BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	Docket No. R-2018-3006818
	:	
PEOPLES NATURAL GAS COMPANY LLC	:	

PREPARED SURREBUTTAL TESTIMONY OF
CAROL A. SCANLON,
MANAGER, RATES AND REGULATION
PEOPLES NATURAL GAS COMPANY LLC

PEOPLES NATURAL GAS – PEOPLES DIVISION
PEOPLES NATURAL GAS – EQUITABLE DIVISION

PUBLIC VERSION

DATE SUBMITTED: June 12, 2019
DATE ADMITTED:

Peoples Statement No. 5-SR

PREPARED SURREBUTTAL TESTIMONY OF

CAROL A. SCANLON

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Carol A. Scanlon. My business address is 375 North Shore Drive, Pittsburgh, PA 15212.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Peoples Natural Gas Company LLC ("Peoples" or the "Company") as the Manager of Rates and Regulation.

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes. My direct testimony is set forth in Peoples Statement No. 5, and my rebuttal testimony is set forth in Peoples Statement No. 5-R.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS CASE?

A. I will respond to the Gas-on-Gas discounted rate issues raised in OCA Statement No. 3-Supp, the supplemental direct testimony submitted by Glenn Watkins on behalf of the Office of Consumer Advocate ("OCA"). That testimony was served on May 29, 2019, and my rebuttal testimony was served on May 28, 2019. Therefore, I did not have an opportunity to address the issues raised in OCA Statement No. 3-Supp in my rebuttal testimony, and the Company has had a very limited time to file this response to Mr. Watkins's supplemental direct testimony.

Q. PLEASE PROVIDE AN OVERVIEW OF THE RECOMMENDATION MADE IN OCA STATEMENT NO. 3-SUPP RELATED TO CERTAIN CUSTOMERS' DISCOUNTED RATES' FOR GAS-ON-GAS COMPETITION.

A. In his supplemental direct testimony, Mr. Watkins recommends that the Commission disallow $37,487,734 relating to the Company's discounted rates for certain customers, of which $1,952,060 is associated with discounts for Gas-on-Gas competition and $35,535,674 is associated with discounts for threats of bypass, alternative energy sources, and economic reasons.

My surrebuttal testimony responds specifically to Mr. Watkins's proposed disallowances related to discounts for Gas-on-Gas competition. I note that Joseph A. Gregorini's surrebuttal testimony (Peoples Statement No. 2-SR) generally responds to Mr. Watkins's allegations about the Company's discounted rate practices and specifically responds to his proposed disallowances related to the Company's discounts for threats of bypass, alternative energy sources, and economic reasons.

As demonstrated below and in the surrebuttal testimony of Mr. Gregorini (Peoples Statement No. 2-SR), the OCA's proposed disallowance is completely unsupported and should be rejected.

I. GAS-ON-GAS COMPETITION DISCOUNTS

Q. ON PAGES 3-4 OF HIS SUPPLEMENTAL DIRECT TESTIMONY, MR. WATKINS DISCUSSES THE PENNSYLVANIA PUBLIC UTILITY COMMISSION'S MAY 4, 2017 DECISION ("MAY 2017 ORDER) REGARDING GAS-ON-GAS COMPETITION. PLEASE RESPOND.

A. On June 24, 2014, Administrative Law Judge Elizabeth H. Barnes issued a Recommended Decision in *Joint Petition for Generic Investigation or Rulemaking Regarding "Gas-On-Gas" Competition Between Jurisdictional Natural Gas Distribution Companies*, Docket Nos. P-2011-2277868 *et al.* ("Gas-on-Gas Proceeding"). Exceptions were filed and the Commission issued its May 2017 Order.

The ALJ had recommended that the Commission direct gas-on-gas discounts be abolished by December 31, 2018. The Commission did not adopt the ALJ's recommendation. First, the Commission did not abolish gas-on-gas discounts; it only held that a floor for such discounts should be established. May 2017 Order pp. 50, 52.

Second, the Commission did not establish an absolute prohibition against the recovery of foregone revenues due to gas-on-gas competition after December 31, 2018. The May 2017 Order was phrased in permissive rather than mandatory terms; the Commission stated that December 31, 2018 "may" be a reasonable date to end ratepayer subsidies of gas-on-gas discounts that exceed applicable rates of competing natural gas distribution companies ("NGDCs"). May 2017 Order p. 57. The Commission further stated that "NGDCs are placed on notice that they may not be able to recover any foregone revenue beyond December 31, 2018, in future rate proceedings." *Id.* Again, the key word here is "may." The Commission has the discretion to allow or disallow the recovery in rates of foregone revenues resulting from discounted rates due to gas-on-gas competition.

Mr. Watkins never explains why the Commission should disallow foregone revenue for customers who receive discounted rates due to gas-on-gas competition after December 31, 2018. He seems to believe that, simply because December 31, 2018 has passed, recovery of a portion of foregone revenue must be disallowed. In most circumstances, he calculates the permissible discount recovery based on the lower tariffed rate of a competing NGDC.

Q. DO YOU AGREE WITH MR. WATKINS?

A. No. Based on the terms of the May 2017 Order itself, at this time, the Commission should exercise its discretion to allow such revenues to be recovered in rates.

The May 2017 Order stated:

> As discussed, *supra*, we shall require that the NGDC tariff provisions, which pertain to gas-on-gas discounted rates, be amended to include a floor equal to the lowest tariffed rate under which a customer is capable of receiving service from a competing NGDC(s). Moreover, in order to ensure that *price* competition among the four NGDCs providing gas-on-gas flex rates is neutralized, we shall direct that the tariff provisions delineating the terms and conditions for gas-on-gas rate discounts be uniform.
>
> We note that the current provisions in the individual NGDC tariffs, which enable gas-on-gas discounts, are very brief and not uniform. We also note that the record in this proceeding did not address specific tariff provisions. For these reasons, we shall first solicit comments and reply comments from the affected NGDCs and interested parties concerning the uniform tariff provisions that should be utilized prospectively by the four NGDCs with regard to their offering of gas-on-gas flex rates.…
>
> …

> Depending on the nature of the comments that are received, we envision that we may issue either a Final Order or Tentative Order that would delineate specific tariff language. To avoid a migration of customers to an NGDC because of timing differences in the approval and implementation of new gas-on-gas tariff revisions, the amendments to NGDC tariffs must be filed and become effective simultaneously. Therefore, following the development of uniform gas-on-gas tariff provisions, we shall proceed to develop a uniform timetable for the filing and implementation of the revised gas-on-gas flex rate tariffs.

May 2017 Order pp. 53-55.

Mr. Watkins correctly noted that the parties to the Gas-on-Gas Proceeding filed comments following the entry of the May 2017 Order. Mr. Watkins fails to note, however, that the Commission has yet to render a decision on those comments. Mr. Watkins does not explain why the Commission should disallow the recovery in rates of revenue that is foregone after December 31, 2018, even though the Commission has yet to render a final decision in the Gas-on-Gas Proceeding.

The Commission's May 2017 Order clearly intended that all NGDCs subject to gas-on-gas competition would be treated equally; the Commission would develop uniform tariffs for use by all NGDCs subject to gas-on-gas competition, and would require all those NGDCs to file these uniform tariffs simultaneously. Mr. Watkins' recommendation is inconsistent with the May 2017 Order in that Peoples would be singled out for special treatment. That would be unfair and the Commission should not exercise its discretion in such a manner. Instead, the Commission should allow the recovery in rates of revenue foregone as a result of gas-on-gas competition until the Commission develops uniform tariffs and orders all NGDCs to file such tariffs simultaneously.

Q. DID OCA FILE REPLY COMMENTS TO THE COMMISSION'S MAY 2017 ORDER?

A. Yes. After initial discussions, it was agreed that the Commenting Parties might be able to come to a uniform position on many of the questions if some additional time was allotted for further discussions. Accordingly, on August 15, 2017, Peoples contacted Commission Staff and requested a 30-day extension for all parties to file reply comments. A Secretarial Letter was issued on August 17, 2017, approving that request and setting a new date for reply comments as on or before September 21, 2017.

Q. DID OCA'S REPLY COMMENTS ADDRESS THE APPROPRIATE METHODOLOGY TO CALCULATE THE LOWEST APPLICABLE TARIFF RATE AVAILABLE TO GAS-ON-GAS CUSTOMERS?

A. In relation to the lowest applicable tariff rate available to gas-on-gas customers, the OCA's reply comments of September 21, 2017 states the following:

> The Commenting Parties had numerous discussions as to the establishment of the "lowest applicable tariffed rate." These discussions also included the establishment of uniform tariff provisions, which, by necessity, would require uniformity as to how the lowest applicable tariffed rate would be arrived at. After much deliberation, the Commenting Parties agreed that a working group as outlined in Appendix A may be the most efficient forum for establishing the methodology to be used to arrive at this "floor" price and also to establish the uniform tariff provisions. As set out, the working group would have a pre-defined goal and timeframe to accomplish these tasks. The OCA intends to actively participate if the Commission deems that such a working group approach is reasonable.

A copy of OCA's reply comments is attached hereto as **Peoples Exhibit CAS-1-SR**.

Q. HAS A WORKING GROUP BEEN ESTABLISHED TO DETERMINE THE METHODOLOGY TO ARRIVE AT THE FLOOR PRICE AND TO ESTABLISH UNIFORM TARIFF PROVISIONS?

A. No. The Commission has yet to act on the parties' reply comments.

Q. DID YOU REVIEW MR. WATKINS'S PROPOSED ADJUSTMENTS FOR GAS-ON-GAS COMPETITION CUSTOMERS PRESENTED IN HIGHLY CONFIDENTIAL SCHEDULE GAW-10 (SUPPLEMENTAL)?

A. Yes.

Q. DO YOU AGREE WITH THE PROPOSED ADJUSTMENT AMOUNTS?

A. No. For the reasons stated above, I do not agree with the notion that the foregone revenue must be disallowed simply because December 31, 2018 has passed. **[BEGIN HIGHLY CONFIDENTIAL]** [redacted]

[redacted]

[redacted]

[redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted] [redacted]

[END HIGHLY CONFIDENTIAL]

Q. DO YOU HAVE ANY FINAL COMMENTS ABOUT MR. WATKINS'S SUPPLEMENTAL DIRECT TESTIMONY?

A. **[BEGIN HIGHLY CONFIDENTIAL]** [redacted]

[redacted] **[END HIGHLY CONFIDENTIAL]**

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes. However, as noted previously, the OCA served Mr. Watkins's supplemental direct testimony on May 29, 2019, *i.e.*, the day after parties served their rebuttal testimony on May 28, 2019. Therefore, I have had severely limited time to prepare testimony responding to all of Mr. Watkins's allegations related to discounts due to Gas-on-Gas competition. As a result, I reserve the right to supplement my surrebuttal testimony, particularly if customers provide additional information supporting the need for their discounted rates.

COMMONWEALTH OF PENNSYLVANIA

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September 21, 2017

Rosemary Chiavetta, Secretary
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RE: Joint Petition for Generic Investigation or Rulemaking Regarding "Gas-On-Gas" Competition Between Jurisdictional Natural Gas Distribution Companies
Docket No. P-2011-2277868

Generic Investigation Regarding Gas-on-Gas Competition Between Jurisdictional Natural Gas Distribution Companies
Docket No. I-2012-2320323

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Reply Comments in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Sincerely,

Darryl A. Lawrence
Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682
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Enclosures
cc: Hon. Elizabeth H. Barnes, ALJ
Certificate of Service
*238578

CERTIFICATE OF SERVICE

Re: Joint Petition for Generic Investigation or Rulemaking Regarding "Gas-On-Gas" Competition Between Jurisdictional Natural Gas Distribution Companies
Docket No. P-2011-2277868

Generic Investigation Regarding Gas-on-Gas Competition Between Jurisdictional Natural Gas Distribution Companies
Docket No. I-2012-2320323

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Reply Comments, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 21st day of September 2017.

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition for Generic Investigation or Rulemaking Regarding "Gas-On-Gas" Competition Between Jurisdictional Natural Gas Distribution Companies	:	P-2011-2277868
Generic Investigation Regarding Gas-On-Gas Competition Between Jurisdictional Natural Gas Distribution Companies	:	I-2012-2320323

REPLY COMMENTS OF THE
OFFICE OF CONSUMER ADVOCATE

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DATED: September 21, 2017

I. INTRODUCTION

On May 4, 2017, the Commission issued its Opinion and Order (Order) in this matter. The Order provided that gas-on-gas competition should be allowed to continue, in a limited fashion. Specifically, the gas-on-gas discount rates would have a price floor established that would be the lowest tariff rate available to a gas-on-gas customer. Further, the affected NGDCs (Peoples, Peoples-Equitable, Peoples TWP and Columbia) were directed to develop proposed tariff provisions in order for a uniform tariff to be applied across these companies for the provision of gas-on-gas service. Order at 51.

The Order also sought comments as to a series of questions that the Commission seeks further information on relating to the uniform tariff provisions. Order at 55-57. Specifically, the Commission sought responses to the following questions:

- Which customer classes should be offered gas-on-gas flex rates?
- Should uniform minimum consumption thresholds be established?
- Should new customers locating in overlapping service areas be offered gas-on-gas flex rates or should these rates be limited to existing customers being served under gas-on-gas flex rate contracts?
- What should be the criteria and associated documentation for customers to demonstrate that they are capable of receiving service from another NGDC?
- Should there be a limit on the duration of contracts between gas-on-gas flex rate customers and NGDCs?

Order at 55-57. The Order further specified that comments would be due in 90 days from the Order entry date, or on or before August 2, 2017 and reply comments would be due on or before August 22, 2017.

On August 2, 2017, comments were filed by Columbia Gas of Pennsylvania, Inc. (Columbia), Peoples Natural Gas Company, LLC, Peoples Equitable division and Peoples TWP, LLC (collectively, Peoples), the Industrial Energy Consumers of Pennsylvania (IECPA), the Office of Small Business Advocate (OSBA) and the Office of Consumer Advocate (OCA), (collectively, Commenting Parties). Subsequent to the filing of Comments, the Commenting Parties initiated a series of discussions as to the various responses that were submitted to the Commission's questions.

After initial discussions, it was agreed that the Commenting Parties might be able to come to a uniform position on many of the questions if some additional time was allotted for further discussions. Accordingly, on August 15, 2017, Peoples contacted Commission Staff and requested a 30-day extension for all parties to file reply comments. A Secretarial Letter was issued on August 17, 2017, approving that request and setting a new date for reply comments as on or before September 21, 2017.

After being granted this additional time, the Commenting Parties held a series of discussions. As a result of those discussions, the Commenting Parties have agreed to provide uniform responses to the questions posed by the Commission in its Order. These uniform responses and clarifying language are intended as an aid to the Commission in reaching its final determinations in this matter, and are attached hereto as Appendix A. In addition, the Commenting Parties are also recommending that a working group be established in order to arrive at a uniform method for establishing the "Lowest Applicable Tariff Rate." Further, the Commenting parties have been unable to reach any consensus on one particular issue as to the provision of non-discounted service to the customer of a competing NGDC, and seek the

Commission's guidance as to the resolution of this issue. In accord with the Secretarial Letter, the OCA now submits these Reply Comments.

II. REPLY COMMENTS

A. Response To The Commission Questions.

- Which customer classes should be offered gas-on-gas flex rates?

Only the non-residential customer classes should be considered for future flex rate offerings. This position is consistent with the OCA's Comments of August 2, 2017.

- Should uniform minimum consumption thresholds be established?

The OCA sees no reason to establish minimum consumption levels at this time. Consistent with its Comments here, the OCA submits that the Commission's Order provides a reasonable path forward to deal with the significantly reduced number of gas-on-gas customers without causing unreasonable economic harm to non-participating ratepayers. As such, the establishment of minimum consumption levels would appear unnecessary and would also add another layer of complexity without any attendant benefits.

- Should new customers locating in overlapping service areas be offered gas-on-gas flex rates or should these rates be limited to existing customers being served under gas-on-gas flex rate contracts?

New customers starting service in a location where connection to more than one NGDC is possible should have the opportunity to pick their preferred distribution company and be offered a gas-on-gas discount rate within the confines of the language set out in Appendix A on this issue. Certain existing customers should also be eligible to receive a gas-on-gas discount offer from a competing NGDC, again, limited by the language in Appendix A. It was the intent of the Commenting Parties in the uniform response here to limit or eliminate those scenarios where duplicative infrastructure would be necessary in order to serve a new or existing customer, and that such duplicative investment, if made, would have to be cost justified.

- What should be the criteria and associated documentation for customers to demonstrate that they are capable of receiving service from another NGDC?

Customers should have the obligation to demonstrate that they are eligible to participate in gas-on-gas competition. The language in Appendix A requires a substantial, verified showing by the customer that they are eligible to receive a gas-on-gas discount offer. The language there also establishes that the details of such transactions will be available to other parties, as may be needed, consistent with reasonable non-disclosure and protective order practices.

- Should there be a limit on the duration of contracts between gas-on-gas flex rate customers and NGDCs?

There is a concern here that if the "floor" price is being established as the lowest tariffed rate available to that customer from the potential NGDCs that the customer could physically connect to, such tariffed rates will inevitably change as general base rate cases are decided. In the OCA's view, the main point here is that long-term contracts should not be used as a way to avoid the prevailing market floor price. The OCA submits that the suggested language in Appendix A reasonably addresses this situation, as contracts would need to be reviewed at two-year intervals to ensure that the contract continues to represent the then-prevailing "lowest applicable tariffed rate."

As to existing contracts, the Order provides that NGDCs entering into long-term contracts are proceeding at their own risk as the gas-on-gas discount rates provided in such contracts may be subject to disallowance in the NGDCs' future rate cases. Order at 57-59.

The OCA submits that the suggested language in Appendix A should prove useful to the Commission as it reaches its ultimate determinations on these important issues.

B. Establishment Of A Working Group.

The Commenting Parties had numerous discussions as to the establishment of the "lowest applicable tariffed rate." These discussions also included the establishment of uniform tariff provisions, which, by necessity, would require uniformity as to how the lowest applicable tariffed rate would be arrived at. After much deliberation, the Commenting Parties agreed that a working group as outlined in Appendix A may be the most efficient forum for establishing the methodology to be used to arrive at this "floor" price and also to establish the uniform tariff provisions. As set out, the working group would have a pre-defined goal and timeframe to accomplish these tasks. The OCA intends to actively participate if the Commission deems that such a working group approach is reasonable.

C. The Provision Of Service To A Potential Customer At Full Tariff Rates.

As Appendix A provides:

> The Commenting Parties could not reach consensus on issues related to an NGDC's extension of facilities and provision of service at non-discounted tariffed rates to an existing G-O-G Customer of a Competing NGDC. Specifically, the Commenting Parties could not reach consensus on (a) whether such service is properly considered in the context of the instant proceeding and (b) if such service is properly considered in the context of the instant proceeding, the circumstances under which such service should be allowed. The Commenting Parties will respond to these issues through their individual replies to comments.

The particular scenario that the Commenting Parties wrestled with during their discussions was as follows. A current gas-on-gas customer of Columbia decides to switch to Peoples.[1] This customer currently has no facilities in place to connect to Peoples, but is in an overlapping area of both NGDCs and could connect to Peoples under Peoples existing tariff

[1] This hypothetical applies no matter who the customer's current competing NGDC is.

provisions regarding main extensions. Does the non-incumbent NGDC have a duty, and or the right, to serve that customer at its full tariff rate? In the OCA's view, the answer is no.

One of the OCA's key goals in this matter was to eliminate, or at least substantially reduce the continued investment in duplicative facilities at the ultimate expense of captive ratepayers. One could argue that if the prospective customer here, or the new NGDC's shareholders pay the full freight to connect this customer, where is the harm? Unfortunately, Columbia would now have plant in the ground (and presumably in rate base) that is no longer used and useful. The Order specifically addressed such situations, as follows:

> Nevertheless, to the extent that multiple NGDC facilities exist in the future to serve the remaining gas-on-gas customers, the NGDCs still will have the burden of proving that such facilities are used and useful, should remain in the NGDC's rate base, and that the associated costs should be recovered from ratepayers.

Order at 55. To allow the above scenario could reasonably lead to a disallowance of Columbia's investment to serve that customer in its next rate case. Perhaps the fairest way to proceed would be to include the current book value of Columbia's assets used to serve that customer and include those dollars in the calculation as to the provision of service by Peoples. That said, this procedure would again add a layer of complexity to a situation that is certainly not in need of any further challenges.

The OCA submits that the uniform tariff provisions, when they are created and approved, should control the landscape as to how gas-on-gas customers in overlapping service territories are provided service and what rates they may be offered. In the scenario at issue here, the reasonable resolution would be to disallow the continued construction of duplicative facilities.

III. CONCLUSION

The Office of Consumer Advocate appreciates the opportunity to provide Reply Comments on this important matter. The OCA looks forward to a continuing discussion with the parties and the Commission as it reaches its ultimate resolution of all issues raised by the Investigation.

Respectfully Submitted,

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Dated: September 21, 2017

240199

APPENDIX A

Joint Petition for Generic Investigation or Rulemaking Regarding "Gas-on-Gas" Competition Between Jurisdictional Natural Gas Distribution Companies	:	Docket No. P-2011-2277868
Generic Investigation Regarding Gas-on-Gas Competition Between Jurisdictional Natural Gas Distribution Companies	:	Docket No. I-2012-2320323

CONSENSUS POSITIONS OF COMMENTING PARTIES

DEFINED TERMS

"Commission": Pennsylvania Public Utility Commission

"Commenting Parties": Columbia Gas of Pennsylvania, Industrial Energy Consumers of Pennsylvania, Office of Consumer Advocate, Office of Small Business Advocate, Peoples Natural Gas Company LLC, and Peoples Gas Company LLC

"Competing NGDC": An NGDC that has overlapping service territory with another NGDC and may offer a G-O-G Flex Rate

"G-O-G": Gas-on-Gas competition between Competing NGDCs through the offer of a G-O-G Flex Rate

"G-O-G Contract": A contract between a Competing NGDC and a G-O-G Customer pursuant to which the G-O-G Customer receives a G-O-G Flex Rate

"G-O-G Customer": A customer of a Competing NGDC who is eligible for a G-O-G Flex Rate

"G-O-G Negotiated Adjustment": An adjustment to a Competing NGDC's tariffed rate that is provided to a G-O-G Customer pursuant to G-O-G Contract

"G-O-G Flex Rate": The flex rate, provided to a G-O-G Customer, resulting from a G-O-G Negotiated Adjustment

"Law Bureau": Law Bureau of the Commission

"May 4, 2017 Order": Commission's Order entered at the above-referenced dockets on May 4, 2017

"Natural Gas Distribution Company": A natural gas distribution company regulated by the Commission

"TUS": Bureau of Technical Utility Services of the Commission

COMMISSION QUESTIONS	CONSENSUS POSITIONS OF COMMENTING PARTIES
Which customer classes should be offered gas-on-gas flex rates?	G-O-G Flex Rates should be limited to non-residential customer classes.
Should uniform minimum consumption thresholds be established?	No. Minimum consumption thresholds may deprive some existing, and potentially future qualifying, G-O-G Customers of G-O-G Flex Rate options and create unnecessary complexity.
Should new customers in overlapping service territories be offered gas-on-gas flex rates or should these rates be limited to existing customers being served under gas-on-gas flex rate contracts?	Yes, both new customers locating in overlapping service areas and certain existing customers should be eligible for G-O-G Flex Rates. A G-O-G Negotiated Adjustment may be offered to an existing customer of the Competing NGDC providing service where the customer is currently receiving a G-O-G Flex Rate. A G-O-G Negotiated Adjustment may be offered to an existing customer of a Competing NGDC where such customer was formerly served at that service location by the Competing NGDC offering service. A G-O-G Negotiated Adjustment may be offered to a potential, new customer associated with new development. This provision allows for negotiated rates between Competing NGDCs for the load of a new customer but, once the successful Competing NGDC expends capital and extends facilities to the customer, there shall be no further competition between the Competing NGDCs for that customer where the result would be the unnecessary duplication of facilities. Any new service investment for a new G-O-G Customer must be justified and supported by actual G-O-G Flex Rate revenues using the methods approved for line and main extensions of that particular Competing NGDC.
What should be the criteria and associated documentation for customers to demonstrate they are capable of receiving service from another NGDC?	A G-O-G Flex Rate must be supported by a sworn G-O-G Customer affidavit. An existing G-O-G Customer's affidavit must attest that the G-O-G Customer meets one or more of the eligibility criteria listed above. A new G-O-G Customer's affidavit must attest that (i) the G-O-G Customer has been offered service from a Competing NGDC with a lower tariffed rate and (ii) the Competing NGDC is physically able to

	connect the G-O-G Customer and has sufficient capacity to serve. All affidavits must include all relevant terms, conditions, rates, and customer contributions and advances associated with the competitive service offering. The G-O-G Customer affidavit shall be treated as confidential and disclosed in a Commission proceeding only pursuant to a protective agreement or order. A Competing NGDC cannot assert confidentiality of its offer and thereby prevent a current or prospective G-O-G Customer from disclosing the terms of the offer to another Competing NGDC. A Competing NGDC cannot disclose its offer to another Competing NGDC without the consent of the current or prospective G-O-G customer. A Competing NGDC, to which the offer of another Competing NGDC has been disclosed, shall preserve the confidentiality of such offer and shall use it for no purpose other than developing a competing offer and in a Commission or other legal proceeding subject to a protective agreement or order.
Should there be a limit on duration of gas-on-gas flex rate contracts?	Current G-O-G Contracts may continue in effect in accordance with the contract terms; however, Competing NGDCs have been placed on notice by the May 4, 2017 Order that they may not be able to recover any G-O-G Flex Rate that is below the lowest tariffed rate of a Competing NGDC for contracts that extend beyond December 31, 2018. There should be no limitation on the duration or extension of a G-O-G Contract entered into after the entry of a final order in this proceeding; however, such a G-O-G Contract shall be updated for consistency with the lowest tariffed rate of a Competing NGDC beginning on October 1, 2018 and every two-year anniversary thereafter. The October 1, 2018 date was agreed on by the Commenting Parties as a reasonable start date fitting in the schedule of regulatory filings. This requirement is consistent with the Commission's competing policies of allowing G-O-G to continue with limitations on Negotiated Adjustments and of not micro-managing contractual matters. It also allows a Competing NGDC and a G-O-G Customer to negotiate a G-O-G Contract that provides long-term certainty for both. The G-O-G Customer is able to choose a higher-tariff-rate Competing NGDC for other reasons (such as quality of service, supply costs, etc.) without fear of being bound to a higher tariffed rate at the end of a short G-O-G Contract term. A Competing NGDC is able to negotiate a duration that allows recovery of capital investment required to provide service.

Determination of "Lowest Applicable Tariff Rate" / Uniform G-O-G Tariff Provisions	Due to the complexity of the issues, a collaborative -- to be conducted with the assistance of TUS and Law Bureau -- should be established for the limited purposes of determining: (a) the appropriate methodology to calculate the lowest applicable tariff rate available to a G-O-G Customer; and, (b) uniform G-O-G tariff provisions to be simultaneously adopted by Competing NGDCs. The collaborative shall conclude its work within 90 days following entry of a Commission final order on the five issues raised on p. 55 of the May 4, 2017 Order. The results of the collaborative, together with recommendations, shall be reported to the Commission by TUS or Law Bureau in the form of a Tentative Order on which interested parties will have a reasonable opportunity to comment.

Note: The Commenting Parties could not reach consensus on issues related to an NGDC's extension of facilities and provision of service at standard tariffed rates to an existing G-O-G Customer of a Competing NGDC. Specifically, the Commenting Parties could not reach consensus on (a) whether such service is properly considered in the context of the instant proceeding and (b) if such service is properly considered in the context of the instant proceeding, the circumstances under which such service should be allowed. The Commenting Parties will respond to these issues through their individual replies to comments.