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File #: 2271/152314

September 11, 2014

***VIA ELECTRONIC FILING***

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.  
Docket No. R-2014-2407345**

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Dear Secretary Chiavetta:

Enclosed please find the Exceptions of Columbia Gas of Pennsylvania, Inc. in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Michael W. Hassell

MWH/skr  
Enclosure

cc: Honorable Mark A. Hoyer  
Certificate of Service

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Devin T. Ryan



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## **I. BACKGROUND**

On February 26, 2014, Columbia filed with the Pennsylvania Public Utility Commission (“Commission”) Supplement No. 210 to its Tariff Gas – Pa. P.U.C. No. 9 (“Supplement No. 210”). Supplement No. 210, which was issued February 26, 2014, and was to be effective April 28, 2014, proposes a Pilot Rider New Area Service (“NAS”) to make natural gas service more accessible to new residential customers and new residential developments in Columbia’s certificated service territory, while minimizing cost shifting to existing customers.

On March 13, 2014, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance, Formal Complaint, and Public Statement. On March 19, 2014, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance, Formal Complaint, and Public Statement. On March 21, 2014, the Columbia Industrial Intervenors (“CII”) filed a Petition to Intervene. On March 28, 2014, the Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance.

On April 23, 2014, the Commission entered an order instituting an investigation concerning Supplement No. 210. The Commission’s order also suspended Supplement No. 210 until October 28, 2014, and assigned the case to the Office of Administrative Law Judge.

On July 9, 2014, a hearing was held before Administrative Law Judge Mark A. Hoyer (the “ALJ”) for the submission of all testimony and exhibits and for the cross-examination of Columbia witness Erich A. Evans and OCA witness Glenn A. Watkins.

Consistent with the ALJ’s May 23, 2014 Prehearing Order, Columbia, OCA, OSBA, and I&E filed Main Briefs on July 16, 2014. On July 23, 2014, Reply Briefs were filed by Columbia, OCA, and I&E.

On August 22, 2014, the ALJ issued the Recommended Decision (“RD”). The well-written and reasoned RD recommends approval of Columbia’s Pilot Rider NAS program with some modifications. RD at 85. The RD appropriately recognizes the benefits of Pilot Rider NAS and the fact that it is a pilot program. The RD properly concluded that Columbia had met its burden of proving that its proposed Pilot Rider NAS program, as modified, is just, reasonable, and in the public interest. *Id.*

Although Columbia generally supports the conclusions and recommendations set forth in the RD, it files these very limited Exceptions regarding the ALJ’s recommended modification that bona fide developers be required to place a note on any final subdivision plan approved and recorded in the Recorder of Deeds of the Court of Common Pleas where the property is located. RD at 71. The proposed note would state that the residential lots that have gas meters can only receive service from Columbia if the property owner agrees to pay a monthly surcharge not to exceed \$35.00 for a period of 20 years. RD at 71-72. Columbia does not except to the concept of notice to potential Pilot Rider NAS customers. However, a timing issue exists with respect to the addition of a note on subdivision plans to the extent that a developer files subdivision plans before approaching Columbia about gas service. There is no assurance that developers will contact Columbia about Pilot Rider NAS prior to receiving approval of their final subdivision plans from the local municipality. As a result, in order to add conditions to an approved and filed subdivision plan, developers would have to resubmit their development plans and receive approval again if they want to participate in Pilot Rider NAS. Thus, for the reasons explained below, Columbia respectfully requests that the Commission adopt Columbia’s Exceptions, revise the RD to remove the subdivision plan filing requirement, and in all other respects adopt the RD.

## II. EXCEPTIONS

**Exception No. 1:** Due to a practical timing issue, the Commission should not adopt the RD's modification requiring bona fide developers to place a note about the Pilot Rider NAS surcharge on any final subdivision plan approved and recorded in the Recorder of Deeds of the Court of Common Pleas where the property is located. RD at 71-72.

## III. ARGUMENT

### A. **The ALJ's Modification Requiring Bona Fide Developers to Place a Note on Any Final Subdivision Plan about Pilot Rider NAS Presents a Practical Timing Issue for Developers**

The RD expresses a concern that the proposed Pilot Rider NAS program does not require bona fide developers to notify homebuyers that they will be responsible for the Pilot Rider NAS surcharge. To address this concern, the RD makes two recommendations. First, the RD recommends that the Pilot Rider NAS program be modified to require bona fide developers to place a note about the Pilot Rider NAS surcharge on any final subdivision plan approved and recorded in the Recorder of Deeds of the Court of Common Pleas where the property is located. RD at 71-72. Second, the RD recommends that developers be required to have purchasers of residential lots sign a form before the sale that provides detailed information regarding the Pilot Rider NAS surcharge. RD at 72. This form would be returned to Columbia. RD at 72. Columbia appreciates the ALJ's concern about notice to customers that purchase residential properties from developers participating in Pilot Rider NAS. As a result, Columbia does not oppose the RD's second recommendation that bona fide developers must have purchasers of residential lots sign a form containing information about Pilot Rider NAS before the sale and must return that form to Columbia.

However, the ALJ's modification requiring bona fide developers to place a note about Pilot Rider NAS on any final subdivision plan presents a practical timing issue for developers. Developers do not necessarily contact Columbia before submitting their subdivision plans for approval by the local municipality. As a result, bona fide developers interested in Pilot Rider NAS that already have received approval for their subdivision plans would have to resubmit their plans and receive approval again from the local municipality in order to add the note proposed in the RD. This would reopen zoning issues and other complexities inherent in receiving approval for a final subdivision plan. Consequently, when developers realize that they need to resubmit their plans to participate in the Pilot Rider NAS program, they may forgo Pilot Rider NAS and opt for alternative energy sources with lower upfront installation costs, but cost more to operate than natural gas service.<sup>1</sup> Thus, the added time and expense of this requirement will limit the number of developments available to participate in Pilot Rider NAS and will hinder the ability of developers to bring the benefits of natural gas service to unserved and underserved areas of Columbia's service territory.

Nevertheless, Columbia would not be opposed to a further requirement that before a bona fide developer can participate in Pilot Rider NAS, Columbia and the developer must enter into an agreement that requires the developer to notify the purchaser about the Pilot Rider NAS surcharge before sale of the residential property.

Therefore, except for the ALJ's modification requiring bona fide developers to place a note about Pilot Rider NAS on any final subdivision plan, Columbia respectfully requests that the Commission adopt the RD without modification.

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<sup>1</sup> As noted by OCA Witness Glenn A. Watkins, "each residential customer will realize savings of about \$1,000 per year by utilizing natural gas," over alternative energy sources. OCA Statement No. 1-R, p. 2.

#### IV. CONCLUSION

For the foregoing reasons, the Pennsylvania Public Utility Commission should adopt Columbia Gas of Pennsylvania, Inc.'s Exceptions, revise the Recommended Decision to remove the subdivision plan filing requirement, and in all other respects adopt the Recommended Decision of Administrative Law Judge Mark A. Hoyer.

Respectfully submitted,

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