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March 12, 2014

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor (filing room)
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

REPLY BRIEF OF THE PENNSYLVANIA STATE UNIVERSITY

Dear Secretary Chiavetta:

Enclosed is the Reply Brief of The Pennsylvania State University in the above-referenced matter. Copies of this document have been served in accordance with the attached Certificate of Service.

Thank you for your attention to this matter. Please feel free to contact the undersigned at 717-236-1300 with any questions.

Very truly yours,

Thomas J. Sniscak
William E. Lehman

Counsel to The Pennsylvania State University

TJS/WEL/bes
Enclosures
cc: Honorable Elizabeth Barnes, Administrative Law Judge, Pa. Public Utility Commission
Per Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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	:	Docket No. I-2012-2320323

REPLY BRIEF OF
THE PENNSYLVANIA STATE UNIVERSITY

Before Administrative Law Judge Elizabeth H. Barnes

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DATED: March 12, 2014

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I. INTRODUCTION AND SUMMARY OF REPLY ARGUMENT

The Pennsylvania State University ("PSU") hereby submits its Reply Brief on Generic Investigation on Gas-on-Gas Competition Issues.[1] Utilities that can offer flex rates for gas-on-gas competition should continue to do so and recover any uncollected costs from the balance of their customers. Flex offerings should continue in Pennsylvania, as they have for almost 30 years. OCA, OSBA and I&E's arguments that gas-on-gas competitive rates should be discontinued ignore that retaining customer volumes on the system or providing flex incentives to expand use, benefits all customer classes as it lessens the overall cost of service to those other customers. Eliminating flex offerings could also have unintended adverse economic consequences. A utility's ability to attract and/or retain businesses in Pennsylvania provides benefits to our Commonwealth's citizens by providing jobs, and valuable income to both the local municipalities and the Commonwealth via taxes. Additionally, all existing flex rate contracts should remain in effect through the term of the contract. Both businesses and utilities made significant economic and business decisions based on the certainty of those contracts and could be significantly harmed should those contracts be modified or abrogated.

II. REPLY ARGUMENT

A. Flex Offerings Should Continue in Pennsylvania Because All Utility Customers Ultimately Benefit From Competitive Flex Rates.

OCA, OSBA and I&E all call for the elimination of gas-on-gas competition because they believe discounting rates to customers – particularly large customers – results in higher rates paid by their constituents; namely, residential and small commercial customers.[2] That viewpoint

[1] Gas-on-gas means there is more than one natural gas distribution company (NGDC) having rights to serve, or facilities existing or proximate and able to serve, a customer. It does not and should not mean competition faced by an NGDC for gas distribution service from a non-NGDC. Thus, all references in this Brief to "gas-on-gas" mean competition between or among NGDCs with overlapping territories.

[2] OCA Main Brief at 2, 11, 12, 14-25; OSBA Main Brief at 10-17; I&E Main Brief at 7-26.

ignores the fact that all customers, including their constituents, benefit from retaining or attracting customers. Unlike OCA, OSBA and I&E's constituents, PSU takes service under a flex rate for an eligible account but does not do so for many other accounts for which its rates bear its share of the flex discounts to other customers. Therefore, PSU's perspective comes from both sides of this issue.

As PSU witness James Crist, who was actively involved in the genesis of the "gas wars" and many gas-on-gas competitive issues,[3] testified:

> From a ratemaking perspective, all customer classes benefit from the ability of a utility to retain a customer on its system without closing its doors or moving off the system, to either a nearby utility or out of Pennsylvania altogether. Mr. Gregorini explained in his testimony (Peoples/Peoples TWP Statement No. 1) that utilities collect information from a competitively situated customer to determine the maximum amount it can charge the customer yet still retain the patronage of that customer. Because the utility has the closest relationship to its customers than other parties in this case, except those who actually represent customers such as Ms. Meyer Burgraff and myself, it is in a knowledgeable position to determine the appropriate rate through negotiation with the customer. The discounted rate offered to the customer is always about the incremental cost to serve the customer according to Mr. Gregorini, and this makes a positive contribution to the fixed costs requirements of the utility and provides benefits to all customers.[4]

Contrary to claims by OCA, OSBA and I&E, customers that receive flex rates should not lose the benefit that flex rates provide simply because they happen to be situated in a location that has overlapping territories. As explained above and in Section II C, other customers, who might not be located within this geographic overlap, also receive the benefit of a large customer's load being retained on the system, thus reducing overall costs and rates for everyone.

As IEPCA's witness Diane Burgraff explains about the gas-on-gas competition in Western Pennsylvania, "[t]he competition that exists ensures that industrial and large commercial

[3] PSU Statement No. 1 at 2:13-16.
[4] PSU Statement No. 1 at 7:14 – 8:3.

load is more likely to be spread out among the utilities that serve the same geographic area, which provides a contribution to cost of service for the captive customers of all competing utilities."[5]

The opponents of gas-on-gas flex would treat these customers with options as if, for price competition purposes, they had no other distribution service alternative when that is not the case. This way of thinking is fundamentally flawed. Here, opponents of gas-on-gas flex offerings seek to end such competition by undermining or removing one of an NGDC's incentives to compete. Specifically, the opponents would discourage NGDCs with overlapping territories or facilities to offer discounts by eliminating an NGDC's ability to recover the discount as a cost of service element. If a large customer, with significant load drops off the system, or is given no incentive to use more of the service, then the remaining customers are not afforded the contribution that the former customer was adding or could add to total system cost of service.

OSBA and I&E attempt to rebut this total system benefit argument by expanding the benefit scope to include all customers of all utilities in Pennsylvania as a group.[6] This erroneous argument, which is derived from a hypothetical where the losing bidder's customers would also be affected, should be rejected simply because it ignores the fact that with competition – which is a good thing and encouraged by the Commission – there is always a party that has been able to win a customer – thus providing system-wide benefits to all customers of that utility. The customers of another NGDC are not harmed at all because they will continue to pay the same rates they always have. This competition is not a bad thing because it incentivizes a utility to sharpen its pencils in an effort to win or retain the business. Thus, at the core, the flex opponents have a problem with competition and that is a notion that is contrary to capitalism, economics,

[5] IECPA Statement No. 1 at 11:9-12
[6] OSBA Main Brief at 14-15; I&E Main Brief at 16-18.

and the Legislative and Commission actions calculated to promote, as opposed to discourage, competitive choices by customers.

Likewise, the arguments that flex offerings create discriminatory rates should also be rejected. There is no discrimination with other customers that do not have gas-on-gas flex options. They are different, and differences can be a basis for different rate treatment.[7] Indeed, Section 1304 of the Public Utility Code, 66 Pa.C.S. § 1304, allows for preferences or advantages as to rates so long as it is not "unreasonable." Here, there is a factual basis for different treatment – some customers have circumstances that give them competitive options while others do not have those circumstances. This is not "unreasonable" discrimination – in fact it is not discrimination at all – it is simply the recognition through discounted rates of the overall system benefits derived from retaining a large customer's load on the system.

B. Existing Flex Rate Contracts Should Continue Without Modification Of Terms.

Additionally, as part of eliminating gas-on-gas competition flex rate offerings, OCA and OSBA would have current flex contracts – which were entered into though arms-length negotiations – be modified or in some cases simply terminated before the contract expiration date.[8] This is untenable and should also be rejected by the Commission. Companies that enter into contracts with energy suppliers expect those agreements to be honored, have made business decisions on the contracts into which they have entered, and do not expect that at some point in the future those contracts should be subject to additional surcharges or eliminated. As PSU witness Crist testified:

[7] *U.S. Steel Corp. v. Pa. Pub. Util. Comm'n,* 390 A.2d 865 (Pa. Cmwlth. 1978) (mere differences in rates among classes of customers is not a violation of the Public Utility Code section prohibiting discrimination in rates.)
[8] OCA Main Brief at 26-31; OSBA Main Brief at 17-20.

> Importantly, no witness has suggested that the NGDCs do not do a good job in gathering information regarding a customer's competitive options and then negotiating the maximum amount for the flex rate contract with that customer. Such contracts should be honored for their term, even if in some cases those terms extend into the future for multiple years. Customers may have made significant capital investments in their businesses based on the provision of NGDC service at discounted rates and after such a decision is made and the capital invested it would be an unfair bait and switch to the customer if their flex rate contracts would be eliminated altogether or modified by the addition of surcharges or riders designed to collect additional costs from such customers.[9]

In OSBA's Main Brief it advocated that "no NGDC should be permitted to renew or extend any agreement that it has with its own customers for a discounted rate" (OSBA Main Brief at 17) and be permitted to recover the revenue shortfall associated with existing flex rate agreements. OSBA advocates a firm date of December 31, 2016 as the date that even if an existing flex rate agreement were still in place and should be honored, the NGDC would not be permitted to recover any revenue shortfall from other customers in a subsequent base rate proceeding. OSBA's recognition that existing flex rate contracts with customers should be honored to term is fair. Companies that engaged in such contracts with the NGDC then made investments and other business decisions based on those contracts and their continued presence in Pennsylvania has benefited all customer groups. The recovery of any revenue shortfalls must be permitted for the duration of those contracts. This is only fair since the companies cannot simply undo their business decisions and pick up their physical plants on December 31, 2016. All classes of customers will continue to enjoy the benefits of an ongoing business presence after December 31, 2016, and the NGDC should be permitted to recover any revenue shortfalls from all customers.

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[9] PSU Statement No. 1 at 11:18 – 12:3.

No matter the outcome of this proceeding about whether flex offerings should continue to be a viable option moving forward, arm's length contracts involving flexible, negotiated rates due to gas-on-gas competition should be allowed to remain in effect until the agreed-upon end-date of each contract and be allowed to recover any revenue shortfalls from all customers. The impairment of existing contracts also sends a bad message to businesses and institutions that may be considering locating in Pennsylvania or expending their operations here.

C. Utilities Should Continue to be Able to Recover Discounted Rate Revenues From Other Customers.

Several parties have taken the position that should gas-on-gas rates be allowed to continue, utilities should not be allowed to recover discounted rates from other customers or should only be allowed to recover those costs from customers of the same customer class.[10] This clearly is a collateral attack on flex offerings calculated to provide a disincentive to utilities to offer flex contracts. PSU witness Crist observed in his testimony:

> Q. **SHOULD UTILITIES BE PERMITED TO RECOVER DISCOUNTED RATE REVENUES FROM THE OTHER CUSTOMERS?**
>
> A. Yes, and this differs from the position of I&E witness, Mr. Cline. In Mr. Cline's testimony he recommends, "that any NGDC that grants a customer a discounted rate as a result of gas-on-gas competition not be permitted to recover any revenue shortfall generated by that discount from customers who pay full tariff rates. This recommendation applies to base rates, all purchased gas costs, and retainage." (I&E Statement No. 1, 7:4-7).
>
> Mr. Cline believes that if customers are only offered full tariff rates by two competing NGDCs that they will simply choose to pay the lower of the two and that is the extent of their choices. That is a sweeping overstatement and ignores that such full tariff rates may not be sufficient for a business to locate in Pennsylvania, to keep the doors open, or to forego other energy alternatives. Such overstatement could prove damaging to Pennsylvania's economy and ultimately hurt ratepayers as if a business does not locate in Pennsylvania it obviously does not add anything toward paying cost of service that benefits all ratepayers. So too

[10] OCA Main Brief at 12-25; OSBA Main Brief at 12-17; I&E Main Brief at 7-26.

if a business has to close its doors due to a rigid full tariff rate, the rest of the customers will not receive the benefit of the revenues from the former business toward cost of service.

In my experience I have learned that customers are creative and inventive and will seek out choices and solutions to meet their needs. For energy intensive companies this may involve shutting down a facility, shifting work to another facility with lower costs, or seeking alternative fuel or bypass options that the customer may not have been aware of had the utility presented an attractive flex rate offer and bound that customer to multiple years of service through a contract. Mr. Cline also prepared a forecast which claims that if flex rates were not allowed the overall utility revenues would increase by over $45 million. This is not true. Mr. Cline used data provided by each utility to construct I&E Exhibit No. 1 Schedule 1. Each of the utilities provided the amounts of the discounted revenue determined by comparing what the customer would have been charged at full tariff rates. The error in this table and Mr. Cline's thinking is that he assumes those customers would willingly agree to increase their rates up to the full tariff maximum and stay in business or Pennsylvania. Mr. Cline's recommendation would incent customers to seek and find other ways to lower costs, such as scaling back operations, perhaps cutting employees, seeking bypass opportunities, or relocating all or portions of their facility work to another lower-cost region. None of that is good for remaining ratepayers or for Pennsylvania and its economy.

Q. **SHOULD THE NGDC ABSORB THE FLEX RATE DISCOUNT AND NOT COLLECT IT FROM OTHER CUSTOMERS?**

A. No. Such treatment is unfair in that the other customers benefit by having a flex customer stay on the system or in business and that adds to lessen overall cost of service to those other customers. If a utility has to absorb the discount it will be less likely to offer an attractive flex rate to attract and retain businesses and such actions are at cross-purposes with the many economic benefits that flex rates create for Pennsylvania.[11]

As the foregoing sets forth, other customers that are not competitively situated still receive positive benefits by the competitively situated flex customers remaining on the system. If a customer either drops off the system, or is not given an incentive to use more of the service, then the remaining customers are not afforded the contribution that the former customer was adding or could add to cost of service. Therefore, not only should gas-on-gas flex offerings

[11] PSU Statement No. 1 at 9:1 – 10:20.

continue, utilities should be able to recover discounted rate revenues from other customers, who also receive a significant system-wide benefit from a large customer's load remaining on the system.

D. Flex Offerings Should Continue Because Any Change to the Status Quo Could Have Unintended Adverse Economic Consequences.

If flex rate offerings are discontinued, there may be unintended economic consequences that Pennsylvania does not need. None of the proponents of discontinuing flex offerings offered any economic study showing the impact of discontinuing flex on flex customers involved or upon Pennsylvania's economy. For instance, as PSU witness Crist, who lived in western Pennsylvania and experienced the "gas wars" creating flex competition first hand, states in his rebuttal testimony, that flex rates helped the economy of western Pennsylvania recover:

> In the mid-1980s, which was the period that the Commission issued several decisions permitting and encouraging competition among NGDCs, the western Pennsylvania region was still in a recession and many industries and businesses were suffering. Several local utilities engaged in aggressive price competition to hold on to the customers and reduce the losses of customers and customers' consumption that they were experiencing. Such actions benefited all of the customers of the utility by retaining a revenue contribution that was greater than the marginal cost to serve. Other customers that were not competitively situated still received positive benefits by the competitive customers that were on the distribution system. I agree with both Ms. Scanlon and Mr. Watkins that flex offerings are important for Pennsylvania's economy and its development.[12]

Additionally, Mr. Crist testified that from a greater public interest perspective:

> [A]nything a utility can do by use of flex rates to attract new business or retain businesses in Pennsylvania provides obvious benefits to our Commonwealth's citizens generally - which includes ratepayers of the utility - by providing jobs, valuable income to local municipalities and the Commonwealth via taxes that fund government and public works, and such business presence directly or indirectly support other businesses. For

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[12] *Id.* at 6:19 – 7:6.

> example, assume a large wood widget manufacturing factory is thinking of locating or staying in business in Pennsylvania. That factory will likely have an economic multiplier effect on the local and state economy. For example, its employees with their wages from the business may frequent local restaurants, stores, and gas stations near the business. In turn, those businesses are able to stay in business and maintain and perhaps even grow jobs. The widget factory may use shipping or transportation companies to get the widgets to customers, may purchase local raw materials to make widgets, and use local service businesses such as HVAC, plumbing and electrical for their facility needs. Given that flex rates can be a great economic and business incubator in Pennsylvania, given that natural gas prices due to developments such as Shale Gas have declined, there is in my opinion nothing to be fixed with the existing flex offerings, and any erosion of the existing flex status quo could have significant unintended but nonetheless undesirable economic consequences that Pennsylvania does not need.[13]

Moreover, Mr. Crist explained that "[i]f a utility has to absorb the discount it will be less likely to offer an attractive flex rate to attract and retain businesses and such actions are at cross-purposes with the many economic benefits that flex rates create for Pennsylvania."[14]

I&E, who is supposed to represent the public interest but has limited its view to less than all customer interests in this matter, attempts to make light of these economic consequences by referring to them as an "unsupported scare tactic as PSU has provided no evidence that it will adjust its operations, move out of state or enact any other of the other scenarios presented in its testimony."[15] It is unclear why I&E would believe that PSU would consider relocating to another state (regardless of the potential benefits such a relocation would bestow on such a fortunate state's higher education system) because in Mr. Crist's testimony he was referring not to actions that PSU might take but to actual circumstances and potential consequences that he personally experienced during his employment with Peoples Gas. I&E's viewpoint describes a risky position of being willing to gamble on potentially harming Pennsylvania jobs and its

[13] *Id.* at 8:4-22.
[14] *Id.* at 10:18-20.
[15] I&E Main Brief at 22.

economy by chipping away at or ending competitive flex rates which certainly benefit not only the flex customer, but all customers' broader rate and economic interests. Should businesses relocate, operations shrink, or decide not to expand, the reality is that the economic damage due to that may not be undone and I&E's position will neither be of any value or comfort to those who lose jobs, business growth opportunities or are adversely affected. Moreover, I&E's argument is one made in a vacuum in that it ignores the economic adverse impact of higher costs to large businesses and institutions caused by eliminating flex contracts and competition in that those higher costs are ultimately borne by customers of those businesses, or in the case of educational institutions, tuition that students must pay. In contrast, the status quo is a "win-win" in that the flex customers (and derivatively their customers or students) benefit by receiving discounted rates in exchange for growth or staying on the system, and non-flex customers benefit by receiving lower rates than if the flex customers dropped off the system or did not add additional use revenues toward total cost of service.

As quoted above, PSU expert witness Mr. Crist, who lived in western Pennsylvania during the genesis of gas-on-gas competition and was the marketing director for Peoples Natural Gas Company,[16] spoke from personal experience and business perspective of the affect gas-on-gas competition and rates had on western Pennsylvania's economic recovery, and bad economic consequences of an anti-competitive environment. That should be contrasted to the comparatively inexperienced, undeveloped and insufficient testimony offered by I&E's witness, who has provided no direct evidence nor study regarding these economic consequences, and who is willing to wager that if flex rates are discontinued he hopes there will not be many potential adverse local and state economic implications that Pennsylvania's economy does not need. That

[16] PSU Statement No. 1 at 2:13-16.

gamble is not necessary and the anticompetitive position of I&E, OCA and OSBA should be rejected and the status quo retained.

E. If Flex Rates are to be Eliminated, then rate design of the NGDC Tariffs Must be Moved to Cost of Service Rates at the Same Time.

While PSU believes that there is nothing broken that needs to be fixed, particularly given the potential downsides to Pennsylvania's economy, if flex rates are to be eliminated then PSU believes the rate design of the NGDC tariffs must be moved to cost of service rates simultaneously. As PSU witness Crist testified:

> Historically the larger customer classes (commercial and industrial) that have been in a competitive position that allows them to qualify for flex rates have been subsidizing other customer classes as evidenced by the class rates of return that the NGDCs have presented in recent rate cases. In the most recent base rate case of Peoples Natural Gas, Mr. Gregorini advocated a rate design that would move the class rates of return to the system average. This would have caused revenue requirement increases in the residential class. The current rates that are the result of a black box settlement did not have the same level of increase in the residential rates as was in the rate filing, therefore it is likely that the class rates of return still merit some shifting of costs. If the Commission determines that flex rates are to be reduced or eliminated then it should do so only through a base rate process that would move the class rates of return to the system average at the same time.[17]

Most parties agreed that, should gas-on-gas competitive flex rates be eliminated, moving rates to cost of service levels should happen in the next rate proceeding of each NGDC.[18]

F. Your Honor and The Commission Should Clarify That This Proceeding Only Applies to Discounting Rates as a Result of Gas-on-Gas Competition and Not to Flex Offerings in Other Contexts.

The Commission, in any Final Order entered in this matter, should affirmatively state that the Order only applies to and affects the discounting of rates as a result of gas-on-gas

[17] *Id.* at 11:4-14.

[18] I&E Main Brief at 26-30; OSBA Main Brief at 17; NFG Main Brief at 3; Columbia Gas Main Brief at 9-11; Peoples Main Brief at 23-25; IECPA Main Brief at 24-26.

competition. No party to this proceeding has advocated the position that this matter involves discounting or flexing rates as a result of any other legitimate business practice such as pipeline bypass, duel fuel and economic development. PSU agrees with the other parties that these types legitimate business practices, result in reasonable price discrimination, and are in the public interest.[19]

PSU witness Crist addressed the legitimacy of these other types of competition in his testimony:

> **Q. IS COMPETITION FROM ALTERNATIVE FUELS A TOPIC THAT IS INCLUDED IN THIS CASE?**
>
> A. Several other types of competition exist that are not in the scope of this generic case. Competition from alternative fuels is not within the scope of this case. A customer may potentially be able to select a technology that would use a fuel other than natural gas, such as oil, propane, electricity, or renewables (solar, wind, biomass, and hydro would be examples). In those cases the natural gas NGDC possibly could, in accordance with its filed tariff, provide a discount to the delivery rate that would be charged to the customer on an ongoing basis. Such a discount would be offered if, in absence of such an offer, the customer would select a technology that would use an alternate fuel. As long as the NGDC's competitive offer is greater than its marginal cost, the customer would be making a contribution to the fixed costs of the Company and that would result in a benefit to the other customers of the utility.
>
> **Q. IS COMPETITION FROM BYPASS INCLUDED IN THIS CASE?**
>
> A. No. There are situations where natural gas pipelines that are not distribution facilities of a NGDC may be proximate to a customer. Those lines could be interstate pipelines, non-public utility intrastate pipelines, or gathering system lines. The utility will take into account the alternative available to the customer and should attempt to provide a flexed rate that would capture the customer's business. Such an acquisition if greater than the marginal cost to serve would contribute to the overall revenue of the Company and therefore benefit all customers. Any decisions in this case that would limit the use of discounted rates should not apply to bypass situations.

[19] OCA Main Brief at 23; OSBA Main Brief at 13.

Q. HAVE ANY WITNESSES CLAIMED THAT FLEXING RATES TO ADDRESS COMPETITION OF ALTERNATIVE FUELS OR BYPASS SHOULD BE RESTRICTED?

A. No. Ms. Scanlon stated clearly (Equitable Statement No. 1, 7:21-8:2) "the Commission should leave in place the ability of NGDCs to enter into flex rate agreements for competitive purposes other than NGDC gas-on-gas competition or for the purpose of promoting economic development." I would agree and add that NGDCs must have the use of flexible rates to compete effectively with providers of alternative fuels or bypass. Mr. Watkins (OCA Statement No. 1, 7-8) expresses agreement with this and states specifically that he believes NGDCs should be allowed to offer flex rates in situations of alternative fuels, pipeline bypass, and economic development and that such offerings are "legitimate business practices."[20]

PSU would like the Commission to make clear in its Final Order that should any relief to the parties opposing NGDC gas-on-gas flex be granted – which PSU believes should not – that such ruling will only apply to NGDC gas-on-gas competition and the other types of flex accounts like alternative fuel, transmission bypass, and economic relocation options remain unaffected.

III. CONCLUSION

PSU believes that gas-on-gas flex offerings should continue in Pennsylvania, as they have for almost 30 years. The opponents of flex offerings seek to return to anticompetitive times – which is exactly the opposite of what this Commission and most Commission's in the country have been doing. All customer classes benefit from the ability of a utility to retain a significant customer on its system. Furthermore, PSU submits that any change to the existing status quo with flex offerings could have significant unintended adverse economic consequences that Pennsylvania does not need. From a ratemaking perspective, all customer classes benefit from the ability of a utility to retain a significant customer on its system. By having a flex customer stay on the system, it lessens the overall cost of service to those other customers. Anything a utility can do by use of flex rates to attract new business or retain businesses in Pennsylvania

[20] PSU Statement No. 1 at 5:4 – 6:16.

provides benefits to our Commonwealth by providing jobs, valuable income to local municipalities, and the Commonwealth via taxes.

None of the flex opponents have done any empirical study or analysis that demonstrates eliminating flex will not have an adverse impact on Pennsylvania's economy. They ignore that higher rates caused by eliminating flex competition will have an adverse trickle-down effect upon customers and students, respectively, of businesses and educational flex customers. The flex opponents' position is driven solely by focusing on the trees but ignores the greater economic forest. Flex is not broken, does not need fixed, and their gamble is not one this Commission should take.

It is particularly important for Pennsylvania's large business, industrial and institutional customers, to have certainty regarding flex rate applicability for purposes of planning, budgeting, and making business decisions. A lack of flex rates, or a lack of certainty and reliability regarding flex rates, will harm Pennsylvania's economic development and the ability to attract and retain businesses and jobs.

Respectfully submitted:

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Date: March 12, 2014

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

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

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