#### **BEFORE**

### THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of North	)	
Coast Gas Transmission LLC for Authority	)	Case No. 21-1029-GA-ATA
to Operate as an Ohio Natural Gas Company	)	

### REPLY COMMENTS OF NORTH COAST GAS TRANSMISSION LLC

### I. Introduction

North Coast Gas Transmission LLC ("North Coast") submits the following comments in reply to the comments filed by the Office of the Ohio Consumers' Counsel, Columbia Gas of Ohio and Dominion Energy of Ohio. Notably, neither OCC, Columbia nor DEO object to North Coast converting to a natural gas company. Instead, OCC and DEO object to portions of North Coast's proposed tariff, OCC as to residential service and DEO as to North Coast's duty to serve and other proposed tariff provisions. Columbia seeks to ensure that the conversion to a natural gas company will not alter Columbia's current transportation service agreements with North Coast – which North Coast confirms will be the case.

As to OCC's concerns, North Coast does not have facilities in place that currently serve residential customers. The lack of facilities and customers in this class makes it very difficult to set rates. North Coast has included a gas supply rate in its proposed tariff, but to address OCC's concerns, North Coast is willing to commit to not serving residential customers until it obtains Commission approval for gas supply rates through a subsequent filing.

As to DEO's concerns, North Coast commits that it will honor its duty to serve customers subject to the conditions of service in the proposed tariff. It will not pick and choose which customers to serve. It will, however, make the final determination on whether to extend its system into areas that it currently does not serve, just like DEO does today. The proposed tariff

language is intended to make this point and if not clear, can be revised. North Coast is also willing to make some of DEO's proposed tariff revisions and Columbia's minor tariff revision.

### II. Background

North Coast filed its application on October 4, 2021 seeking Commission approval to convert to a natural gas company. North Coast stated in its application that "North Coast sees a continuing need for natural gas supplies and unique market opportunities that it would like to fulfill." The unique market opportunities referenced typically present as an industrial development with a need for gas pipeline infrastructure and service. By converting to a natural gas company, North Coast will be in a better position to compete for new business from end-use customers and will have created a company regulatory structure poised for future growth.

As a small natural gas company, North Coast will still have challenges to compete for new business because large local distribution companies can rely on infrastructure riders allowed under Sections 4920.16 to 4929.167 of the Ohio Revised Code to relieve potential customers from paying for the necessary system expansions to serve a new customer. North Coast cannot rely on infrastructure riders as a pipeline company and would not have the customer base to pass along infrastructure costs as a natural gas company. Converting to a natural gas company, however, would help North Coast be on a level playing field with other natural gas companies and position North Coast for future growth.

Importantly, North Coast's conversion can assist with the development of natural gas supply to areas that either are currently constrained, areas where gas supply does not exist or areas where existing utilities have not shown an interest in expanding their service. North Coast's management team has significant experience in natural gas pipeline development to

<sup>&</sup>lt;sup>1</sup> Application at 1.

serve customers, having previously developed and operated a successful natural gas company, Generation Pipeline LLC. Commenters in this proceeding do not challenge that experience, but do express concerns regarding North Coast's proposed tariff and rates for customers that would not be operating under service agreements. North Coast's reply to those comments follow.

### **III.** Reply Comments

## A. North Coast does not intend to serve residential customers under separate special contracts.

North Coast has clarified both in discovery responses and responses to Staff data requests that it does not anticipate immediately serving Residential Gas Service Customers. For example, Staff Data Request E. asked North Coast to "[d]escribe any examples of end use customers particularly developers of residential property or residential customers seeking distribution services from North Coast." North Coast responded:

Response: NCGT does not have any developers of residential property or residential customers with current service requests. That is an area of growth for NCGT that is likely to occur in the future as NCGT's system develops and expands. For example, the Regional Growth Partnership of JobsOhio is currently marketing industrial property locations. NCGT has existing assets at one of those sites capable of serving future tenants (Fostoria site). See https://rgp.org/premiersites-buildings/. As NCGT grows to serve more industrial properties, it can also expand to serve residential customers in the surrounding areas.

Addressing OCC's concern in its initial comments, North Coast again clarifies that it will not require residential customers to sign service agreements. North Coast's application text did not make that clarification, but North Coast has provided that clarification to all parties, including OCC, through discovery responses and responses to Staff data requests. For example, in response to Staff Data Request U asking if North Coast will deny service to a customer who does not want a service agreement, North Coast responded:

Response: Please note that NCGT will not require residential customers to enter into service agreements. See Original Sheet No. 8 which defines "Service Agreement" and explains that only Industrial Gas Service Customers must have service agreements (to be approved by the Commission). A General Gas Service Customer may enter into a Service Agreement with NCGT but is not required to if the General Gas Service Customer is taking service under the tariff's base provisions. Per the tariff, an Industrial Gas Service Customer must enter into a service agreement to receive service.

Thus, Residential Gas Service Customers will be served under the tariff and not through service agreements when North Coast starts serving that class of customers.

B. To address OCC's concerns on rates and given that North Coast does not currently have a residential project under development, it is willing to submit revised rates for Residential Gas Service customers prior to serving that class.

It is important to understand that while North Coast has existing customers under transportation service agreements, it does not currently serve residential customers nor can it as a pipeline company. The circumstances under which North Coast will start serving residential customers could range from serving a residential development that is built near its existing system, a pipeline development project to an area that requires both commercial and residential supply of gas (like those discussed at the Commission's 2019/2020 forums on Ohio natural gas supply) or serving just a few residential customers that have residences near a commercial development that would be served by North Coast. The different possible scenarios make it difficult to put in place detailed rates with supporting worksheets etc. as desired by OCC.

Given those circumstances, North Coast included a Plus Base Rate for natural gas (both for Residential Gas Service and General Gas Service) which North Coast would adjust if necessary prior to serving those customers under those rate schedules. If approved and as noted at Original Sheet No. 37, Section VI.A, Residential Gas service, North Coast would initially provide service on a bundled-rate basis (the Plus Base Rate) and if the GCR requirement is not waived, would set rates consisting of the base rate plus the appropriate GCR rate. A similar approach was approved

in *In re Application of Generation Pipeline LLC for Authority to Operate as an Ohio Natural Gas Company*, Case No. 15-11004-GA-ACE, Finding and Order dated February 28, 2018.

One alternative to what North Coast has proposed is to leave the current proposed gas supply rate for Residential Gas Service as a placeholder with a directive that North Coast must put in place updated rates prior to serving Residential Gas Service customers. Doing so would allow North Coast to proceed with its development as a natural gas company. The Residential Gas Service terms and conditions in its tariff would be finalized in this proceeding leaving only rates to be approved through a subsequent filing. For example, if North Coast serves a subdivision from its existing system, prior to service it would seek approval of updated rates to serve the customers in that subdivision. This alternative should be sufficient to address OCC's concerns on North Coast's proposed rates.<sup>2</sup>

OCC also questions how North Coast will allocate costs for interconnects to high-pressure lines and meter allocation costs.<sup>3</sup> North Coast will allocate the cost of a pressure regulator to a customer when service is provided from a high pressure line (necessary to reduce the pressure to a low pressure for service). *See* Original Sheet No. 14, Section III, General Service Terms, Part D. The practice of allocating that cost to a customer is also followed by at least one other utility, Columbia Gas. Columbia's tariff states "[w]here service is provided from a high pressure transmission line, the customer shall, at his expense, provide, install and maintain a suitable regulator or regulators for reducing the pressure." As to meters for Residential Gas Service, North

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<sup>&</sup>lt;sup>2</sup> North Coast is also willing to take this approach prior to providing General Gas Service Customers with commodity service.

<sup>&</sup>lt;sup>3</sup> OCC Initial Comments at p. 7.

<sup>&</sup>lt;sup>4</sup> Fourth Revised Sheet No. 7, Rules and Regulations, Section III.2 at https://www.columbiagasohio.com/docs/librariesprovider5/rates-and-tariffs/ohio-tariff.pdf

Coast is willing to clarify in the proposed tariff that Residential Gas Service customers will not incur a separate charge for the meter.<sup>5</sup>

# C. DEO's concerns regarding North Coast's duty to serve all customers are addressed in North Coast's proposed tariff.

North Coast's proposed tariff makes clear that it will serve customers subject to reasonable limitations. Like DEO today, North Coast will take a number of factors into consideration when deciding whether to extend its main lines and whether to authorize a main line extension. As an initial point, North Coast's tariff distinguishes between main lines and distribution main lines. Under the proposed tariff a "Distribution Main Line Extension" is "... the general term that is commonly used to designate the complete line or connection between the Company's main line and the Customer's property line or other agreed upon location, up to and including the Company's meter facilities." Original Sheet No. 5, Section I., Definitions, Part 13. Distribution Main Line Extensions apply to extensions to residential customers.

Under the proposed tariff's General Service Terms, North Coast does not have discretion to reject the installation of a Distribution Main Line Extension if all other conditions of its tariff are met. *See* Original Sheet No. 13, Section III, General Service Terms for General Gas Service and Residential Gas Service, Part B., Distribution Main Line Extension for Residential Gas Service. Thus, contrary to DEO's concern, North Coast cannot chose to serve commercial customers over residential customers.

And like any gas utility, North Coast retains discretion on whether to extend its main lines into new areas provided the extension is operationally feasible and economically justified. For example, Original Sheet No. 12, Section III, General Service Terms for General Gas Service and Residential Gas Service notes that North Coast will extend its existing lines to provide

<sup>&</sup>lt;sup>5</sup> North Coast is willing to make the same clarification for General Gas Service Customers.

service to a prospective customer when the extension is deemed by the Company to be operationally feasible and economically justified. Without that discretion, a utility could be required to extend main lines at the request of a single customer even though the extension is not operationally feasible and economically justified.

Notably, the Commission approved similar language in another proceeding where DEO made a similar comment. *See In re Generation Pipeline LLC for Authority to Operate as an Ohio Natural Gas Company*, Case No. 15-1104-GA-ACE, Finding and Order, February 28, 2018 at ¶ 15 (approving tariff sheet stating utility would extend its existing lines to provide service to a prospective customer where such extension is deemed to be operationally feasible and economically justified based on a cost-benefit analysis").

DEO cites to the proposed tariff's rate schedules to imply that North Coast has unfettered discretion. But those tariff schedules must be read in conjunction with the General Service Terms of the proposed tariff which require North Coast to consider operational feasibility and the economics of any extension. For example, starting first with the rate schedule for General Gas Service (Original Sheet No. 40, Section VI., B.) that states (emphasis added):

Availability: The Company will permit any prospective General Gas Service Customer requesting service to connect to its existing lines pursuant to the terms and conditions described in these Rules and Regulations, as may be modified by a Service Agreement.

<u>Applicability</u>: General Gas Service is applicable to a Customer at any location where the use is equal to or less than 180,000 Dth per year and is primarily of a business, professional, institutional or occupational nature. All applications for General Gas Service shall be made through the local office of the Company or its authorized agents. Where a General Gas Service Customer requests new service that requires the installation of a main line extension, the Company shall first determine if the main line should be extended.

While that schedule says that North Coast will make the determination, North Coast's discretion is subject to the General Service Terms for General Gas Service (Original Sheet No. 12) under

which North Coast will extend the main line provided the extension is operationally feasible and economically justified. Thus, North Coast does not have unfettered discretion to deny main line extensions.

To close on this point, North Coast must have discretion on whether to make major investments to extend its system into other service areas just as DEO makes the determination to make capital investments to expand its systems into other areas. While North Coast understands DEO's concern, North Coast believes its proposed tariff language appropriately addresses the concern – especially as Distribution Main Line Extensions to Residential Gas Service Customers are not limited and both General Gas Service and Industrial Gas Service Customers can negotiate service agreements to include cost sharing of facilities for main line extensions. With that said, in the event the Commission prefers to see express language, North Coast is willing to consider revisions to its proposed tariff to better clarify the decisions as to system build-out and commercial customer main line extension requests with cost sharing.

### D. Some but not all of DEO's proposed tariff revisions are acceptable to North Coast.

North Coast is agreeable to some but not all of DEO's three suggested tariff revisions. **First**, DEO has asked that Original Sheet No. 9, part A, Section II. General Service Terms for All Services be revised to expressly state that the service by North Coast is subject to Ohio law.<sup>6</sup>

DEO states that the express inclusion of Commission rules and federal law implies that Ohio law is excluded. While North Coast is clearly not avoiding Ohio law, it does not object to adding a reference to state law as shown below.

Subject to PUCO Rules and Regulations: These Rules and Regulations are subject to and include as part thereof all orders, rules and regulations applicable to the Company from time to time issued or established by the Public Utilities Commission of Ohio under its powers with respect to all Customers. Such service

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<sup>&</sup>lt;sup>6</sup> DEO Reply Comments at p. 5.

provided by the Company is also subject to all applicable *state and* federal laws, and to the orders, rules and regulations of any federal agency having jurisdiction thereof. A Service Agreement may modify these Rules and Regulations unless otherwise prohibited by law, and shall control in the event of any conflict with these Rules and Regulations.

**Second**, DEO seeks to change the definition of "Operational Flow Order" in the tariff such that North Coast can only issue an operational flow order in the event of an upstream pipeline declaring a force majeure event or issuing an operational flow order, an energy emergency issued by the Commission or Governor or in the event of adverse weather or operating conditions.<sup>7</sup> North Coast does not agree with DEO's proposed limitations, especially as DEO has no such limitation in its tariff.

Specifically, DEO's tariff provides no definition of an operational flow order. It simply states that "[i]n order to support system operations and maintain system integrity, Customers are subject to East Ohio's issuance of operational flow orders ("OFO") which may direct Customers to adjust Daily Available Volumes as adjusted to reflect flowing supplies to match Delivery Volumes as determined by East Ohio." DEO's tariff also allows DEO to "... issue OFOs that direct Customers to deliver specific quantities of gas to specific Transportation Receipt Points." With no definition of an OFO, DEO's tariff gives DEO broad discretion as to when it can issue an operational flow order.

North Coast's proposed tariff, to the contrary, provides a definition of an operational flow order that like DEO, is only used for transportation service. Original Sheet No. 7, part 25, Section I, Definitions states:

"Operational Flow Order" or "OFO" shall mean a declaration made by the Company that the Company can only transport an amount of gas during a

<sup>&</sup>lt;sup>7</sup> *Id*.

<sup>&</sup>lt;sup>8</sup> The East Ohio Gas Company, Third Revised Sheet No. F-GT&C 11, General Terms and Conditions of Transportation Service, Section 13.1.

<sup>&</sup>lt;sup>9</sup> *Id*.

calendar day equal to the amount of gas which the Customer will actually deliver at the Receipt Point(s) on that calendar day, or any of the following events occurs: 1) any upstream interstate pipeline supplying the Company declares a Force Majeure event or an operational flow order; 2) the Commission or the Governor declare an energy emergency; or 3) weather or operating conditions create a situation in which the Company reasonably believes that it cannot accommodate deliveries to customers.

The definition applies only to Transportation-Only Gas Service at Original Sheet No. 49, Section VI. Rate Schedules:

Operational Flow Orders: During an Operational Flow Order, the Customer may only tender and receive those volumes which the Company believes the Customer can actually both tender to the Receipt Point(s) and receive at the Delivery Point(s) on a daily basis. The Company will use its best efforts to avoid an Operational Flow Order if reasonably possible, and maintain the Operational Flow Order for as limited a period of time as is reasonably possible.

The problem with DEO's revision is that it would severely limit North Coast's ability to call an OFO. Under the proposed tariff definition, North Coast can issue an OFO when it can still deliver gas but only in the amount actually delivered into North Coast's system. It can also call an OFO due to upstream pipeline called force majeure or operational flow orders, an energy emergency or if weather and operating conditions prevent North Coast from accommodating deliveries to customers. DEO's edit would eliminate the first scenario and North Coast would not be able to issue an OFO when there is a need to limit gas volumes to only the quantities delivered into the pipeline system.

North Coast should have the ability to call an OFO to limit deliveries as necessary, especially given DEO's ongoing ability under its tariff to call an operational flow order at its discretion to limit deliveries. DEO's proposed change to the definition of OFO should be rejected.

**Third**, DEO also asks that the tariff be revised to make clear that billing adjustments are subject to Commission rules limiting adjustments in certain situations for residential and small

commercial customers.<sup>10</sup> DEO cites to language in North Coast's proposed tariff whereby "[a]ny mistake in reading the registration, however, shall not affect the liability for gas consumed as determined by a corrected reading of the registration." *See e.g.* Original Sheet No. 16, Section III, General Service Terms for General Gas Service and Residential Gas Service, Part F. The complete language of that section (emphasis added) is as follows:

Quantity of Gas Delivered by Meter: Unless otherwise agreed to and at the Company's sole discretion, gas will be measured by a volumetric or thermal meter installed by the Company that shall be and shall remain the property of the Company. Subject to certain exceptions, enumerated below, consumption shall be determined on the basis of the meter registration and bills shall reflect the consumption so registered. Any mistake in reading the registration, however, shall not affect the liability for gas consumed as determined by a corrected reading of the registration. A correction billing based upon discovery of a prior error shall be honored by the Customer.

North Coast, however, has committed in its proposed tariff that it "... shall follow the requirements of OAC Rules 4901:1-13-01 through 4901:1-13-14." *See* Original Sheet No. 22, General Service Terms for General Gas Service and Residential Gas Service, Part AA *and see* Original Sheet No. 35, Industrial Gas Service General Terms, Part Z. Thus, North Coast's proposed tariff properly incorporates the Commission's rules that apply to situations where residential and small commercial customers are being billed for unmetered gas. With that said, North Coast does not object to revising its proposed tariff to ensure any liability for gas consumed after a corrected meter reading is subject to applicable Commission regulations and R.C. 4933.28.

### E. Columbia's proposed tariff edit is acceptable subject to minor edits.

Columbia's sole comment in this proceeding is to ensure that Columbia's existing service agreements with North Coast control in the event of a conflict between the terms of North

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<sup>&</sup>lt;sup>10</sup> DEO Initial Comments at p. 5-6.

Coast's proposed tariff and the agreements. Columbia requests that Section II, Part A on Original Sheet No. 9 be revised as indicated below:

Subject to PUCO Rules and Regulations: These Rules and Regulations are subject to and include as part thereof all orders, rules and regulations applicable to the Company from time to time issued or established by the Public Utilities Commission of Ohio under its powers with respect to all Customers, including orders approving reasonable arrangements under Section 4905.31 of the Ohio Revised Code, the terms of which supersede any provision contained in these Rules and Regulations. Such service provided by the Company is also subject to all applicable federal laws, and to the orders, rules and regulations of any federal agency having jurisdiction thereof. A Service Agreement may modify these Rules and Regulations unless otherwise prohibited by law, and shall control in the event of any conflict with these Rules and Regulations.

North Coast agrees that the terms of an effective service agreement control over any conflicting tariff provisions. To ensure no ambiguity, North Coast would modify Columbia's insert to read as follows: "...including orders approving reasonable arrangements under Section 4905.31 of the Ohio Revised Code, the terms of which such reasonable arrangements supersede superseding any provision contained in these Rules and Regulations so long as such terms are in effect."

F. North Coast's conversion to a natural gas company could help areas that currently do not have natural gas service.

North Coast appreciates OCC's statement that it is "... not necessarily opposed to North Coast's efforts to transition to a natural gas company if it could supply natural gas to consumers in regions of the state that have not previously had access to natural gas service." Indeed, the North Coast management team has a proven track record of developing projects, including the highly successful Generation Pipeline project which led to the formation and development of a

<sup>&</sup>lt;sup>11</sup> OCC Initial Comments at p. 8.

natural gas company.<sup>12</sup> That experience supports approval of North Coast as a natural gas company to facilitate natural gas development in the state of Ohio.

This is particularly important as the Commission will recall the series of workshops it held in 2019/2020 regarding the need to develop additional natural gas infrastructure in areas that are constrained or have no current gas supply. Because natural gas service in Ohio does not have certified territories like electric service, North Coast will have the ability to serve throughout Ohio utilizing line extensions off existing natural gas pipelines to serve customers. Thus, its ability to develop its customer base is not limited to extensions from its existing system. And as indicated above, North Coast believes its expertise and ability to economically execute pipeline development projects will allow it to develop infrastructure and provide service in areas where larger natural gas utilities may not be interested in developing infrastructure.

### G. A hearing is not required in this matter.

While OCC has asked for a hearing in this matter, this application may be considered as a "first-filing" and therefore no hearing is required. North Coast is currently providing transportation service to its customers and none are taking commodity service. All of those customers are being served under service agreements previously approved by the Commission. Therefore, North Coast's proposed tariff should constitute a "first filing" for a new service and, thus, North Coast's application is not an application for an increase in rates. *City of Cleveland v. Pub. Util. Comm.*, 67 Ohio St.2d 446, 424 N.E.2d 561 (1981); *Cookson Pottery v. Pub. Util. Comm.*, 161 Ohio St. 498, 120 N.E.2d 98 (1954). Consist with R.C. 4909.18, the Commission

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<sup>&</sup>lt;sup>12</sup> Generation Pipeline was subsequently purchased by NEXUS Gas Transmission, LLC. See in re Joint Application of Generation Pipeline LLC and NEXUS Gas Transmission for Approval of a Proposed Membership Interest Transfer, Case No. 19-366-GA-UNC, Finding and Order, August 19, 2019.

https://puco.ohio.gov/static/Stakeholder+Forums/Natural+Gas+Access+Forums/First+Natural+Gas+Access+Forum+11.7.19+Presentations.pdf

may find that no hearing is required in this case. Also weighing against a hearing is the fact that North Coast is not currently providing commodity service to Residential Gas Service or General Gas Service customers – it is only providing transport service to its existing customers under approved service agreements. Rather than a hearing, North Coast believes that any necessary tariff revisions can be resolved by working with Staff and the parties. That was successfully done by the North Coast management team for the Generation Pipeline proceeding and can be done here as well.

### IV. Conclusion

North Coast's application to be a natural gas company is warranted and its management team has a proven track record of safely managing and operating natural gas pipelines, serving customers and developing/operating a natural gas company. With tariff language and rates for Residential Gas Service customers being the primary issue, North Coast is committed to working to ensure the tariff provisions meet with the Commission's approval. North Coast is also wiling to submit revised tariff sheets with placeholders for rates for Residential Gas Service customers and would not serve that class of customers until new rates are approved by the Commission through a subsequent filing. Converting to natural gas company status now, though, is important because it will allow North Coast to continue its development in Ohio and provide Ohio natural gas consumers with additional options for service.

Respectfully submitted,

/s/ Michael J. Settineri

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### **CERTIFICATE OF SERVICE**

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served (via electronic mail) on the 18th day of January 2022 upon all persons/entities listed below:

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Summary: Comments Reply Comments electronically filed by Mr. Michael J. Settineri on behalf of North Coast Gas Transmission LLC