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February 25, 2014

**VIA ELECTRONIC FILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

**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:

Please find enclosed for filing with the Pennsylvania Public Utility Commission the Main Brief National Fuel Gas Distribution Corporation in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to the proceeding are being duly served with a copy of this document.

Very truly yours,

Bruce V. Miller

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**MAIN BRIEF ON BEHALF  
OF  
NATIONAL FUEL GAS DISTRIBUTION CORPORATION**

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February 25, 2014

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Petition for Generic Investigation or	:	
Rulemaking Regarding “Gas-On-Gas” Competition	:	P-2011-2277868
Between Jurisdictional Natural Gas Distribution	:	
Companies	:	
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**MAIN BRIEF ON BEHALF  
OF  
NATIONAL FUEL GAS DISTRIBUTION CORPORATION**

*Preliminary Statement and Brief History of the Proceedings*

This brief is submitted on behalf of National Fuel Gas Distribution Corporation (“Distribution”). It will present Distribution’s position in this investigation of gas-on-gas competition, which, by reason of the subsequent approval (granted at Docket No. A-2013-2353647) of the sale of Equitable Gas Company, LLC (“Equitable”) to PNG Companies LLC (“Peoples”) and Equitable’s merger into Peoples, is now significantly reduced in both scope and necessity.

This case had its genesis when on December 8, 2011, certain parties to the base rate case of Peoples Natural Gas Company LLC (“Peoples”) filed a Joint Petition with the Pennsylvania Public Utility Commission (“Commission”) in Docket No. R-2010-2201702, requesting:

that the Commission initiate a generic investigation or rulemaking with regard to competition among NGDCs, flexing of distribution rates to meet such competition, and treatment of flexed revenues for ratemaking purposes in future ratemaking proceedings.

On July 25, 2012, the Commission issued a Secretarial Letter granting the relief sought in the Joint Petition and ordering a generic investigation into the matter of gas-on-gas competition. Generic Investigation on Gas-on-Gas Competition Issues, Docket No. P-2011-2277868 (Secretarial Letter issued July 25, 2012).

The matter was assigned to Administrative Law Judge Elizabeth H. Barnes ("ALJ Barnes"). Subsequent to the Secretarial Letter being issued, numerous Parties, including Distribution, intervened in this matter. Since that time, discovery was sought and obtained among the parties, testimony and responsive testimony was filed by the parties and several motions were brought and decided.

By agreement among the parties, a hearing was held before ALJ Barnes on December 10, 2013 for submission of the parties' respective testimony; direct and cross-examination was waived and all testimony was admitted into the record.

### ***Position of Distribution***

The gas-on-gas discounting, that is discounting below tariff rates to secure customers from another utility with overlapping service area, that was in existence at the outset of this proceeding was limited in its geographic scope to Western Pennsylvania, and was conducted by a few companies including Equitable and Peoples. Distribution does not currently engage in any gas-on-gas competition and has not done so for a number of years. With the merger of Equitable and Peoples, gas-on-gas competition between those two companies has ended, leaving what is presumably a relatively small amount of gas-on-gas competition, likely between post-merger Peoples and Columbia Gas of Pennsylvania.

Again, Distribution does not engage in gas-on-gas competition and therefore takes no position on whether the practice should be allowed to continue. If gas-on-gas competition

should be allowed to continue, Distribution believes that where a specific customer has gas-on-gas competition available to them, the competing NGDCs should be required to prove that the rate they are providing to that specific customer is a cost-based rate that appropriately recovers the costs of facilities used in providing service to the customer. (NFG Statement No. 1, Testimony of Eric H. Meisl, pp. 3-4). The floor of any discounted rate would be limited to a rate that provides for a full allocation of the current booked costs of facilities utilized to serve the competitive customer. *Id.* at 4. In such event, it would be presumed that the NGDC with the lowest cost of service should win the contest to provide service to the competitive customer. *Id.*

Distribution is aware, based on testimony by certain other parties to this proceeding, that some existing contractual agreements for discounted rates under gas-on-gas competition are still in effect that might or might not reflect the pricing policy for gas-on-gas competition discussed in the preceding paragraphs. If gas-on-gas competition is permitted in the future and given the limited amount of such competition that will likely remain, Distribution is of the belief that any such discounts should be recovered in the utility's cost of service until the expiration of the contracts. Following the expiration of the discounted contracts for gas-on-gas competition, any such discounts should be permitted only if they follow the pricing policy explained by Mr. Meisl in which the floor of any discounted rate would be limited to a rate that provides for a full allocation of the current booked costs of facilities utilized to serve the competitive customer utility.

### ***Conclusion***

The practical need for this proceeding has largely evaporated in light of the Equitable/Peoples merger. For the reasons expressed above, the position of Distribution should

be adopted in this proceeding; with cost of service pricing applied to any future gas-on-gas competition and remaining discounts allowed to expire per their terms.

Respectfully submitted,



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February 25, 2014

**CERTIFICATE OF SERVICE**  
**Docket Nos. P-2011-2277868 and I-2012-2320323**

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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Dated: February 25, 2014



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