



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

July 24, 2014

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

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 an original copy of the Bureau of Investigation and Enforcement's
(I&E) **Reply Exceptions** in the above-captioned proceeding.

Copies are being served on all active parties of record. If you have any questions, please
contact me at (717) 783-7998.

Sincerely,

Allison C. Kaster
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #93176

ACK/snc
Enclosure

cc: Certificate of Service
Hon. Elizabeth H. Barnes
Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
James H. Cawley, Commissioner
Pamela A. Witmer, Commissioner
Gladys M. Brown, Commissioner
Chief Counsel Pankiw, Law Bureau
Director Cheryl Walker-Davis, OSA

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

GENERIC INVESTIGATION	:	
REGARDING GAS-ON-GAS	:	Docket Nos. P-2011-2277868
COMPETITION BETWEEN	:	I-2012-2320323
JURISDICTIONAL NATURAL	:	
GAS DISTRIBUTION COMPANIES	:	

**REPLY EXCEPTIONS
ON BEHALF OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

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Dated: July 24, 2014

I. INTRODUCTION

On June 18, 2014, Administrative Law Judge Elizabeth H. Barnes (ALJ) issued a Recommended Decision (R.D.) finding that ratepayer funded gas-on-gas competition is discriminatory and recommended that this practice be abolished no later than December 31, 2018.¹ In the alternative, if the Commission prefers to continue some form of gas-on-gas competition, the R.D. recommended that the current form of competition be substantially modified consistent with the proposal put forth by Peoples.² Exceptions to the ALJ's proposed elimination of gas-on-gas competition were filed by Peoples Natural Gas Company LLC (Peoples), Columbia Gas of Pennsylvania, Inc. (Columbia), Industrial Energy Consumers of Pennsylvania (IECPA) and The Pennsylvania State University (PSU) on July 14, 2014. The Bureau of Investigation and Enforcement (I&E) has presented the evidence and law in support of the ALJ's recommendation to eliminate the current form of gas-on-gas competition. The ALJ correctly concluded that requiring captive ratepayers to subsidize rate discounts given to specially situated commercial and industrial customers results in unjust, unreasonable and discriminatory rates.³

¹ R.D., pp. 30, 39.

² R.D., pp. 31, 39.

³ R.D., pp. 29, 30, 36.

II. REPLY EXCEPTIONS

A. Reply to IECPA Exception Nos. 1 and 3, PSU Exception Nos. 1 and 3, Peoples Exception No. 1, Columbia Exception No. 1: The ALJ Properly Recommended That Ratepayer Funded Gas-On-Gas Competition Be Eliminated.

1. The ALJ Correctly Found That Ratepayer Funded Gas-on-Gas Competition Results in Unjust, Unreasonable and Discriminatory Rates.

The ALJ properly found that ratepayer funded gas-on-gas competition “isn’t real competition, and currently provides some lucky businesses with massive discounts paid for by others...” resulting in unjust, unreasonable and discriminatory rates.⁴

In doing so, the ALJ relied on Orders where the Commission has consistently and repeatedly determined that gas-on-gas competition is harmful and not in the public interest. In *Application of Equitable Gas Company*, the Commission found that “gas-on-gas *distribution* competition in overlapping service territories is wasteful and a duplication of fixed distribution facilities” and concluded that “[p]resent Commonwealth law and public policy do not favor competition among gas distribution utilities.”⁵ Additionally, the R.D. cites both the Peoples and Equitable 2005 purchased gas cost proceedings where the Commission indicated that it would not permit gas purchase related discounts to be recovered from other customers when such discounts arose from gas-on-gas distribution competition.⁶ The R.D. further discussed Equitable’s 2007 acquisition of Peoples, where the Commission recognized that elimination of gas-on-gas

⁴ R.D., pp. 36-37, 38.

⁵ I&E M.B., p. 10. Docket No. A-121100F0003 (Order entered August 13, 1999) (Emphasis in original).

⁶ R.D., p. 25.

competition was in the public interest as such rate discounts are “dead weight loss,” “wholly uneconomic,” and “poor public policy.”⁷

PSU argues that the ALJ did not find actual rate discrimination, only the “appearance” of discrimination.⁸ The ALJ’s Conclusion of Law plainly states, “The current gas-on-gas competition methodology is discriminatory towards captive customers within the NGDCs’ service territories which subsidize annual revenue losses due to discount flex prices offered to large industrial users fortunate enough to have a choice between NGDCs.”⁹ PSU’s semantic gymnastics aside, the R.D. discusses prior Commission Orders where gas-on-gas competition has been found to be unreasonable and discriminatory and correctly found the current form of competition to be similarly discriminatory.¹⁰

PSU and IECPA further argue that rate discrimination is permitted, as long as the discrimination is not “unreasonable.”¹¹ In Equitable’s attempted acquisition of Peoples in 2007, the Commission recognized the discriminatory nature of gas-on-gas competition:

To continue to allow contract customers the ability to maintain their current rates would be to allow discriminatory treatment to continue. It would not cause the initiation of discriminatory rates. Currently, due to gas-on-gas distribution competition, contract customers’ rates are below the cost to serve, and the deficit is paid for by the non-

⁷ R.D., pp. 26-27.

⁸ PSU Exceptions, p. 10.

⁹ R.D., p. 38.

¹⁰ R.D., pp. 25-28, 30.

¹¹ PSU Exceptions, p. 10. IECPA Exceptions, p. 5.

contract customers. This is precisely what needs to be reversed.¹²

In this proceeding, the ALJ correctly found that these competitive customers are receiving “massive discounts” at the expense of captive customers and stated that the:

primary concern of the Commission should be to end the subsidization of revenue lost by the captive customers in these NGDCs’ territories... Understandably, gas-on-gas competition has been ongoing for thirty years; however, it appears to be inherently unfair to require residential and business captive customers to subsidize the price of natural gas for some large business... This is a discriminatory practice which should end.¹³

IECPA states that gas-on-gas competition would only rise to the level of unreasonableness if “other customer classes experience significant cost shifting.”¹⁴ Currently, approximately \$19.0 million per year is shifted to captive customers as a result of gas-on-gas rate discounting. I&E maintains this is significant.¹⁵ IECPA further contends that the current rate discounting is not unreasonably discriminatory because it does not require customers in smaller classes to pay above their cost of service. In support, IECPA cites to the Peoples’ blended cost of service study in its most recent rate case showing that residential, small commercial and medium and Large C&I customers pay rate of return percentages of 5.25%, 5.10%, 8.68% and 9.93%, respectively,

¹² I&E M.B., pp. 7-8. *Joint application of Equitable Resources, Inc., and The Peoples Natural Gas Company, d/b/a Dominion Peoples, for approval of the transfer of all stock and rights of The Peoples Natural Gas Company to Equitable Resources, Inc., and for the approval of the transfer of all stock of Hope Gas, Inc., dba Dominion Hope, to Equitable Resources, Inc.*, Docket No. A-122250F5000, p. 64 (Order entered April 13, 2007).

¹³ R.D., p. 37.

¹⁴ IECPA Exceptions, p. 5.

¹⁵ R.D., p. 3.

compared to an overall system rate of return of 6.07%.¹⁶ What IECPA fails to mention is that the blended cost of service study was a contested issue in that proceeding, and OCA conducted its own Peak and Average cost of service study which demonstrated that residential customers pay at or above the system average while small general service customers pay below the system average.¹⁷ Peoples accepted the majority of OCA's recommended cost of service modifications in rebuttal testimony.¹⁸ IECPA continuously asserts that, since residential customers are paying below their cost of service, they are not experiencing unreasonable rates.¹⁹ This position is in error given that OCA's cost of service study, as largely accepted by Peoples in the most recent base rate case, showed that residential customers pay at or above the system average. Therefore, IECPA's reliance on the blended cost of service study in Peoples most recent rate case to illustrate that discounted gas-on-gas rates do not require other customer classes to pay above their cost of service is incorrect. Accordingly, the ALJ appropriately found that the current form of gas-on-gas competition "appears to be discriminatory and unfair to rate classes."²⁰

IECPA and PSU contend that customers and NGDCs receive a benefit by retaining competitive customers on their system contributing to fixed costs rather than allowing

¹⁶ IECPA Exceptions, p. 5.

¹⁷ *Pa. PUC v. Peoples Natural Gas Company, LLC*, Docket No. R-2012-2285985, Recommended Decision, p. 34.

¹⁸ *Pa. PUC v. Peoples Natural Gas Company, LLC*, Docket No. R-2012-2285985, Recommended Decision, pp. 33-34.

¹⁹ IECPA Exceptions, p. 6.

²⁰ R.D., 29.

those customers to switch to a competitor NGDC.²¹ This position ignores the fact both the retaining NGDC's captive customers and the competing NGDC are harmed by providing substantial discounts in order to prevent the customer from switching to a competitive NGDC. OCA's Highly Confidential Schedule GAW-2 illustrates the substantial discounts that these fortunate flex customers receive from the NGDCs at the expense of captive ratepayers. As stated by OCA witness Watkins, "As long as a quoted price exceeds the variable cost per unit of serving a customer, some contribution to each NGDC's fixed costs and profits will be obtained. However, because the vast majority of a NGDC's distribution costs are fixed in nature, this variable cost floor tends to be *exceptionally low* compared to full tariff rates."²² Even NGDCs who engage in this form of competition recognize that captive customers are harmed by this practice. Both Peoples and PTWP "understand that the discounting of rates in NGDC-on-NGDC competitive situations may not be in the best interest of the overall customer base across multiple systems"²³ and testified:

[W]e also recognize the legitimacy of the argument made by opponents of gas-on-gas competition that the benefits of gas-on-gas competition are not fairly distributed among all customers and customer classes, with the greatest benefits going to customers who just happen to be fortuitously located near more than one NGDC.²⁴

For example, assume that NGDC A currently has a large industrial customer who would pay \$547,000 under full tariff rates but NGDC A discounts that rate to recover

²¹ IECPA Exceptions, pp. 7-8. PSU Exceptions, p. 11-13.

²² OCA St. No. 1, p. 12 (Emphasis added).

²³ I&E Ex. No. 1, Sch. 2.

²⁴ Peoples/PTWP St. No. 1, p. 15.

only \$100,000 in order to keep the customer from switching to competitor NGDC B whose full tariff rates are approximately \$424,000.²⁵ If flex rates are permitted, NGDC A receives \$100,000 in annual revenue but its captive customers have to pay the discounted amount of \$447,000 in order to keep the customer from switching, and NGDC B receives no revenue from this customer despite the fact that its tariff rates are lower than NGDC A. Allowing the customer to take service from NGDC A rather than NGDC B at deeply discounted rates imposes a \$324,000 (\$424,000-\$100,000) net additional cost to captive customers in the Commonwealth.²⁶ However, if rate flexing is no longer permitted, the customer will likely switch to NGDC B. As a result, NGDC A would receive no revenue but NGDC B would receive an additional \$424,000 in revenue and its captive customers would not have to make up any revenue shortfall. Accordingly, NGDCs should not be permitted to discount their tariff rates to pennies and recover the shortfall caused by those discounts from captive customers.

The Commission has repeatedly found that gas-on-gas competition is not in the public interest and has further called this form of competition “wasteful,” “unreasonable,” “wholly uneconomic,” “poor public policy” and “discriminatory.”²⁷ The only parties advocating for the continuation of the current form of gas-on-gas competition are flex customers who receive the benefit of discounted rates at the expense of the utility’s captive customers. These self-serving positions must fail and, consistent

²⁵ OSBA St. No. 2, pp. 3-4. Also, see OCA’s Highly Confidential Schedule GAW-2 for an illustration of the magnitude of discounts given to flex customers.

²⁶ I&E M.B., pp. 16-17.

²⁷ I&E M.B., pp. 9-12.

with prior Commission Orders, the instant R.D. appropriately found that this practice must be abolished.

2. The ALJ's Recommended Transition Period Is Reasonable.

The ALJ recommended that ratepayer funded gas-on-gas be eliminated over a reasonable transition period. ALJ Barnes stated that the length of the reasonable phase-out plan should be determined by the Commission, but recommended that it be abolished no later than December 31, 2018.²⁸

Despite the fact that the ALJ recommended that gas-on-gas competition be phased-out over a reasonable transition period, several parties in this proceeding raise concerns about existing flex contracts that extend beyond the ALJ's proposed date.²⁹ These arguments must be rejected. The ALJ's recommendation was designed to smooth the transition:

A reasonable transition period should serve to address concerns over any possible economic disruptions. Sufficient advance notice will enable businesses to prepare for the coming changes through budgeting and operational forecasting and decision making. See IECPA M.B. at 27. A reasonable transition period will enable businesses to adjust to the changing regulatory climate.³⁰

The ALJ's proposed phase-out is eminently reasonable in light of the fact that customers and NGDCs have had long-term notice that the current gas-on-gas competition may end. The concept of addressing gas-on-gas competition in a generic proceeding was raised in individual base rate proceedings in 2010 and the Petition initiating this

²⁸ R.D., p. 30.

²⁹ IECPA Exceptions, pp. 15-16. PSU Exceptions, pp. 4-7. Peoples Exceptions, pp. 8-9. Columbia Exceptions, pp. 5-7.

³⁰ R.D., p. 30.

Investigation was filed on December 8, 2011. It is now mid-2014 and the ALJ has recommended that this practice end by December 31, 2018; therefore, flex customers have had years to digest the fact that their discounted rates may end and will potentially have another 4 years to prepare for that eventuality. Given this extensive notice, OSBA argued that NGDCs should have prepared their contracts for this eventuality:

any flex rate agreements that extend beyond December 31, 2016 and which contain no legal protection for the NGDC resulting from a possible change in policy should be deemed to be imprudent. As the possibility of a change in regulatory policy has been well known for several years now, it would be imprudent for any NGDC to enter into a long-term contract without some contractual protection in the event of a change in policy.³¹

Accordingly, claims that gas-on-gas discounting should not be eliminated due to these gas-on-gas agreements ignores the fact that flex customers and NGDCs have been on notice for many years that the current discounting practice may change and that those entities may have several additional years to adjust to those changes pursuant to ALJ's recommendation.

Additionally, attempts to use contracts as a justification to continue this unjust, unreasonable and discriminatory practice must be ignored. The ALJ did not recommend that those contracts be rescinded prior to running their full terms. The R.D. states, "I recommend the Commission direct that *ratepayer funded* gas-on-gas rate discounts be abolished no later than December 31, 2018."³² Accordingly, the R.D. makes clear that

³¹ OSBA St. No. 2, p. 5.

³² R.D., p. 30 (Emphasis added).

the revenue shortfall caused by gas-on-gas discounts cannot be recovered from captive ratepayers, but it does not preclude NGDCs from honoring discounts for the length of the contracts and absorbing the revenue shortfall. For example, in the recent Peoples/Equitable merger settlement, those parties recognized that they could be required to absorb the rate discounts based on the outcome of this Investigation:

If the Commission determines in the Investigation at Docket No. I-2012-2320323, that all natural gas distribution companies that offer discounted distribution rates must absorb all or a portion of gas on gas discounts by the effective date of Peoples' or Peoples TWP's next general rate proceeding, Peoples and Peoples TWP agree to impute revenues for those competitive service customers whose rate discounts are solely the result of competition between the Joint Applicants (Peoples, Peoples TWP and Equitable), to the extent required, and at the levels proscribed, by the Commission's action at Docket No. I-2012-2320323, in the test period used to establish rates.³³

As such, rescinding existing contracts is not necessary because flex customers can continue to receive discounts for the length of their respective contracts and NGDCs can absorb the costs of those gas-on-gas discounts rather than shift it to captive customers. NGDCs have been on notice for several years that rate discounting and revenue shifting due to gas-on-gas competition has not been endorsed by the Commission. They have been in control over the rates, terms, and length of the contracts; therefore, NGDCs

³³ *Joint Application of Peoples Natural Gas Company LLC, Peoples TWP LLC, and Equitable Gas Company, LLC for all of the Authority and the Necessary Certificates of Public Convenience (1) to transfer all of the Issued and Outstanding Limited Liability Company Membership Interest in Equitable Gas Company, LLC to PNG Companies LLC, (2) to Merge Equitable Gas Company, LLC with the Peoples Natural Gas Company, LLC. (3) to Transfer Certain Storage and Transmission Assets of Peoples Natural Gas Company, LLC to Affiliates of EQT Corporation, (4) to Transfer Certain Assets Between Equitable Gas Company, LLC and Affiliates of EQT Corporation, (5) for Approval of Certain Ownership Changes Associated with the Transaction, (6) for Approval of Certain Associated Gas Capacity and Supply Agreements, and (7) for Approval of Certain Changes in the Tariff of Peoples Natural Gas Company LLC, Docket No. A-2013-2353647, Joint Petition for Settlement ¶ 32 (Order entered November 14, 2013).*

should bear the risk if they are no longer permitted to recover this revenue.³⁴

Accordingly, the length of the current contracts should not factor into the Commission's determination of a reasonable transition period away from current form of gas-on-gas competition.

B. Reply to IECPA Exception No. 2: The ALJ Correctly Determined that Gas-On-Gas Competition is Different From Other Forms of Rate Discounting.

IECPA states that “discounted rates due to gas-on-gas competition are analogous to other forms of discounted rates in practically all respects” and contends that the R.D. inappropriately distinguished between gas on-on-gas competition and other forms of competition. IECPA Exceptions, p. 12. IECPA's position is simply incorrect given that the Commission has expressly distinguished between discounting for gas-on-gas competition and discounting for bypass and alternative fuels.

IECPA argues that discounted rates due to gas-on-gas competition are “overwhelmingly similar” to bypass, alternative fuel and economic development options because they are offered to retain load due to the presences of a competitive alternative, do not lead to discriminatory rates for other classes and are not an inefficient duplication of NGDC facilities.³⁵ The Commission has found that in some limited instances rate discounting and revenue shifting to captive customers is acceptable; however, it does not follow that *all* rate discounting is appropriate as IECPA alleges. The R.D. cites at length the Equitable and Peoples 2005 PGC Orders where the Commission found that it may be reasonable to shift discounts to captive PGC customers in certain circumstances, such as

³⁴ I&E 1-R, p. 6.

³⁵ IECPA Exceptions, pp. 14-15.

direct bypass and alternative fuels, but expressly found that it was not appropriate to engage in such cost shifting due to gas-on-gas competition.³⁶ As such, the R.D. correctly found that discounting to prevent a customer from leaving a regulated distribution system is entirely different from gas-on-gas competition:

the Commission clearly and appropriately determined that it was improper for two regulated NGDCs to engage in such discounting, but recognized that such discounting was appropriate to keep a customer from leaving a regulated NGDC's system for an unregulated entity. This distinction is important because if a customer leaves a jurisdictional NGDC for an unregulated competitor, the NGDC and its regulated customers will lose the flex customer's contribution to fixed costs entirely. The opposite occurs in gas-on-gas competition because the flex customer will remain with a jurisdictional NGDC and will contribute to the fixed costs of a regulated distribution system...³⁷

As such, the R.D. correctly recognized that two jurisdictional NGDCs pitted against each other and racing to offer lower rates to specially situated customers is not in the public interest. In gas-on-gas competition, the customer will continue to take service from a regulated NGDC; therefore, this form of competition is not similar to other forms of competition where the customer will take service from an unregulated competitor. Accordingly, the R.D. recognized that the Commission has found that gas-on-gas discounting is different from discounting for bypass or alternative fuels and has correctly determined that revenue recovery from captive customers for gas-on-gas competition is not in the public interest.

³⁶ *Pa. PUC v. Equitable Gas Company, a division of Equitable Resources, Inc.*, Docket No. R-00050272, p. 44 (Order entered September 28, 2005). *Pa. PUC v. The Peoples Natural Gas Company, t/a Dominion Peoples*, Docket No. R-00050267, p. 33 (Order entered September 30, 2005).

³⁷ R.D., p. 26.

C. Reply to IECPA Exception No. 4 and PSU Exception No. 6: The ALJ Correctly Adopted the Peoples' Proposal As An Alternative to Eliminating Gas-On-Gas Competition.

Both IECPA and PSU except to the ALJ's alternative recommendation that, if the Commission prefers to continue gas-on-gas discounting, it modify the practice as proposed by Peoples.³⁸ Peoples Main Brief contained certain draft provisions that modified the current gas-on-gas rate discounting practice. The modified form of gas-on-gas discounting proposes that NGDCs develop cost-based tariff rates and the lowest tariffed distribution rate of any competitive NGDC would be set as the rate discounting floor. Unlike the current form of competition where there is no limit to the discount, the Peoples proposal permits an NGDC to reduce its tariff rates only to the level required to meet the tariff rates of a competitor NGDC. The revenue shortfall will continue to be recovered from captive customers, but the amount will be significantly reduced given that there will be an established floor that the discount cannot go below.

IECPA contends that continuation of the status quo is preferable to the recommended modified form of competition and PSU similarly argues that the current form of competition is not broken and there is no need to fix it.³⁹ IECPA's main concern with the modification to the current form of gas-on-gas discounting is that individual base rate cases are potentially ineffective at deriving reasonable cost-based rates.⁴⁰ While cost of service is often a highly contested issue in base rate proceedings, it does not follow that base rate cases are incapable of determining reasonable cost-based rates. In fact, just

³⁸ R.D., pp. 31-32.

³⁹ IECPA Exceptions, p. 18. PSU Exceptions, p. 19.

⁴⁰ IECPA Exceptions, pp. 18-19.

the opposite is true given that Section 1301 of the Public Utility Code requires that rates be just and reasonable, and there is a presumption of fairness to any rates that have been approved by the Commission.⁴¹ The Commission has already determined that each NGDC's tariff rates are just and reasonable and, since the Commonwealth Court determined that cost of service should be the polestar for setting rates, it follows that the Commission approved tariff rates are reasonably reflective of costs.⁴²

In support of its position that base rate cases do not establish cost-based rates, IECPA points to Peoples's recent base rate case as proof that Large C&I customers continue to pay rates above their cost of service.⁴³ However, a review of the testimony in the Peoples base rate case demonstrates that parties challenged the allocations contained in the cost of service studies because they did not reasonably reveal an accurate indication of class allocated cost responsibilities. OCA conducted its own Peak and Average cost of service study and demonstrated that residential customers pay at or above the system average while small general service customers pay below the system average.⁴⁴ Peoples accepted the majority of OCA's recommended cost of service modifications in rebuttal testimony.⁴⁵ Therefore, while IECPA's reliance on Peoples most recent rate case illustrates that cost of service is a contested issue in a base rate case, it does not demonstrate that such cases are unsuccessful in determining cost-based rates.

⁴¹ 66 Pa.C.S. § 1301. *Zucker v. Pa. PUC*, 401 A.2d 1377 (Pa. Cmwlth. Ct. 1979), *Shenango Township Board of Supervisors v. Pa. PUC*, 686 A.2d 910, 914 (Pa. Cmwlth. Ct. 1996), *Kossmann v. Pa. PUC*, 694 A.2d 1147, 1151 (Pa. Cmwlth. Ct. 1997).

⁴² OSBA St. No. 2, p. 9.

⁴³ IECPA Exceptions, p. 19.

⁴⁴ *Pa. PUC v. Peoples Natural Gas Company, LLC*, Docket No. R-2012-2285985, Recommended Decision, p. 34.

⁴⁵ *Pa. PUC v. Peoples Natural Gas Company, LLC*, Docket No. R-2012-2285985, Recommended Decision, pp. 33-34.

Further, PSU argues that adoption of this proposal is premature as the parties have had little opportunity to conduct discovery and develop a basis for adoption, modification or rejection of the various provisions contained in the proposal.⁴⁶ Should the Commission wish to further consider Peoples Proposal, the ALJ recommended that all parties “engage in a collaborative process using Peoples Appendices A and B of its Main Brief as a platform to create one document that would capture all of the necessary provisions and guidelines to be implemented for a modified form of gas-on-gas rate discounting.”⁴⁷ As PSU similarly recommends a collaborative or on the record proceeding to further examine the proposed modifications, its concern about needing an opportunity to investigate and analyze the modifications should be alleviated.⁴⁸

⁴⁶ PSU Exceptions, p. 19.

⁴⁷ R.D., p. 32.

⁴⁸ PSU Exceptions, p. 19.

III. CONCLUSION

For the reasons stated herein, the Bureau of Investigation & Enforcement respectfully requests that the Commission deny the exceptions presented by parities in this proceeding.

Respectfully submitted,



Allison C. Kaster

Prosecutor

PA Attorney I.D. No. 93176

Dated: July 24, 2014

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
:
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CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Reply Exceptions** dated July 24, 2014, either personally, by first class mail, electronic mail, express mail and/or by fax upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

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