

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	:	
Suburban Natural Gas Company	:	Case No. 18-1205-GA-AIR
For An Increase Gas Distribution	:	
Rates.	:	
	:	
In The Matter Of The Application Of	:	
Suburban Natural Gas Company	:	Case No. 18-1206-GA-ATA
For Tariff Approval.	:	
	:	
In the Matter of the Application Of	:	
Suburban Natural Gas Company For	:	Case No. 18-1207-GA-AAM
Approval of Certain Accounting	:	
Authority.	:	

**PREFILED TESTIMONY
IN RESPONSE TO OBJECTIONS TO THE STAFF REPORT AND
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION
OF**

DAVID M. LIPTHRATT
RATES & ANALYSIS DEPARTMENT
RESEARCH & POLICY DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO

Staff Exhibit _____

June 7, 2019

TESTIMONY OF DAVID LIPTHRATT

1. Q. Please state your name and business address.

A. My name is David M. Liphtratt. My address is 180 East Broad Street,
Columbus, Ohio 43215-3793.

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

A. I am employed by the Public Utilities Commission of Ohio (the Commission or PUCO) as the Chief of the Research and Policy Division of the Rates and Analysis Department.

3. Q. Would you briefly state your educational background?

A. I earned a Bachelor of Arts Degree that included a Major in Political Science and a Minor in History from the University of Georgia. Subsequently, I earned a Master of Public Administration degree with a focus on public budgeting and finance and policy analysis from the University of Georgia. In addition, I earned a post-baccalaureate Certificate of Accounting Concentration at Columbus State Community College. I am a Certified Public Accountant (Ohio License # CPA.48876). Moreover, I have attended various seminars and rate case training programs sponsored by this Commission, professional trade organizations, and the utility industry community.

1 4. Q. Please outline your work experience.

2 A. I have previously served as a Budget/Management Analyst for the Ohio
3 Office of Budget and Management and a Fiscal Officer for the Ohio
4 Department of Commerce. I have served as a Public Utilities Administrator
5 with the PUCO before being promoted to my current position. In each of
6 these roles I have been responsible for various accounting and financial-
7 related tasks and responsibilities.

8
9 5. Q. Have you testified in prior proceedings before the Commission?

10 A. Yes.

11 **PURPOSE OF MY TESTIMONY**

12 6. Q. What is the purpose of your testimony in this proceeding?

13 A. I will be addressing the Office of the Ohio Consumers' Counsel's (OCC)
14 Objection 18 and the Commission's three-part test for evaluating the
15 reasonableness of a stipulation.

16

17 **Objection and Changes from the Staff Report**

18 7. Q. Please describe OCC Objection 18.

19 A. OCC asserts that the Staff Report unreasonably recommended a revenue
20 increase of \$764,476 to \$1,087,908.

21

1 8. Q. What is Staff's response to the objection?

2 A. Given the components of the Stipulation and Recommendation filed in this
3 case (Stipulation), Staff believes the revenue requirement is reasonable.
4

5 9. Q. Please describe the modifications from the Staff Report contained in the
6 Stipulation.

7 A. The Stipulation modifies the Staff Report in the following ways:

- 8 • The 4.9-mile extension of the Del-Mar pipeline shall be
9 phased into rate base over a three-year period as follows:
 - 10 ○ 50% of the current book value of the 4.9-mile Del-Mar
11 pipeline extension, including depreciation and property
12 taxes, shall be included in rate base on the date of the
13 Commission Order approving new distribution rates in
14 this proceeding (Year 1).
 - 15 ○ 80% of the current book value of the 4.9-mile Del-Mar
16 pipeline extension, including depreciation and property
17 tax, shall be included in rate base effective one year
18 from the date of the Commission Order approving new
19 distribution rates in this proceeding (Year 2).
 - 20 ○ 100% of the current book value of the 4.9-mile Del-
21 Mar pipeline extension, including depreciation and
22 property tax, shall be included in rate base, effective

1 two years from the date of the Commission Order in
2 this proceeding (Year 3), and every year thereafter.

- 3 • At the time additional book value of the 4.9-mile Del-Mar
4 pipeline extension is added to rate base at the beginning of the
5 second and third years following the Commission Order in
6 this proceeding (Year 2 and Year 3), Suburban's established
7 revenue requirement for each applicable year shall be
8 allocated to the customers based upon the total number of
9 customers, as evaluated by Staff and as approved by the
10 Commission, at the time the additional book value is added at
11 the same revenue distribution percentage, excluding gas costs,
12 as established in Year 1.
- 13 • An update to Staff's adjustment to revenue to incorporate
14 annualized usage and forecasted customer count based on
15 actual data through date certain (see Attachment A of the
16 Stipulation - Schedule C-3.1 page 2).
- 17 • A labor adjustment to account for pay increases that were
18 realized between the filing of the Staff Report and the end of
19 the test year; and also, to account for 26 pay periods for
20 salaried employees and 52 pay periods for hourly employees
21 (see Attachment A of the Stipulation - Schedule C-3.7).

- 1 • The Stipulation recognizes expenses related to employee
2 benefits, including payments made to employees under a
3 program contained in Suburban’s 401k plan, which is called
4 the “profit-sharing” program in the Internal Revenue Code, to
5 be included as an expense in the amount of \$150,000. As a
6 condition of the inclusion of this amount, Suburban agrees to
7 fund the profit-sharing program to the benefit of its
8 employees in an amount not less than \$150,000.00 annually
9 until new distribution rates are approved in Suburban’s next
10 base distribution rate case (see Attachment A of the
11 Stipulation - Schedule C-3.7).
- 12 • Property taxes based on the 2018 property tax rate and to
13 include supplies and materials (see Attachment A of the
14 Stipulation - Schedule C-3.8).
- 15 • The Stipulation addresses an invoice of \$1,450 associated
16 with rate case expense that Staff incorrectly excluded as part
17 of the Staff Report and an adjustment of \$53,017 to
18 Professional Fees resulting in \$300,000 being excluded from
19 test year expenses (see Attachment A of the Stipulation -
20 Schedule C-3.9)
- 21 • The Stipulation recognizes a monthly lease expense in the
22 amount of \$6,503.25 to Delaware Properties, LLC, for a new

1 building, the Troutman Road Operations Center (see
2 Attachment A of the Stipulation - C-3.11).

- 3 • Staff acceptance of OCC Objection 16 as it relates to business
4 meals, which totals in a reduction of \$17,710 (see Attachment
5 A of the Stipulation - Schedule C-3.11).

6 10. Q. Does the Stipulation make any other changes to the revenue requirement?

7 A. Yes. As a result of these adjustments, there were flow through impacts
8 associated with gross-ups, taxes, and working capital. Additionally, the
9 Staff has modified the recommended rate of return range.

10 11. Q. What is the Stipulation's resulting recommended revenue requirement
11 increase?

12 A. The recommended revenue requirement increase for the first year upon
13 approval of the new distribution rates by the Commission in this proceeding
14 (Year 1) shall be \$1,168,030.

15 The recommended revenue increase for the second year after the
16 Commission Order in this proceeding (Year 2) shall be \$1,532,278 from
17 current rates at the time of filing of the Stipulation.

18 The recommended revenue increase beginning with the third year after the
19 Commission's Order in this proceeding (Year 3) and every year thereafter
20 until new distribution rates are approved in a subsequent proceeding shall
21 be \$1,778,433 per year from current rates at the time of filing of the
22 Stipulation.

1 12. Q. As a result of the recommended revenue requirement increase, what would
2 be Suburban's annual revenue requirement?

3 A. The revenue requirement from the date that rates are approved by the
4 Commission and for one year following such approval (Year 1) would be
5 \$19,800,801. The revenue requirement for the second year after the date of
6 the Commission Order approving rates in this matter and for one year (Year
7 2) would be \$20,165,049. The revenue requirement for the third year after
8 the date of the Commission Order approving rates in this matter (Year 3)
9 and for every year thereafter until new distribution rates are approved in a
10 subsequent proceeding would be \$20,411,204 per year.

11
12 **Three-part Test**

13
14 13. Q. What are the components of the three-part test?

15 A. A stipulation before the Commission must: (1) be the product of serious
16 bargaining among capable, knowledgeable parties; (2) as a package,
17 benefits ratepayers and the public interest; and (3) not violate any important
18 regulatory principle or practice.

19
20 14. Q. Is the Stipulation a product of serious bargaining among capable,
21 knowledgeable parties?

1 A. Yes. The Stipulation is the product of an open process in which all
2 intervenors were given an opportunity to participate. All parties were
3 represented by experienced and competent counsel that have participated in
4 numerous regulatory proceedings before the Commission. There were
5 extensive negotiations among the parties and the Stipulation represents a
6 comprehensive compromise of the issues raised by parties with diverse
7 interests.

8
9 15. Q. Does the Stipulation benefit ratepayers and the public interest?

10 A. Yes. The Stipulation results in a just and reasonable resolution of the
11 matters pending in these Commission dockets. Included in this reasonable
12 resolution is a multi-year phased in revenue requirement that benefits
13 ratepayers, through a balanced approach by recognizing some of the
14 objections to the Staff Report raised by intervening parties, rejecting some
15 of the objections, and considering alternative approaches. Additionally, the
16 following are some of the key benefits of the Stipulation:

- 17 • The phase in of the Del-Mar Extension results in the recognition of
18 consistent customer growth while ensuring existing customers
19 continue to be reliably served.
- 20 • As part of the Stipulation customer counts will be updated based on
21 actual bill counts at the time the Del-Mar Extension is phased-in.

1 Consequently the customer charge will be lower than it would have
2 been without the phase-in.

- 3 • The Stipulation requires the Company to file an application to
4 establish new base distribution rates by October 31, 2025 which
5 addresses a longer period of customer growth.
- 6 • The phase-in revenue requirement increase for Year 1 is
7 approximately 65 percent less than the Company's request, Year 2 is
8 54 percent less than the Company's request, and Year 3 and every
9 year thereafter is 47 percent less than the Company's requested
10 revenue requirement.
- 11 • The Stipulation results in a fixed charge of \$33.84; whereas, the
12 Company's proposed customer charge was \$41.86.
- 13 • There are various customer protections, such as the following:
 - 14 ○ One free meter test every three years to each residential
15 customer.
 - 16 ○ No customer service charge when the days of usage in a
17 billing period for the customer are less than eight days.

18 16. Q. Does this conclude your testimony?

19 A. Yes. However, I reserve the right to incorporate new information that may
20 subsequently become available through outstanding discovery or otherwise.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Testimony of David M. Lipthrott submitted on behalf of the Staff of the Public Utilities Commission of Ohio via electronic mail upon the following parties of record, this 7th day of June, 2019.

/s/Robert A. Eubanks

Assistant Attorney General

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This foregoing document was electronically filed with the Public Utilities

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6/7/2019 2:05:13 PM

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

Summary: Testimony of David Lipthratt electronically filed by Ms. Tonnetta Scott on behalf of PUC