



# Public Utilities Commission

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September 19, 2019

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RECEIVED-DOCKETING DIV.

Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus OH 43215

RE: *In the Matter of the Application of Suburban Natural Gas Company for Approval of an Adjustment to the Infrastructure Replacement Program Rider, Case No. 19-1272-GA-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations regarding the Application of Suburban Natural Gas Company for Approval of an Adjustment to the Infrastructure Replacement Program Rider, Case No. 19-1272-GA-RDR.

Tamara S. Turkenton  
Director, Rates and Analysis Dept.  
Public Utilities Commission of Ohio

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.  
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Enclosure

Cc: Parties of Record

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**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

|  |   |                         |
|--|---|-------------------------|
| In the Matter of the Application of Suburban | ) |                         |
| Natural Gas Company for Approval of an       | ) | Case No. 19-1272-GA-RDR |
| Adjustment to the Infrastructure Replacement | ) |                         |
| Program Rider.                               | ) |                         |

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**COMMENTS AND RECOMMENDATIONS  
SUBMITTED ON BEHALF OF THE STAFF OF  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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**INTRODUCTION**

Suburban Natural Gas Company (Suburban or Company) is a public utility under Sections 4905.02 and 4905.03 of the Ohio Revised Code and, as such, is subject to the jurisdiction of the Public Utilities Commission of Ohio (Commission). On March 19, 2008, the Commission issued an Opinion and Order in Case No. 07-689-GA-AIR authorizing Suburban to establish an infrastructure replacement program rider (IRP Rider) and set the initial rider amount at zero. The Commission subsequently approved the Company's IRP plan on September 15, 2009 in Case No. 09-573-GA-RDR and authorized estimated rates that would be trued up annually. On October 28, 2015, in Case No. 15-1048-GA-RDR, the Commission approved a Stipulation between the Company and the Staff of the Public Utilities Commission (Staff) which extended, with modifications, the IRP Rider recovery mechanism.

On August 30, 2019, Suburban filed its Application in this case to adjust its IRP Rider for costs incurred from July 1, 2018 through June 30, 2019. Suburban proposes to decrease the monthly IRP Rider rate from \$0.18 to \$0.17 and that the new rate become effective on November 1, 2019.

**BACKGROUND**

Suburban is an Ohio corporation engaged in the business of providing natural gas distribution service to approximately 17,000 customers in the state. The Finding and Order in Case No. 09-573-GA-UNC approved Suburban's service line and riser replacement program (IRP), (as modified by recommendations set forth in the Staff Report filed in the case) and authorized Suburban to establish the IRP rider. The Commission further authorized IRP charges of up to \$0.29, \$0.58, \$0.84, \$1.10, and \$0.92, per consumer per month for years one through five of the program based upon anticipated program costs and subject to true-up. The purpose of the IRP Rider is to permit Suburban to seek recovery of the costs associated with the replacement of prone-to-fail risers and maintenance, repair, and replacement of customer service lines. The costs in the IRP Rider are based upon actual amounts incurred for contractors, plus internal costs

for managing and supervising IRP activities. Specifically, Suburban is permitted to recover 50 percent of the program's costs on an accelerated basis over a four-year period, including a return based on Suburban's cost of debt. This initial 50 percent of costs are accounted for as a deduction from rate base. The remaining 50 percent of costs (including a return on equity established in Case No. 07-689-GA-AIR) are not treated as rate base deductions and are not accelerated.

In the October 28, 2015 Opinion and Order in Case No. 15-1048-GA-RDR, the Commission approved a Stipulation between Staff and Suburban which acknowledged that all costs related to the replacement of prone-to-fail risers had been incurred and that as of June 30, 2015, any further repair or replacement of customer service lines would not be subject to recovery through the IRP Rider. The Commission also found that there was no need to implement an accelerated bare steel main replacement program. Pursuant to this Opinion and Order, the IRP Rider is to continue the collection of the remaining balance of the 50 percent portion of the capital investment by the Company associated with the previously completed riser replacement program and replacement of leaking customer service lines, which was excluded from plant accounts and subject to accelerated recovery, including the cost of debt, and amortized over four years. It also collects the revenues associated with the expense incurred for the 50 percent portion of the capital investment, including a return at the rate approved in the 2007 Rate Case<sup>1</sup>, associated with previously completed replacement of prone-to-fail risers and leaking customer service lines, which was included in the appropriate plant accounts and not eligible for accelerated recovery. The IRP Rider is to automatically terminate on October 31, 2020. However, as part of the Stipulation in Case No. 18-1205-GA-AIR, Suburban agreed to eliminate the IRP Rider charge, effective with the Commission's approval of the Stipulation.

Lastly, the Commission's Finding and Order directed Suburban to file a pre-filing notice by May 1 each year, establish a test year ending June 30, require Suburban to file a final updated application by August 31, and provide that new rates were to be effective November 1 of each year. These Comments present a summary of the Staff's investigation of Suburban's Application as well as Staff's findings and recommendations.

## **SUBURBAN'S APPLICATION**

Suburban filed its Application in this case on August 30, 2019. Suburban proposes to decrease the IRP Rider rate from \$0.18 to \$0.17 and that the new rate become effective on November 1, 2019.

Suburban filed three schedules and the testimony of its outside consultant, Nichole Clement, in support of its Application. The three schedules detail the progress and costs associated with the IRP Program. Schedule 1 provides the overall program costs and cost recovery calculation. Schedule 2 details the cost of debt calculation used in the four year recovery of 50 percent of the Program's cost. Schedule 3 provides the rate of return calculation that is used in the calculation for recovery of the remaining fifty percent of Program costs which will be recovered over a 45-year period. In accordance with the initial development of Suburban's IRP Program, the Application does not include a provision for recovery of costs associated with taxes.

The Staff's investigation was designed to determine if Suburban's Application and exhibits justify the requested IRP revenue requirement and support the proposed annual adjustment to the IRP Rider rate. Staff began its investigation by reviewing the documentation

supporting all costs included in Suburban's Rider IRP Application. Based on its examination of such documentation, Staff identified no inappropriate costs. Staff then reviewed Suburban's 50-50 split of costs, including the cost of debt and overall rate of return used and any tax inclusions. In the Staff's opinion, Suburban properly excluded gross receipts tax and applied the correct cost of debt and rate of return to the costs of replacing prone-to-fail risers and the repair and replacement of customer service lines. Additionally, no expenses were included for testing service lines, as these expenses are already recovered through base rates. The Staff also confirmed that Suburban properly applied the 45-year depreciation life provided for in the Commission approved IRP program.

### **STAFF CONCLUSIONS AND RECOMMENDATIONS**

After a thorough review of Suburban's Application and supporting documentation, Staff has determined that Suburban included the appropriate costs and cost estimates for recovery through its IRP Rider and that it provided reliable data to support the proposal. As a result, the Staff believes that Suburban's Application will result in a just and reasonable IRP Rider Rate and recommends that the monthly rate of \$0.17 per bill be permitted to go into effect on November 1, 2019 and remain in effect until October 31, 2020 or until the Commission approves Suburban base rate case in Case No. 18-1205-EL-AIR, whichever occurs first.