served on September 14, 2018 by electronic mail upon the parties listed below.

/s/ Kimberly W. Bojko
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Suburban Natural Gas Company

Original Sheet No. 5

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P.U.C.O. NO. 4
(Cancels P.U.C.O. No. 3)
Tariff for Natural Gas Service

**RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF
NATURAL GAS**

- iv. Except as otherwise limited in the preceding subsections (i-iii), in service agreements or rate schedules, when necessary to meet competition, the Company will install up to 250 feet of curb-to-meter service line of up to two-inch (2") diameter for Residential and Small Commercial properties without cost to the property owner. A charge will be assessed for the actual cost for the initial installation for any length over the 250 feet, but the Company will maintain the entire curb-to-meter service and equipment, including risers, meters and service regulators on Customer's side of the point of delivery (outlet of the meter), without cost to the Customer. Only the Company's agents are authorized to connect the Company's service to the customer's service.
 - v. The customer's gas service line shall be as short as practicable, but not limited to a specific length. The proposed size, length, and direction of the gas service pipe and proposed meter location shall be subject to the Company's approval.
 - vi. No connection or work of any kind shall be done on a gas main or the Company's piping by anyone who is not an authorized representative of the Company, except that the customer's agent may, at the Company's option, be designated as an authorized representative of the Company upon request.
 - vii. When repairs on, or replacement of, the service piping or equipment, including the meter, is required, such work will be done at the Company's expense. When relocation, modifications, or additions to service piping or equipment, including the meter or service tap is required by the customer, such work shall be done by the Company and the Company's actual cost to perform such relocation shall be borne by the customer. The cost of the inspections and test of the customer's piping installed by the customer or the customer's agent will be borne by the customer.
- c. **Excess Flow Valves.** The Company will install an excess flow valve on a service line that is not new or entirely replaced and located at a single family residence.

Issued: XX/XX/XXXX

Effective: XX/XX/XXXX

In accordance with the Public Utilities Commission of Ohio Opinion and Order

Order Dated: XX/XX/XXXX

Case No. XX-XXX-XXX

Issued by Andrew J. Sonderman, President

Suburban Natural Gas Company

Original Sheet No. 9

Page 2 of 7

P.U.C.O. NO. 4
(Cancels P.U.C.O. No. 3)
Tariff for Natural Gas Service

**RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF
NATURAL GAS**

Infrastructure Replacement Program Rider

Applicability:

Applicable to Customers served under all rate schedules.

Description:

An additional charge per month per account, regardless of gas consumed, to recover costs associated with Suburban's customer notification and education and the repair or replacement of service lines as specified in the Company's IRP Plan filed with the PUCO. This Rider shall be calculated annually pursuant to a notice filed no later than May 31 of each year based on nine months of actual data and three months of estimated data for the reporting year. The filing shall be updated no later than August 31 of the same year to reflect the use of actual reporting year data. Such adjustments to the Rider will become effective with bills rendered on November 1 of each year.

This Rider is subject to reconciliation or adjustment, including but not limited to, increases or refunds. Such reconciliation or adjustment shall be limited to the twelve-month period of expenditures upon which the rates were calculated, if determined to be unlawful, unreasonable, or imprudent by the Commission in the docket those rates were approved or the Supreme Court of Ohio.

Rate:

\$0.18 per Month

Issued: XX/XX/XXXX

Effective: XX/XX/XXXX

In accordance with the Public Utilities Commission of Ohio Opinion and Order

Order Dated: XX/XX/XXXX

Case No. XX-XXX-XXX

Issued by Andrew J. Sonderman, President

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Case No(s). 18-1205-GA-AIR, 18-1206-GA-ATA, 18-1207-GA-AAM

Summary: Testimony Direct Testimony Of Andrew J. Sonderman electronically filed by Mrs. Kimberly W. Bojko on behalf of Suburban Natural Gas Company