

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

**October 28, 2021**

**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 in Gas Distribution Rates. )

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

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

**INITIAL BRIEF  
SUBMITTED ON BEHALF OF THE STAFF OF  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

## PROCEDURAL HISTORY

On September 21, 2021, the Supreme Court of Ohio determined that the Public Utilities Commission of Ohio (Commission) failed to properly apply the used-and-useful standard set forth in R.C. 4909.15(A)(1) with respect to the DEL-MAR pipeline extension, specifically “by looking beyond the date certain and in considering whether the investment was prudent rather than ‘useful.’” The Court remanded this case to the Commission to “evaluate the evidence and determine whether the 4.9-mile pipeline extension was used and useful as of the date certain.” *In re Application of Suburban Natural Gas Co.*, Slip Opinion No. 2021-Ohio-3224, at ¶ 35. On September 22, 2021, The Office of the Ohio Consumers’ Counsel (OCC) filed a motion, which proposed that the Commission both reject the implementation of the third phase of the rate increase and

immediately reduce the distribution charges to reflect only 2.0 miles of the pipeline extension or, in the alternative, direct that Suburban Natural Gas Company's (Suburban's or the Company's) charges be subject to refund. *In the Matter of the Application of Suburban Natural Gas Company for an Increase in Gas Distribution Rates*, Case No. 18-1205-GA-AIR, et al., Commission Entry at ¶ 22 (October 20, 2021).

Upon review of the Court's decision, as well as OCC's motion and Suburban's opposing memorandum, the Commission issued an October 6, 2021 Entry finding that Suburban's distribution charges should remain at the amounts currently in effect: \$34.41 for the SGS class; \$178.95 with a volumetric charge of \$2.1251 per Mcf for the LGS class; and \$168.61 with a volumetric charge of \$2.3817 per Mcf for the LGTS class. *In the Matter of the Application of Suburban Natural Gas Company for an Increase in Gas Distribution Rates*, Case No. 18-1205-GA-AIR, et al., Commission Entry at ¶ 16 (October 6, 2021). In addition, the Commission further found that Suburban's distribution charges should be subject to refund as of September 21, 2021. *Id.* The Commission, therefore, directed Suburban to file revised tariffs that provide that the customer service charge and usage charge are being collected subject to refund, as of September 21, 2021, and until otherwise ordered by the Commission. *Id.* Suburban complied. The Commission then issued an October 20, 2021 Entry modifying its October 6, 2021 Entry, requiring for Suburban's tariffs to provide that the customer service charge and the usage charge are subject to refund to the extent that they include costs associated with more than 2.0 miles of the 4.9- mile DEL-MAR pipeline extension. *In the Matter of the Application of*

*Suburban Natural Gas Company for an Increase in Gas Distribution Rates*, Case No. 18-1205-GA-AIR, et al., Commission Entry at ¶ 22 (October 20, 2021). Suburban complied.

Furthermore, the October 6, 2021 Commission Entry permitted the parties an opportunity to file initial briefs (by October 29, 2021) and reply briefs (by November 12, 2021) addressing the issue of whether the 4.9-mile DEL-MAR pipeline extension was used and useful as of the date certain, pursuant to the legal standard set forth in R.C. 4909.15(A)(1), and in accordance with the Court’s decision. *In the Matter of the Application of Suburban Natural Gas Company for an Increase in Gas Distribution Rates*, Case No. 18-1205-GA-AIR, et al., Commission Entry at ¶ 17 (October 6, 2021).

Staff files this initial brief in accordance with the Commission’s October 6, 2021 Entry and, in the event that the Commission disagrees with Staff’s position that the 4.9-mile pipeline extension was used and useful on the date certain, herein offers a valuation on the first two miles of the pipeline extension.

## **ARGUMENT**

Consistent with Staff’s testimony and hearing briefs that were filed with the Commission, Staff continues to believe that the entire 4.9-mile DEL-MAR pipeline extension was used and useful as of the date certain, pursuant to the legal standard set forth in R.C. 4909.15(A)(1), and in accordance with the Court’s decision. Nonetheless, in accordance with the Commission’s October 6, 2021 Entry, Staff, in the event the Commission finds only the first two miles of the pipeline was used and useful as of the date certain, Staff offers a valuation of the first two miles of the extension.

Should the Commission find that only two miles of the 4.9-mile DEL-MAR pipeline extension was used and useful as of the date certain, pursuant to the legal standard set forth in R.C. 4909.15(A)(1), and in accordance with the Court's decision pipeline useful, Staff recommends a small general service (SGS) rate of **\$33.59<sup>1</sup>** at a minimum. Staff's view is the record does not contain sufficient evidence to determine the actual costs to build a two-mile pipeline. While Staff recognizes there is upfront planning and development costs for projects of this nature, which would have been incurred under a two-mile or 4.9-mile project, Staff notes that its rate does not include these known costs that are avoidable by economies of scale. Staff's recommended SGS rate calculation is based on a reduced rate base that accounts for the allocation of only two miles of the Del Mar pipeline. Using only two miles of the Del-Mar pipeline, the operating income has flow through effects primarily related to depreciation and property taxes. Additionally, as agreed upon in the Stipulation, rate case expense was updated to reflect actuals. The SGS customer counts used in Staff's calculation was 208,764 customers, which was the annualized date certain number of customers. Staff did not update customer counts per Phase II and Phase III of the Stipulation because that was dependent on the phase in of additional rate base. Other than these changes, Staff's proposal adheres to the provisions of the Stipulation.

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<sup>1</sup> See Staff Attachment 1.

Respectfully submitted,

**Dave Yost**  
Ohio Attorney General

**John H. Jones**  
Assistant Section Chief

*/s/ Robert Eubanks*

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**Robert Eubanks**

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*Counsel for Staff of  
The Public Utilities Commission of Ohio*

## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the **Staff's Initial Brief** has been served upon the below-named counsel via electronic mail, this 28<sup>th</sup> day of October, 2021.

*/s/ Robert Eubanks*

**Robert Eubanks**

Senior Assistant Attorney General

### PARTIES OF RECORD:

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Company*

Staff Attachment 1

**Customer Charge Calculation**

Revenue Requirement (a)		\$	19,732,245
Less: Gas Costs		\$	10,665,824
Miscellaneous Revenue		\$	202,608
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Revenue Requirement		\$	8,863,813
 <u>Small General Service Customers</u>			
SGS Revenue Requirement	\$	7,011,555	
SGS Customer Bills		208,764	
SGS Monthly Charge		\$	33.59
 <u>Large General Service Customers</u>			
LGS Revenue Requirement	\$	1,469,887	
LGS Customer Bills		3,408	
LGS Sales CCF		4,366,683	
LGS Monthly Charge		\$	175.00
LGS Volumetric Charge		\$	0.200034
 <u>Large General Service Transportation Customers</u>			
LGST Revenue Requirement	\$	382,371	
LGST Customer Bills		300	
LGS Sales CCF		1,462,054	
LGST Monthly Charge		\$	175.00
LGST Volumetric Charge		\$	0.225622

(a) Includes an updated Rate Base calculation considering only 2.0 miles of the Del Mar Pipeline and actual Rate Case Expense as filed in Case No. 18-1205-GA-AIR on 9/16/2019



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

Summary: Brief Initial Brief Submitted on Behalf of the Staff of the Public Utilities  
Commission of Ohio electronically filed by Mrs. Kimberly M. Naeder on behalf of  
PUCO