

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Suburban Natural Gas Company for an) Case No. 18-1205-GA-AIR
Increase Its Gas Distribution Rates.)

In the Matter of the Application of)
Suburban Natural Gas Company for Tariff) Case No. 18-1206-GA-ATA
Approval.)

In the Matter of the Application of)
Suburban Natural Gas Company for) Case No. 18-1207-GA-AAM
Approval of Certain Accounting Authority)

**SUPPLEMENTAL DIRECT TESTIMONY
OF
WM. ROSS WILLIS
IN OPPOSITION TO THE STIPULATION**

On Behalf of
The Office of the Ohio Consumers' Counsel
65 East State Street, 7th Floor
Columbus, Ohio 43215

June 21, 2019

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*Supplemental Direct Testimony of Wm. Ross Willis
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1 **I. INTRODUCTION**

2

3 ***Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.***

4 ***A1.*** My name is Wm. Ross Willis. My business address is 65 East State Street,
5 Columbus, Ohio 43215.

6

7 ***Q2. BY WHOM ARE YOU EMPLOYED?***

8 ***A2.*** I am employed by the Office of the Ohio Consumers' Counsel ("OCC").

9

10 ***Q3. WHAT IS YOUR CURRENT POSITION WITH OCC AND WHAT ARE***
11 ***YOUR DUTIES?***

12 ***A3.*** I am a Senior Regulatory Analyst within the Analytical Department. My duties
13 include performing analysis of impacts on the utility bills of residential consumers
14 with respect to utility filings before the Public Utilities Commission of Ohio
15 ("PUCO"), and PUCO-initiated investigations. I examine utility financial and
16 asset records to determine operating income, rate base, and the revenue
17 requirement, on behalf of residential consumers.

18

19 ***Q4. WOULD YOU BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND?***

20 ***A4.*** I earned a Bachelor of Business Administration degree that included a major in
21 finance and a minor in management from Ohio University in December 1983. In
22 November 1986, I attended the Academy of Military Science and received a

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1 commission in the Air National Guard. Moreover, I have attended various
2 seminars and rate case training programs sponsored by the PUCO.

3

4 ***Q5. PLEASE OUTLINE YOUR WORK EXPERIENCE.***

5 ***A5.*** I joined the PUCO in February 1984 as a Utility Examiner in the Utilities
6 Department. I held several technical and managerial positions with the PUCO
7 over my 30-plus year career. I retired from the PUCO on December 1, 2014. My
8 last position with the PUCO was Chief, Rates Division within the Rates and
9 Analysis Department. In that position, my duties included developing, organizing,
10 and directing the PUCO staff during rate case investigations and other financial
11 audits of public utility companies subject to the jurisdiction of the PUCO. The
12 determination of revenue requirements in connection with rate case investigations
13 was under my purview. I joined OCC in October 2015.

14

15 My military career spans 27 honorable years of service with the Ohio National
16 Guard. I earned the rank of Lieutenant Colonel and I am a veteran of the war in
17 Afghanistan. I retired from the Air National Guard in March 2006.

18

19 ***Q6. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUCO?***

20 ***A6.*** Yes, attached to my previously filed direct testimony is WRW Attachment A
21 listing the cases in which I presented testimony before the PUCO.

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1 ***Q7. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS CASE?***

2 ***A7.*** Yes. My direct testimony was filed on March 8, 2019.

3

4 ***Q8. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?***

5 ***A8.*** The purpose of my supplemental testimony is to make recommendations to the
6 PUCO regarding the Stipulation and Recommendation (“Settlement”) filed by
7 Suburban Natural Gas Company (“Suburban”) and the staff of the PUCO
8 (“PUCO Staff”) in these cases on May 23, 2019. I recommend that the PUCO not
9 adopt the Settlement because it fails the PUCO’s three-part test for evaluating
10 Settlements.

11

12 ***Q9. WHAT ARE THE PUCO’S STANDARDS OF REVIEW FOR EVALUATING***
13 ***PROPOSED SETTLEMENTS?***

14 ***A9.*** The PUCO uses three criteria for evaluating the reasonableness of a proposed
15 settlement:

- 16 1. Is the settlement a product of serious bargaining among
17 capable, knowledgeable parties?
- 18 2. Does the settlement, as a package, benefit customers and
19 the public interest?
- 20 3. Does the settlement package violate any important
21 regulatory principle or practice?

22

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1 The PUCO also routinely considers whether the parties represent a diversity of
2 interests.

3

4 ***Q10. PLEASE SUMMARIZE YOUR OPINIONS REGARDING THE***
5 ***SETTLEMENT.***

6 ***A10.*** I recommend that the PUCO reject the Settlement as filed. The proposed
7 Settlement, as a package, does not benefit customers and is not in the public
8 interest. Additionally, the package violates Ohio law and important regulatory
9 principles and practices.

10

11 **II. EVALUATION OF THE PROPOSED SETTLEMENT**

12

13 ***Q11. WHO ARE THE SIGNATORY PARTIES TO THE SETTLEMENT?***

14 ***A11.*** The Signatory Parties are Suburban and the PUCO Staff. OCC and Ohio Partners
15 for Affordable Energy oppose the Settlement.

16

17 ***Q12. IN YOUR OPINION, DOES THE SETTLEMENT, AS A PACKAGE,***
18 ***BENEFIT SUBURBAN'S CUSTOMERS AND THE PUBLIC INTEREST?***

19 ***A12.*** No.

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1 ***Q13. WHY DOES THE SETTLEMENT NOT BENEFIT SUBURBAN'S***
2 ***CUSTOMERS AND THE PUBLIC INTEREST?***

3 ***A13.*** In its application, Suburban included in rate base a 4.9-mile pipeline extension,
4 referred to as the Del-Mar pipeline extension. This means that customers would
5 pay for the cost of this 4.9-mile pipeline extension (“return of through
6 depreciation”), and Suburban would profit from the pipeline extension (“return
7 on through rate of return on rate base”). As I explained in my March 8, 2019
8 testimony, the 4.9-mile Del-Mar extension was not used and useful for
9 Suburban’s customers as of the date certain in this case, February 28, 2019.
10 Thus, it would be unlawful to include it in rate base and unlawful to charge
11 customers for it.

12
13 Under the Settlement, 50% of the value of the 4.9-mile pipeline extension would
14 be included in rate base upon approval of the Settlement.¹ This means that
15 customers would begin paying for 50% of the project immediately upon approval
16 by the PUCO, plus a return on that 50%. An additional 30% of the value of the
17 Del-Mar pipeline extension would be added to rate base one year after approval.²
18 Two years after approval of the Settlement, the entire book value of the Del-Mar
19 pipeline extension would be added to rate base.³

¹ Settlement § III.A.5.d.i.

² Settlement § III.A.5.d.ii.

³ Settlement § III.A.5.d.iii.

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1 But this does nothing to fix the problem. The pipeline extension was not used
2 and useful as of the date certain in this case, so customers should not pay for any
3 portion of this pipeline. Phasing the 4.9-mile pipeline extension in over a three-
4 year period does not change that basic fact. Nor does it change the law, which
5 only allows a utility to charge customers for plant that was used and useful as of
6 the date certain.

7
8 ***Q14. DID YOU MAKE ANY CALCULATIONS TO THE PROPOSED***
9 ***SETTLEMENT REVENUE REQUIREMENT?***

10 ***A14.*** Yes, attached to my testimony is WRW Attachment 1. This attachment
11 demonstrates the significance the Del-Mar extension would have on consumers
12 rates. I removed the 50% Del-Mar extension from plant-in-service in year one. I
13 also removed the associated depreciation. Removing just those two items reduces
14 the revenue requirement increase and lowers charges to consumers by \$543,004
15 on an annual basis⁴. This represents approximately 46.5% of the entire revenue
16 requirement increase. There would obviously be other flow-through adjustments
17 that would need to be made to remove all the effects of the Del-Mar extension
18 from the revenue requirement such as property tax and any federal income tax
19 impact. Also shown on WRW Attachment 1 is the impact of the rate of return
20 recommended by OCC witness Dr. Duann. Dr. Duann's rate of return
21 recommendation results in a savings to consumers by \$65,358 on an annual

⁴ This includes other assumptions from the Settlement that OCC opposes.

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1 basis. Please refer to OCC witness Dr. Duann for further discussion regarding
2 OCC's rate of return recommendation.

3
4 Including any portion of the Del-Mar extension in rate base when it is not used
5 and useful does not benefit customers and is not in the public interest.

6
7 ***Q15. WHY WAS THE DEL-MAR PIPELINE EXTENSION NOT USED AND***
8 ***USEFUL AS OF DATE CERTAIN IN THIS CASE?***

9 ***A15.*** As I explained in my direct testimony (filed March 8, 2019) when Suburban filed
10 its application before the Ohio Power Siting Board for this project, it claimed the
11 project was initiated to provide enough gas volume for the planned growth in the
12 area. Suburban projected serving as many as 18 new subdivisions, in various
13 stages of development, with an estimated final buildout of 4,000 homes. It stated,
14 in a letter to the Ohio Power Siting Board, "The current six-inch line will not
15 provide enough volume for the amount of growth that is planned. As such, the
16 new 12-inch line is needed to provide additional capacity."⁵ In other words,
17 Suburban proposed the extension of the pipeline in order to address the *future*
18 growth needs of the area and to prevent a potential system capacity shortage.⁶

19
20 Rather than being plant that is used and useful to current Suburban customers on
21 date certain, this pipeline extension is more appropriately considered plant held

⁵ Suburban Exhibit 7, March 2018 Letter of Notification Case No. 18-54-GA-BLN at 2.

⁶ *Id.*

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1 for future use. Plant held for future use should not be paid for by current
2 customers. The Del-Mar pipeline extension was not used and useful to its
3 customers on the date certain in this rate case as required by Ohio law and PUCO
4 policy.

5
6 ***Q16. TESTIMONY OF MR. GRUPENHOF ON BEHALF OF SUBURBAN***
7 ***CLAIMS THAT THE EXTENSION OF THE PIPELINE WAS NECESSARY***
8 ***(USEFUL) TO RESOLVE CONCERNS IT HAD ABOUT LOW PRESSURES***
9 ***EXPERIENCED ON ITS SYSTEM DURING AN EXTREME WEATHER***
10 ***EVENT. DOES THAT TESTIMONY CHANGE YOUR CONCLUSION THAT***
11 ***THE PIPELINE EXTENSION WAS NOT USED AND USEFUL AS OF***
12 ***DATE CERTAIN?***

13 ***A16.*** No, it does not. I agree with the conclusions reached by the Ohio Power Siting
14 Board Staff in its review of Suburban's application: "Suburban has not
15 established that the full size and pressure of the planned pipeline are needed to
16 serve current and anticipated loads in the area."⁷ This conclusion is backed up by
17 the study conducted by the engineering firm Utility Technologies International
18 Corporation ("UTI") hired by Suburban, submitted as Suburban Exhibit 9 in this
19 proceeding.

⁷ See In the Matter of the Expedited Letter of Notification Application of Suburban Natural Gas Company for the Del-Mar Pipeline Extension Project, Case No. 18-54-GA-BLN, Staff Report of Investigation at 2 (Mar. 26, 2018).

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1 As Mr. Grupenhof, a UTI engineer, explained in his testimony, Suburban began
2 considering building the pipeline extension after it experienced low pressure
3 during a cold day in February 2015 at Suburban's southern end, the Lazelle Road
4 point of delivery.⁸ UTI and Suburban determined that pressure at Lazelle Road
5 should be above 100 psig to ensure reliability and safety for customers.⁹

6
7 Suburban Exhibit 9, however, shows that based on UTI's analysis, the pressure
8 at Lazelle Road was not projected to drop below 100 psig until December 31,
9 2019—long after the date certain of February 28, 2019 in this case.¹⁰ In contrast,
10 UTI's analysis shows that at year-end 2018, (two months prior to date certain)
11 UTI projected pipeline pressure at Lazelle Road of 104.27 psig, which is above
12 the 100 psig level that UTI's engineers consider to be safe.

13
14 ***Q17. SUBURBAN WITNESS MR. GRUPENHOF ALSO TESTIFIES THAT THE***
15 ***PIPELINE WAS BEING USED AT DATE CERTAIN AND THE PUCO***
16 ***STAFF AGREES. HOW DO YOU RESPOND TO THAT TESTIMONY?***

17 ***A17.*** While I agree that gas was flowing through the pipeline on date certain (*i.e.*,
18 arguably being “used”), Ohio law and PUCO policy also require the pipeline to be
19 both “used” AND “useful.” As I have explained here and in my direct testimony,

⁸ Grupenhof Testimony at 3.

⁹ Grupenhof Testimony at 5 (“At this location on the system [Lazelle Road], we determined that the pressure needs to be maintained above a minimum of 100 psig.”).

¹⁰ Suburban Ex. 9 (August 31, 2018 analysis performed by UTI).

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1 the pipeline extension is not useful to Suburban's existing customers. Therefore,
2 the pipeline extension should not be found to be "used *and* useful" in providing
3 service to Suburban's existing customers.

4

5 ***Q18. SUBURBAN WAS CONCERNED ABOUT LOW PRESSURE AT THE***
6 ***LAZELLE ROAD POINT OF DELIVERY. WASN'T THE 4.9-MILE***
7 ***PIPELINE EXTENSION AN APPROPRIATE SOLUTION?***

8 ***A18.*** No. It is clear from UTI's analysis, and Mr. Grupenhof's testimony, that Suburban
9 was building the 4.9-mile pipeline extension to address future growth, not to meet
10 the needs of current customers. Another way of saying it is that the 4.9-mile Del-
11 Mar pipeline extension is substantially larger than it needed to be.

12

13 ***Q19. HOW DO YOU KNOW THAT THE 4.9-MILE DEL-MAR PIPELINE IS TOO***
14 ***LONG?***

15 ***A19.*** Suburban's own engineering analysis, performed by UTI, makes it obvious that
16 the 4.9-mile Del-Mar pipeline extension is much longer than necessary to serve
17 *current* customers. It was clearly built to meet the needs of future customers.

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1 First, Suburban witness and UTI engineer Grupenhof admits this in his testimony:

2

3 [W]e believed that the Del-Mar Extension would alleviate the
4 potential for low pressures at the Lazelle point of delivery for
5 several more years and could sustain the addition of 4,000
6 customers. Meaning, Suburban would not experience any potential
7 low-pressure scenarios until 4,000 additional customers were
8 added to the system *beyond the winter of 2018-2019*.¹¹

9

10 This is a key admission. The date certain in this case is February 28, 2019, which
11 is near the end of winter 2018-2019. Mr. Grupenhof admits that Suburban
12 designed the Del-Mar pipeline extension to be able to serve 4,000 customers
13 *above and beyond* the customers in Suburban's system as of the date certain.¹²
14 The only possible interpretation is that Suburban overbuilt the pipeline extension
15 to account for *future* customer growth on Suburban's system, not to serve current
16 customers.

17

18 Second, UTI's engineering analysis demonstrates that Suburban overbuilt the Del-
19 Mar pipeline extension. As Mr. Grupenhof explained, Suburban needs to maintain
20 pressure of 100 psig at Lazelle Road.¹³ Yet using UTI's modeling, the projected

¹¹ Grupenhof Testimony at 8 (emphasis added).

¹² Grupenhof Testimony at 8.

¹³ Grupenhof Testimony at 5.

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1 pressure at Lazelle Road is 236.12 psig in 2018, 232.50 psig in 2019, and 228.68
2 psig in 2020.¹⁴ And in fact, on March 5, 2019, shortly after the 4.9-mile Del-Mar
3 pipeline extension went into service, Suburban measured the actual pressure at
4 Lazelle Rd. of greater than 250 psig.¹⁵ If safe pressure is 100 psig, then building a
5 system to increase pressure to 230 psig proves that you built a system that is too
6 big to supply current customer demand.

7
8 Third, communications between UTI and Staff confirm that Suburban overbuilt
9 the Del-Mar pipeline extension. In response to Staff discovery requests in the
10 Power Siting Board case, UTI engineers, on behalf of Suburban, provided data
11 regarding the proposed 4.9-mile Del-Mar pipeline extension.¹⁶ According to
12 UTI's engineers, the 4.9-Del-Mar pipeline extension can serve a maximum total
13 throughput of around 842 mcfh.¹⁷ But UTI projected maximum peak load of just
14 737 mcfh as far in the future as 2028.¹⁸ Suburban substantially overbuilt the 4.9-
15 mile Del-Mar pipeline extension to provide capacity for customers at least nine
16 more years into the future—not to serve its current customers at date certain.

¹⁴ Suburban Exhibit 9 (UTI analysis dated August 31, 2018).

¹⁵ Suburban's Response to OCC Fourth Set of Discovery, Attachment G, Page 4, attached hereto as WRW Attachment 2.

¹⁶ Suburban's Response to OCC Fourth Set of Discovery, Attachment E, which is attached to my testimony as WRW Attachment 3.

¹⁷ *Id.* at 4 (response to question 2).

¹⁸ *Id.* (response to question 4).

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1 ***Q20. DOESN'T THE SETTLEMENT PHASE-IN PROPOSAL OF THE DEL-MAR***
2 ***PIPELINE EXTENSION ADDRESS YOUR CONCERN THAT THE***
3 ***INVESTMENT IS NOT USED AND USEFUL?***

4 ***A20.*** No. Customers are still on the hook for paying for a return on and of investment
5 that has not been shown to be used and useful as of date certain in this case. The
6 phase-in mitigates the rate impact on customers briefly, as compared to including
7 the entire Del-Mar pipeline extension in rate base upon approval of the
8 Settlement. But that has nothing to do with the used and useful standard, which
9 only looks at whether the property was used and useful *at date certain*—which
10 the Del-Mar pipeline was not.

11
12 ***Q21. HOW DO YOU INTERPRET THE PHASE-IN OF THE DEL-MAR***
13 ***PIPELINE EXTENSION UNDER THE SETTLEMENT?***

14 ***A21.*** The only parties to the Settlement are Suburban and the PUCO Staff. Suburban
15 obviously would prefer not to have the phase-in, because it lowers its revenue
16 requirement as compared to including the entire pipeline extension in rate base
17 immediately. Thus, the only possible interpretation is that the phase-in provision
18 was a concession that Suburban made to the PUCO Staff.

19
20 The fact that Suburban and the PUCO Staff are agreeing to a phase-in of the Del-
21 Mar pipeline extension speaks volumes. If the PUCO Staff believed that the Del-
22 Mar pipeline extension was used and useful as of the date certain, then there

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1 would be no reason to agree to a phase-in. It is clear from the testimony of PUCO
2 Staff witness Liphtratt that the phase-in is intended to account for customer
3 growth¹⁹—a tacit admission that the 4.9-mile Del-Mar pipeline extension is in fact
4 for future customers, not current customers.

5

6 ***Q22. IF THE PUCO EXCLUDES THE DEL-MAR PIPELINE EXTENSION***
7 ***FROM SUBURBAN'S RATE BASE, SHOULD IT BE CONCERNED THAT***
8 ***THERE IS INJUSTICE OR HARDSHIP CREATED FOR SUBURBAN?***

9 ***A22.*** No. The date certain and the test period were chosen by Suburban. It alone has the
10 ability to select the most advantageous time to file a rate case. Suburban can in the
11 future (when and if future customers are added and the Del-Mar pipeline
12 extension is used and useful for those future customers), file a rate case to seek
13 recovery of its investment and earn a return on the Del-Mar pipeline extension
14 project. However, until the pipeline extension is used and useful (and right now it
15 is not), current customers do not benefit, and it is not in the public interest to
16 approve cost collection for the pipeline extension.

17

18 ***Q23. DOES THE SETTLEMENT VIOLATE ANY IMPORTANT REGULATORY***
19 ***PRINCIPLES?***

20 ***A23.*** Yes. As discussed above, the pipeline extension project was not used *and* useful
21 in providing service to Suburban customers as of date certain. The PUCO policy,

¹⁹ Liphtratt Testimony at 9 (recognizing that the phase-in “results in the recognition of consistent customer growth” and that “customer counts will be updated based on actual bill counts” in the future).

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1 following Ohio law, is that rate base only includes investment shown to be used
2 and useful. Charging customers for an investment that is not both used and useful
3 violates Ohio Law and that PUCO regulatory principle.

4

5 Separately, the phase-in concept itself violates regulatory principles and practices.
6 In my 35 years of regulatory experience, I am aware of one single contested case
7 that included a phase-in, and it was overturned on appeal.²⁰ Though I'm not a
8 lawyer, I believe that the PUCO lacks authority to order a phase-in in a contested
9 case.²¹

10

11 If an investment is used and useful at date certain, the utility is entitled to a return
12 on and of that investment. A phase-in, in contrast, effectively creates a new,
13 artificial date certain in the future, and resets rates using that artificial future date
14 certain, but without the benefit of reevaluating the utility's other revenues and
15 expenses as of that new future date. This violates the basic regulatory practices
16 and principles that require evaluation in a rate case of plant as of date certain, and
17 as of date certain only.

²⁰ I am aware that there has been a phase-in done through an uncontested stipulation. *See, e.g.*, Case No. 09-560-WW-AIR. But because no party appealed that order, the Supreme Court of Ohio did not have an opportunity to evaluate the legality of the phase-in.

²¹ *See Columbus Southern Power Co. v. PUCO*, 67 Ohio St.3d 535 (1993) (finding that Ohio's mandatory ratemaking formula did not allow for a phase-in).

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1 Again, UTI engineer Grupenhof admits this in his testimony:

2
3 [W]e believed that the Del-Mar Extension would alleviate the
4 potential for low pressures at the Lazelle point of delivery for
5 several more years and could sustain the addition of 4,000
6 customers. Meaning, Suburban would not experience any potential
7 low-pressure scenarios until 4,000 additional customers were
8 added to the system *beyond the winter of 2018-2019*.²²
9

10 Phasing-In the Del-Mar extension over three-years does not alleviate the financial
11 burden this will place on the current customers. Suburban is only adding about
12 433 customers per year.²³ It will take over nine years before Suburban adds 4,000
13 additional customers at the rate it has been experiencing. The proposed Settlement
14 recommends a small general service rate of \$35.64.²⁴ Current customers are being
15 expected to foot the bill for the over-built Del-Mar extension while Suburban will
16 retain all the profits of adding 4,000 new customers. This would nearly double the
17 revenue increase for Suburban's third year of the proposed Settlement. The
18 proposed revenue requirement increase in year three is \$1,778,433.²⁵ The annual
19 additional revenue that Suburban will pocket once the additional 4,000 customers

²² Grupenhof Testimony at 8 (emphasis added).

²³ WRW Attachment 4.

²⁴ Attachment A to the Proposed Settlement, Schedule E-5 Page 1 of 3.

²⁵ Settlement at 4.

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1 come online will be \$1,624,320.²⁶ This is very unfair to the current customers,
2 violates important regulatory principles of cost causation, and is just bad public
3 policy.

4

5 **III. CONCLUSION**

6

7 ***Q24. DOES THIS CONCLUDE YOUR TESTIMONY?***

8 ***A24.*** Yes. However, I reserve the right to incorporate new information that may
9 subsequently become available. I also reserve the right to supplement my
10 testimony if other parties submit new or corrected information in connection with
11 this proceeding.

²⁶ 4,000 customers times 12 months times \$33.84.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Supplemental Direct Testimony of Wm. Ross Willis on behalf of the Office of the Ohio Consumers' Counsel* has been served upon those persons listed below via electronic service this 21st day of June 2019.

/s/Christopher Healey
Christopher Healey
Assistant Consumers' Counsel

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SUBURBAN NATURAL GAS COMPANY
CASE NO. 18-1205-GA-AIR
OVERALL FINANCIAL SUMMARY
FOR THE TWELVE MONTHS ENDED FEBRUARY 28, 2019

SCHEDULE A-1
PAGE 1 OF 1

Line No.	Description	Supporting Schedule Reference	Applicant	Settlement Less Del-Mar Extension	Settlement With OCC ROR Less Del-Mar Extension
1	Rate Base as of Date Certain	B-1	\$ 25,877,578	\$ 16,655,890	\$ 16,655,890
2	Current Operating Income	C-1	(649,180)	715,447	715,447
3	Earned Rate of Return: Line (2) / Line (1)	(n/a)	-2.51%	4.30%	4.30%
4	Recommended Rate of Return	D-1	7.26%	7.26%	6.95%
5	Required Operating Income: Line (1) x (4)	(n/a)	1,879,161	1,209,218	1,157,584
6	Operating Income Deficiency: Line (5) - Line (2)	(n/a)	2,528,341	493,771	442,138
7	Gross Revenue Conversion Factor	A-2	1.331086	1.265823	1.265823
8	Revenue Deficiency: Line (6) x Line (7)	(n/a)	3,365,439	625,026	559,668
9	Revenue Increase Recommended	E-4	3,365,439	625,026	559,668
10	Test Year Adjusted Operating Revenues	C-1	17,949,119	18,632,771	18,632,771
11	Revenue Requirements: Line (9) + Line (10)	(n/a)	\$ 21,314,558	\$ 19,257,797	\$ 19,192,439
12	Increase Over Current Revenue: Line (9) / Line (10)	(n/a)	18.75%	3.35%	3.00%

SUBURBAN NATURAL GAS COMPANY
CASE NO. 18-1205-GA-AIR
JURISDICTIONAL RATE BASE SUMMARY
AS OF FEBRUARY 28, 2019

SCHEDULE B-1
PAGE 1 OF 1

Line No.	Rate Base Component	Supporting Schedule Reference	Applicant Proposed Amount	Staff Proposed Amount
1	Plant in service	B-2	\$ 39,744,253	\$ 30,698,417
2	Reserve for accumulated depreciation	B-3	(9,656,236)	(9,676,859)
3	Net plant in service (1 + 2)		30,088,017	21,021,558
4	Construction work in progress	B-4	0	0
5	Working capital allowance	B-5	356,118	613,052
6	Contributions In Aid of Construction	B-6	0	0
7	Other Rate Base Items:		0	0
8	Deferred Income - Budget Billings	B-6	(703,306)	(703,306)
9	Customer Deposits	B-6	0	(333,715)
10	Deferred Income Taxes	B-6	(3,863,251)	(3,941,700)
11	Jurisdictional rate base (3) thru (10)		\$ 25,877,578	\$ 16,655,890

SUBURBAN NATURAL GAS COMPANY
CASE NO. 18-1205-GA-AIR
JURISDICTIONAL PRO FORMA INCOME STATEMENT
FOR THE TWELVE MONTHS ENDED FEBRUARY 28, 2019

SCHEDULE C-1
PAGE 1 OF 1

Line No.	Description	Adjusted Revenues & Expenses	Proposed Increase	Pro forma Revenues & Expenses
1	Operating Revenues	\$ 18,632,771	\$ 3,365,439	\$ 21,998,210
2	Operating Expenses:			
3	Operations & Maintenance	16,282,394	0	16,282,394
4	Depreciation	924,390	0	924,390
5	Taxes-Other	680,687	165,007	845,695
6	Operating Expenses Before Income Taxes	17,887,471	165,007	18,052,479
7	Income Taxes	29,853	672,091	701,944
8	Total Operating Expenses	17,917,324	837,098	18,754,422
9	Net Operating Income (Loss)	\$ 715,447	\$ 2,528,341	\$ 3,243,788
10	Rate Base	\$ 16,655,890		\$ 16,655,890
11	Rate of Return	4.30%		19.48%

Brandon

Dead End Pressure Checks

Date 1-21-2019
Temp -7

8:05

6:00	6:30	7:00	7:30	8:00	8:30	9:00
------	------	------	------	------	------	------

530 Ranbridge Drive						
---------------------	--	--	--	--	--	--

508 Eagle Walk						
----------------	--	--	--	--	--	--

2385 Hollenback Road (Arrowhead School)						
--	--	--	--	--	--	--

1500 Gemini Place (Costco)	25	25	24	23		
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8400 Lyra Drive (Comfort Inn)	32	32	32	32		
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1485 Polaris Pkwy (Target Store)	22	22	23	22		
-------------------------------------	----	----	----	----	--	--

8248 Sirus Street (Villages @ Polaris Park)	25	25	25	24		
--	----	----	----	----	--	--

Lazelle Road POD (Steel-Press)	150	150	110	110	125	
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40 Gold Meadow Drive (Olentangy Meadows)	34	34	35	36		
---	----	----	----	----	--	--

1677 Flat Rock Run	22	21	21			
--------------------	----	----	----	--	--	--

2680 Orange Road (Middle School)	28	27	27			
-------------------------------------	----	----	----	--	--	--

6061 Highland Hills Drive (Highland Hills)						
---	--	--	--	--	--	--

5799 Cali Glen (Oaks @ Highland)						
-------------------------------------	--	--	--	--	--	--

Big Walnut & Worthington (Station Bottom)						
--	--	--	--	--	--	--

7835 Vinmar Way (Vinmar Subdivision)						
---	--	--	--	--	--	--

Dead End Pressure Checks

Date 1-30-19
Temp -2°

6:00	6:30	7:00	7:30	8:00	8:30	9:00
------	------	------	------	------	------	------

530 Ranbridge Drive						
---------------------	--	--	--	--	--	--

508 Eagle Walk						
----------------	--	--	--	--	--	--

2385 Hollenback Road (Arrowhead School)						
--	--	--	--	--	--	--

1006 Seminole Place (Costco)	25	25	24	24	24	
--	----	----	----	----	----	--

2006 Vine Valley (Comfort Inn)	32	32	32	32	31	
--	----	----	----	----	----	--

1485 Polaris Pkwy (Target Store)	22	22	21	20	23	
-------------------------------------	----	----	----	----	----	--

8248 Sirus Street (Villages @ Polaris Park)	25	25	24	24	26	
--	----	----	----	----	----	--

Lazelle Road POD (Steel Press)	125	100	135	125	125	125
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10-125
11-40
12-160

40 Gold Meadow Drive (Olentangy Meadows)	33	34	34	33	35	
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1677 Flat Rock Run	23	22	21	21	21	
--------------------	----	----	----	----	----	--

2680 Orange Road (Middle School)	28	27	27	27	28	
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6061 Highland Hills Drive (Highland Hills)						
---	--	--	--	--	--	--

5799 Cali Glen (Oaks @ Highland)						
-------------------------------------	--	--	--	--	--	--

Big Walnut & Worthington (Station Bottom)						
--	--	--	--	--	--	--

7835 Vinmar Way (Vinmar Subdivision)						
---	--	--	--	--	--	--

Dead End Pressure Checks

Date 1-31-2019
Temp -2°F

	6:00	6:30	7:00	7:30	8:00	8:30	9:00
530 Ranbridge Drive							
508 Eagle Walk							
2385 Hollenback Road (Arrowhead School)							
1500 Gemini Place (Costco)	21	21	20	20	21		
8400 Lyra Drive (Comfort Inn)	30	30	30	30	30		
1485 Polaris Pkwy (Target Store)	19 psi	19 psi	18 psi	20 psi	20 psi		
8248 Sirius Street (Villages @ Polaris Park)	22 psi	21 psi	20 psi	20 psi	21 psi		
Lazelle Road POD (Steel-Press)	132	105	105	107	110		
40 Gold Meadow Drive (Olentangy Meadows)	32	33	34	35	35		
1677 Flat Rock Run	20	18	17	19	20		
2680 Orange Road (Middle School)	25	25	24	26	27		
6061 Highland Hills Drive (Highland Hills)							
5799 Cali Glen (Oaks @ Highland)							
Big Walnut & Worthington (Station Bottom)							
7835 Vinmar Way (Vinmar Subdivision)							

updated

12/11/2013

DEAD END PRESSURE CHECKS

DATE: 3-5-19

TEMP: 8 °

	600 700	630 700	700 800	730 800	800 800
530 Ranbridge Drive					
508 Eagle Walk					
2385 Hollenback Road (Arrowhead school)					
1500 GEMINI PLACE (COSTCO)					
8400 Lyra Drive (Comfort Inn)					
1485 Polaris Pkwy (Target Store)					
8248 Sirus St (Villages @ Polaris Park)					
LAZELL RD POD Dead end of ARCO (steel press)	235	252	250	250	257
40 GOLD MEADOW DR (Olen. Meadows)					
1677 Flat Rock Run					
2680 Orange Rd. (Middle School)					
6061 Highland Hills Dr. (Highland Hills)					
5799 CALI GLEN (Oaks at highland)					
South east corner of Big Walnut & Worthington					
STATION BOTTOM					
7835 Vinmar Way (Vinmar Subdivision)					

Chris Lanka

From: Chris Lanka
Sent: Tuesday, March 20, 2018 2:46 PM
To: grant.zeto@puco.ohio.gov
Subject: RE: Data Requests 18-0054-GA-BLN

Grant,
Comparing the total monthly consumption between the winter and summer loads that were used to initially setup the model, SNG shows a 9.5x multiplier of the baseload. When we look at the peak hourly load that was used in the modeling (at -5°F), the multiplier is 13.5x.

Let me know if anything further is needed. Thanks.

CPL

From: grant.zeto@puco.ohio.gov [mailto:grant.zeto@puco.ohio.gov]
Sent: Tuesday, March 20, 2018 10:01 AM
To: Chris Lanka
Subject: FW: Data Requests 18-0054-GA-BLN

Chris,

Please see Roger's response below. Thanks for getting back to us.

Grant

From: Sarver, Roger
Sent: Tuesday, March 20, 2018 7:50 AM
To: Zeto, Grant <grant.zeto@puco.ohio.gov>; Conway, Andrew <andrew.conway@puco.ohio.gov>
Subject: RE: Data Requests 18-0054-GA-BLN

Grant and Andrew,

Below is in response to Chris' question.

The baseline quantity would be an average of the lower three months of consumption on Suburban's system, which are typically July, August and September. This baseline quantity can be used determine what portion of a customer's consumption is non-temperature related.

Roger

From: Zeto, Grant
Sent: Monday, March 19, 2018 3:18 PM
To: Sarver, Roger <roger.sarver@puco.ohio.gov>; Conway, Andrew <andrew.conway@puco.ohio.gov>
Subject: FW: Data Requests 18-0054-GA-BLN

FYI

From: Chris Lanka [<mailto:clanka@uti-corp.com>]
Sent: Monday, March 19, 2018 3:17 PM
To: Zeto, Grant <grant.zeto@puco.ohio.gov>
Subject: RE: Data Requests 18-0054-GA-BLN

Grant,
To follow up on the additional questions:

1. What was the design day temperature that was used in development of the system model? SNG utilized a design temperature of -5°F for development of the peak hourly flow that was used in the system model.
2. What is the number of subdivisions that were used in the future forecasting? SNG currently has plans to serve 18 subdivisions in the area that are in various stages of development, with an estimated total of ±4000 homes.
3. What was the multiplier (vs. the baseline flow rate) for the peak hour flow rate used in the system modeling? Can you clarify what baseline load you would like the peak flow compared against. For example, do you want it compared vs. the average annual coldest day temperature, summer base load, etc.?

Thanks.

CPL

From: grant.zeto@puco.ohio.gov [<mailto:grant.zeto@puco.ohio.gov>]
Sent: Monday, March 19, 2018 1:27 PM
To: Chris Lanka
Subject: RE: Data Requests 18-0054-GA-BLN

Thanks, Chris

From: Chris Lanka [<mailto:clanka@uti-corp.com>]
Sent: Monday, March 19, 2018 1:21 PM
To: Zeto, Grant <grant.zeto@puco.ohio.gov>
Subject: RE: Data Requests 18-0054-GA-BLN

Yes. Please call me at the number below.

Sincerely,

Chris Lanka, PE
Vice President of Engineering

Utility Technologies International
4700 Homer Ohio Lane
Groveport, OH 43125
P: 614-482-8080 x324
F: 614-482-8070
www.uti-corp.com

From: grant.zeto@puco.ohio.gov [<mailto:grant.zeto@puco.ohio.gov>]
Sent: Monday, March 19, 2018 1:20 PM
To: Chris Lanka
Subject: RE: Data Requests 18-0054-GA-BLN

Hey Chris,

Would you be available for a quick call on this today at 2:00?

Thanks,
Grant

From: Chris Lanka [<mailto:clanka@uti-corp.com>]
Sent: Thursday, March 15, 2018 9:54 AM
To: Zeto, Grant <grant.zeto@puco.ohio.gov>
Cc: Sean Peffer <speffer@uti-corp.com>
Subject: RE: Data Requests 18-0054-GA-BLN

Grant,
To follow up on our conversation yesterday, below are SNG's responses to the Staff questions (red). I will be attending the Ohio Gas Association technical seminar today/tomorrow, but will be available via cell (614-306-5136) if you would like to discuss further. Thanks for your assistance.

Sincerely,

Chris Lanka, PE
Vice President of Engineering

Utility Technologies International
4700 Homer Ohio Lane
Groveport, OH 43125
P: 614-482-8080 x324
F: 614-482-8070
www.uti-corp.com

From: grant.zeto@puco.ohio.gov [<mailto:grant.zeto@puco.ohio.gov>]
Sent: Tuesday, March 13, 2018 10:10 AM
To: Sean Peffer
Subject: Data Requests 18-0054-GA-BLN

Hi Sean,

OPSB Staff has sent me a few questions regarding the proposed Del-Mar Extension. Please provide responses before the end of the week so that we can try to keep this case on schedule for expedited treatment.

Project Summary & History

SNG owns and operates a natural gas distribution system in Marion and Delaware Counties. The system's primary gas supply comes from a POD south of Marion, OH. The gas is transported south to the main customer base via a 6-inch steel pipeline. Using gas modeling software, Suburban Natural Gas (SNG) identified a need for increased system capacity in the early 2000's. In 2005, a ±20 mile 12-inch steel pipeline was constructed from the existing POD south of Marion, OH to Delaware, OH. The 12-inch pipeline's purpose was to meet the demands of the growing market in southern Delaware County.

Since that time, SNG has continued to develop and maintain a gas pipeline model for their system. The current model is based upon conditions that were observed on the coldest day in February 2015. The model was setup to model the worst case (i.e. cold day) peak hourly flow rates expected in the system. More recent future growth projections added to this model indicated the need for an extension of the existing 12" Del-Mar pipeline to provide sufficient capacity and

pressure at the southern end of their system (Lazelle Road). Based upon this forecasting, SNG has elected to move forward with the design, permitting, and construction of the proposed 4.95 miles of 12-inch steel pipeline known as the Del-Mar Pipeline Extension.

1. Does the proposed Del-Mar Extension serve the same market as the existing 6-inch steel gas line? If the Del-Mar Extension is intended to serve a market different than the existing 6 inch steel gas line, what market would that be? The proposed Del-Mar Extension will serve the same market as the existing 6-inch gas line, with the plan to serve additional customers as the market continues to expand.
2. What is the maximum daily and hourly quantities of gas on the proposed Del-Mar Extension? SNG has identified a need to maintain a pressure of 100 psig at the southern terminus of their 6-inch steel pipeline (at Lazelle Road). Based on this pressure requirement and known supply pressures from the Marion County POD, SNG calculated the total possible throughput of the new Del-Mar Extension to be ± 842 mcfh.
3. Initially, how much does Suburban anticipate moving in the Del-Mar Extension on a daily and annually basis? To estimate daily and annual is difficult due to seasonal and annual variations in gas usage. Furthermore, peak hourly volumes, rather than daily and annual volumes, drive capacity related decisions as they relate to SNG's gas model and system integrity. Based on these conditions, SNG calculated the anticipated peak hourly throughput of the new Del-Mar Extension, at the time it enters into service, to be ± 457 mcfh.
4. What does Suburban anticipate as the amount of gas to be moved on the Del-Mar Extension on a daily and annual basis 3, 5 and 10 years from the date placed into service? Based on the same conditions listed in #3, SNG calculated the following peak hourly throughputs on the new Del-Mar Extension: 3-year (2021) = ± 541 mcfh; 5-year (2023) = ± 597 mcfh; 10-year (2028) = ± 737 mcfh
5. What is the maximum daily quantity on the existing 6-inch steel gas line and how often has this maximum been reached in the last 5 years? The existing 6-inch pipeline was nearing its capacity in 2005, which is why the original Del-Mar Pipeline (± 20 miles) was constructed. As a result of system growth in southern Delaware County, the current 6-inch pipeline and 12-inch pipeline are expected to reach capacity again in 2019 or 2020 (assuming a worst case scenario peak hourly flow is observed again). SNG calculated the current 6-inch pipeline can deliver ± 576 mcfh at the point immediately downstream of the current tie-in to the Del-Mar Pipeline. In the past five (5) years the 6-inch pipeline has never reached its calculated capacity. The proposed extension has been designed and will be constructed to prevent a future system capacity shortage (as the existing market continues to develop).
6. Projections from the long-term forecast report (17-1350-GA-FOR, pages 2, 10, 15, and 19) seem to indicate anticipated area growth ranges from 12 to 32 percent over 2017 levels, yet installation of a 12-inch pipeline diameter would more than double the capacity of the Del-mar pipeline. Please provide additional statements explaining the need for the proposed facility. Current maximum throughputs of 6-inch and 12-inch pipelines (taken immediately downstream of the southern 12-inch pipeline tie-in and resulting in 100 psig at Lazelle Road) is calculated to be ± 576 mcfh. After installing the new Del-Mar Extension, maximum throughputs of the same lines will increase to ± 1029 mcfh. As stated above, due to anticipated growth in the market, the existing system is expected to reach capacity in 2019 or 2020. The proposed extension has been designed and will be constructed to prevent a future system capacity shortage.
7. Also, according to page 10 of the same long-term forecast report, the anticipated 2017 demand for SNG Southern System was 41.5 MCFH. What was the actual SNG Southern System peak demand for the last 5 years and the number of customers served? The flow rate of 41.5 mcfh was the incremental load that was anticipated to be added in 2017. The design day (February 2015) peak hourly demand was calculated to be ± 717 mcfh. SNG's southern system served approximately 11,900 customers at that time.

Thank You,
Grant

Grant Zeto

Public Utilities Commission of Ohio
Rates & Analysis Department
Siting, Efficiency & Renewables Division
Utility Specialist
(614) 644-7743
OPSB.ohio.gov

WRW ATTACHMENT 4

WPC-3.1a1

Sources: Staff DRs 01, 63, & 67 Yearly Increase

February 2015 Customer Count	<u>15,722</u>	
February 2016 Customer Count	<u>16,077</u>	355
February 2017 Customer Count	<u>16,594</u>	517
February 2018 Customer Count	<u>17,021</u>	427
	<u>3 year average</u>	433

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in

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

Summary: Testimony Supplemental Direct Testimony of Wm. Ross Willis in Opposition of the Stipulation on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Healey, Christopher Mr.