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File #: 160696

June 24, 2015

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: Pa. Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.
Docket No. R-2015-2469665, etc.**

Dear Secretary Chiavetta:

Enclosed please find the Joint Petition for Partial Settlement for the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Michael W. Hassell

MWH/skr
Enclosures

cc: Certificate of Service
Honorable Mark A. Hoyer

**CERTIFICATE OF SERVICE
(Docket No. R-2015-2469665)**

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).

VIA E-MAIL AND FIRST CLASS MAIL

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Date: June 24, 2015



Michael W. Hassell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2015-2469665
Office of Consumer Advocate	:	C-2015-2474515
Office of Small Business Advocate	:	C-2015-2475969
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	

JOINT PETITION FOR PARTIAL SETTLEMENT

TO ADMINISTRATIVE LAW JUDGE MARK A. HOYER:

I. INTRODUCTION

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”) and Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”), parties to the above-captioned proceedings (hereinafter collectively referred to as the “Joint Petitioners”),¹ hereby join in this Joint Petition for Partial Settlement (“Partial Settlement”) and respectfully request that Administrative Law Judge Mark A. Hoyer (the “ALJ”) and the Commission expeditiously approve the Partial Settlement as set forth below and rule on the reserved issues. All active parties in this proceeding have agreed to or indicated that they do not oppose the Partial Settlement.

As fully set forth and explained below, the Joint Petitioners have agreed to a partial settlement of certain issues in the above-captioned proceeding. All but two issues are resolved by this Partial Settlement.

¹ The Columbia Industrial Intervenors (“CII”) and Dominion Retail, Inc., Shipley Energy Company, and Interstate Gas Supply, Inc. (collectively, the “NGS Parties”), both active parties in this proceeding, have indicated that they do not oppose the Partial Settlement.

In support of this Partial Settlement, the Joint Petitioners state the following:

II. BACKGROUND

1. Columbia is a “public utility” and “natural gas distribution company” (“NGDC”) as those terms are defined in Sections 102 and 2202 of the Public Utility Code, 66 Pa.C.S. §§ 102, 2202. Columbia provides natural gas distribution, sales, transportation, and/or supplier of last resort services to approximately 419,000 retail customers in portions of 26 counties of Pennsylvania.

2. On February 27, 2015, as required by 52 Pa. Code §§ 53.64 and 53.65, Columbia filed with the Commission “Information Submitted in Compliance with Act 74 of 1984 and Pursuant to Title 52, Pennsylvania Code, Sections 53.64 and 53.65 Supporting Recovery of Purchased Gas Costs” containing certain pre-filing data required under the Commission’s regulations concerning annual changes to rates for recovery of purchased gas costs. That pre-filing data reflected a proposed decrease of \$0.14050/Therm from Columbia’s then-effective rate for recovery of purchased gas costs (“PGC”) to sales customers.

3. On April 1, 2015, Columbia filed Supplement No. 230 to Tariff Gas Pa. P.U.C. No. 9 (“Supplement No. 230”) to become effective for service rendered on and after October 1, 2015. In Supplement No. 230, Columbia proposed a decrease in its PGC rates of \$0.14050/Therm. Supplement No. 230 was docketed by the Commission at Docket No. R-2015-2469665 and was assigned to the ALJ.

4. On or about March 11, 2015, the OSBA filed its Notice of Appearance, Formal Complaint and Public Statement, which were docketed at C-2015-2475969. On March 12, 2015, I&E filed a Notice of Appearance. On March 27, 2015, the NGS Parties filed a Petition to Intervene. On March 30, 2015, OCA filed a Notice of Appearance,

Formal Complaint and Public Statement, which were docketed at C-2015-2474515. Also on March 30, 2015, CII filed a Petition to Intervene.

5. A prehearing conference was held before the ALJ on April 7, 2015. Joint Petitioners who participated in the prehearing conference filed prehearing memoranda identifying potential issues and witnesses. At the prehearing conference, the ALJ established the litigation schedule, and granted the Petitions to Intervene.

6. On April 8, 2015, the ALJ issued a Scheduling Order that confirmed the litigation schedule established at the Prehearing Conference.

7. The Joint Petitioners conducted substantial formal and informal discovery in this proceeding. Pursuant to the established litigation schedule, I&E, OCA, OSBA and the NGS Parties served direct testimony and exhibits on May 5, 2015.

8. Columbia, I&E, OCA and the NGS Parties served rebuttal testimony and exhibits on May 22, 2015.

9. On May 28, 2015, Columbia, I&E, OCA, OSBA and the NGS Parties served surrebuttal testimony and exhibits.

10. The Parties held several settlement conferences. As a result of those conferences and the efforts of the Joint Petitioners to examine the issues raised in the proceeding, a settlement in principle of all but two issues was achieved.

11. On June 3, 2015, a hearing was held for the submission of all testimony and exhibits by stipulation. Parties agreed to waive cross-examination.

III. PROPOSED FINDINGS OF FACT

The Parties request that the Commission make the following findings of fact and such other findings of fact, if any, as may be required or appropriate:

12. Columbia's Exhibit No. 3 lists Federal Energy Regulatory Commission ("FERC") proceedings through calendar year 2014 affecting Columbia's ratepayers. Exhibit No. 3 outlines Columbia's participation in these FERC proceedings. Columbia has intervened and actively participated in proceedings of the interstate pipelines serving Columbia.

13. Columbia was active in relevant FERC cases involving Columbia Gas Transmission Corporation ("Columbia Transmission"), Columbia Gulf Transmission Company ("Columbia Gulf"), Equitrans, L.P. ("Equitrans"), National Fuel Gas Supply Corporation ("National Fuel"), Tennessee Gas Pipeline Company, L.L.C. ("Tennessee"), and Texas Eastern Transmission, L.P. ("Texas Eastern"). (Columbia St. No. 1, pp. 20-23, Columbia Ex. No. 3.)

14. In 2014, Columbia was active before the FERC in rulemakings and policy statements that have the potential to significantly impact Columbia's efforts to provide reliable gas service at the least cost. (Columbia St. No. 1, pp. 20-23.) Columbia has intervened in proceedings of interstate pipelines involved in construction projects in the Marcellus region. (Columbia Ex. No. 5, pp. 22-23.) Columbia has also been an active participant in FERC and North American Energy Standards Board ("NAESB") proceedings concerning Gas Electric coordination. (Columbia Ex. No. 5, pp. 23-24.)

15. Columbia will continue its policy of active participation in individual pipeline supplier rate and certificate proceedings before the FERC, along with FERC generic type rulemaking and policy proceedings which could have a material impact on Columbia's costs or operations, as fully described in Columbia Statement No. 1, pp. 20-23.

16. Numerous Columbia Transmission facilities are used to transport and store Columbia's supply purchases. Because Columbia's local market areas are spread across Pennsylvania and are connected primarily, and in many cases exclusively, to Columbia Transmission facilities, the vast majority of Columbia's peak day supply is delivered by Columbia Transmission. (Columbia St. No. 1, pp. 12-13.)

17. Columbia has full responsibility for purchasing all of its gas supplies directly from producers and marketers. To the extent that affiliated interests offer Columbia gas supplies under competitive terms and conditions, Columbia will consider those supplies like all others in accordance with its policy of purchasing gas supplies from reliable sources at the lowest cost. (Columbia St. No. 1, pp. 12-13; Columbia Ex. No. 8-C.)

18. Columbia's gas purchasing objectives and strategies seek a portfolio of least-cost supply from both Pennsylvania and interstate producers. Columbia also seeks capacity that is flexible and reliable. These efforts will continue. (Columbia St. No. 1, pp. 25, 29.)

19. Columbia contracts for firm transportation and storage services to meet customers' requirements in its diverse market areas. (Columbia Ex. No. 5, pp. 10-13; Columbia St. No. 1, pp. 11-12.) Columbia's firm contracts for gas supply provide it with sufficient supply to meet the human needs demand of firm sales customers under design weather conditions. (Columbia St. No. 1, p. 24.)

20. Columbia's current day design temperature reflects a 6.67% risk level which translates to the capacity necessary to meet firm customer requirements when there is an average temperature of -5°F on the design day. (Columbia St. No. 1, pp. 8-9; Columbia Ex. No. 5, p. 5.)

21. Columbia has created a tiered approach in renewing its Columbia Transmission Firm Transportation Service (“FTS”) contracts. (Columbia Ex. No. 5, p. 12.) In 2014, Columbia extended for two years a Columbia Transmission FTS contract having capacity of 13,334 Dth. (Columbia Ex. No. 5, p. 11.) Columbia also renewed for two years a Columbia Transmission FTS contract having 30,237 Dth of capacity per day that had a primary termination date of October 31, 2014. (Columbia St. No. 1, pp. 19-20; Columbia Ex. No. 5, p. 12.)

22. Columbia holds a contract for Firm Storage Service (“FSS”) with Columbia Transmission and a contract for Storage Service Transportation (“SST”). Columbia uses the FSS service to provide daily injection and withdrawal capacity into or out of storage, along with firm peak day deliverability and seasonal storage capacity. The SST capacity provides firm transportation of storage volumes from storage fields to Columbia’s city gates, and also transports flowing gas supplies to fill storage during the summer. The use of FSS in conjunction with SST provides Columbia with its primary daily no-notice balancing service. (Columbia St. No. 1, p. 12.)

23. In addition to its contracts for transportation and storage from Columbia Transmission, Columbia has access to various other pipelines. These arrangements currently include the following:

- (a) Columbia has two firm transportation contracts and one storage contract with Dominion Transmission, Inc. (“DTI”). The transportation contracts move storage supplies from DTI’s storage fields to Columbia’s city gates. The first transportation contract provides 6,000 Dth per day, and the second provides 3,000 Dth per day November through March and 2,000 Dth per day April through

October. Columbia's storage contract with DTI provides it with 9,000 Dth per day of peak day deliverability and approximately 941 MDth of seasonal supply. Columbia utilizes these DTI contracts to provide supplies to its customers in Beaver County through its Darlington interconnect and in Cranberry Township through its Warrendale interconnect. (Columbia St. No. 1, p. 14.)

- (b) Columbia has acquired additional storage and transportation capacity on DTI, effective April 1, 2014, to provide Elective Balancing Service ("EBS") to General Distribution service customers and peak day service to sales and CHOICE customers in the State College markets. The new storage contract provides for daily withdrawal rights of 4,800 Dth/day and a seasonal quantity of 240,000 Dth. The firm transportation contract has 4,800 Dth/day of capacity. (Columbia Ex. No. 5, p. 13; Columbia St. No. 1, pp. 14-15.)
- (c) Columbia also contracts for firm transportation and storage service on Equitrans. The capacity is used to provide EBS to General Distribution service customers and peak day service to sales and CHOICE customers. (Columbia St. No. 1, p. 15.) Columbia notified Equitrans that effective April 1, 2014, it was reducing its storage contract and associated FTS contract daily delivery and storage capacity to a peak day deliverability capacity of 14,348 Dth and a seasonal capacity of 1,500,000 Dth. Columbia's decision to reduce its Equitrans contracts and replace the capacity with DTI capacity is

driven by the need to provide EBS, system balancing and system supply to the growing State College market. Demand in that market is exceeding Columbia's existing capacity rights to provide service. (Columbia Ex. No. 5, p. 13.)

- (d) Columbia contracts for firm transportation service with Tennessee totaling 36,100 Dth per day. When the gas supply available through Tennessee is not needed to serve daily demand in Columbia markets that are directly served by Tennessee, Columbia can direct the supply to interconnections with Columbia Transmission for injection into storage or to serve other local markets, thereby increasing Columbia's operating flexibility. (Columbia St. No. 1, pp. 15-16.)
- (e) Columbia also has contracts for long-haul firm transportation service with Texas Eastern, totaling 22,335 Dth per day. A total of 19,253 Dth per day is required to serve peak day firm customer demand in Columbia markets directly connected to Texas Eastern, while 3,082 Dth per day must be delivered to Columbia Transmission as an upstream supply in order to meet peak day demand in Columbia markets served by Columbia Transmission. Similar to operations on Tennessee, on days when the 19,253 Dth per day delivered directly to Columbia cannot be absorbed by those markets, Columbia can divert that supply to secondary delivery points off Texas Eastern or to Texas Eastern interconnects with Columbia Transmission for injection into storage or delivery to

other Columbia markets served by Columbia Transmission. Columbia also contracts for 10,000 Dth per day of winter season, market-area firm backhaul transportation capacity. Columbia utilizes this capacity to satisfy cold weather requirements behind the city gates connected to Texas Eastern. (Columbia St. No. 1, pp. 16-17.)

- (f) Columbia also contracts for 4,281 Dth per day of city gate capacity under the FTS rate schedule of National Fuel. This capacity provides service to Columbia's Warren market area and also can be redirected to deliver supplies to Columbia Transmission. (Columbia St. No. 1, pp. 16-17.)

24. In order for Columbia to meet its objective of securing and delivering competitively-priced, reliable gas supplies, Columbia has developed a portfolio of gas purchase contracts, which can include long-term and short-term contracts, that have flexibility both to meet reliability standards and be able to take advantage of low price opportunities where available and operationally feasible. (Columbia St. No. 1, pp. 23-24.)

25. Columbia maintains a program for purchasing local production. In addition to local gas purchases delivered directly into Columbia's system, Columbia purchased Appalachian pool gas delivered by producers into Columbia Transmission's system and redelivered to Columbia under transportation agreements. Although it is certain that Pennsylvania production enters the Appalachian production pools, once the gas is part of pool supplies it is commingled with other sources of supply. Thus, the

portion of these supplies coming from Pennsylvania production is not known. (Columbia St. No. 1, p. 29.)

26. Columbia eliminated its gas price hedging program as part of the settlement of its 2013 PGC case (Docket No. R-2013-2351073). Pursuant to that settlement, Columbia has not entered into new hedging contracts. Prior to the 2013 PGC settlement, Columbia purchased 247 hedging contracts for the winter of 2014-15 at an average price of \$4.37 per Dth. Columbia has used these futures contracts pursuant to its previously approved hedging program and the 2013 PGC settlement. March 2015 is the last month that these futures contracts are in place. (Columbia St. No. 1, p. 43.)

27. Columbia annually submits a Request For Proposal (“RFP”) to numerous suppliers identified as capable and willing to provide firm gas supplies to Columbia. Columbia requests proposals for supplies with varying term lengths, nomination flexibility and innovative pricing options. (Columbia St. No. 1, p. 25-26.)

28. Columbia’s gas purchases were a least cost supply mix during the historic reconciliation period, consistent with reliable service. (Columbia Ex. No. 8-C.)

29. In the twelve months ended January 31, 2015, Columbia did not shut in or withhold from the market any gas supply or transportation or storage capacity other than for the purposes of retaining sufficient supply to assure reliable supply and balancing services under colder than normal conditions. (Columbia Ex. No. 8-E.)

30. Neither Columbia nor its affiliates withheld any gas from the market or caused any gas supplies to be withheld from the market that should have been utilized as part of a least-cost fuel procurement policy. (Columbia Ex. No. 8-E.)

31. Columbia retains firm contractual rights to all storage, other upstream pipeline and capacity, if any, and all capacity assignments made to Natural Gas

Suppliers (“NGSs”) participating in Columbia’s Customer Choice program are made on a recallable basis. This allows Columbia to maintain service in the event an NGS fails to deliver supplies under Columbia’s Customer Choice Program. (Columbia St. No. 1, pp. 39-41.)

IV. PARTIAL SETTLEMENT

32. The Joint Petitioners agree to resolve the following issues as set forth below:

A. PROJECTION OF CUSTOMER SHARE OF USM NET PROCEEDS

33. The Company will continue to calculate the Unified Sharing Mechanism’s (“USM”) projection of the customer’s share based upon an average of the three most recently completed PGC periods for which data are available at the time of the PGC pre-filing. It is further agreed that for the twelve months ended September 30, 2014, the USM net proceeds shall be deemed to be \$7.5 million, and this amount shall be included in the three-year average for purposes of this proceeding and the 2016 and 2017 PGC proceedings.

V. RESERVED ISSUES

The following issues are reserved for litigation:

34. The Parties reserve for litigation the allocation of the Customer Share of USM net proceeds between the Purchased Gas Demand Cost (“PGDC”) and the Purchased Gas Commodity Cost (“PGCC”) rates.

35. The Parties reserve for litigation the NGS Parties proposal for a study regarding cost recovery of pipeline assets to serve the PGC.

VI. STANDARDS AND FINDINGS

36. This proceeding is a consolidation of two reviews that the Commission is required to undertake pursuant to Sections 1307 and 1318 of the Public Utility Code. Pursuant to Section 1307(f) of the Public Utility Code, 66 Pa.C.S. § 1307(f), the Commission must determine whether Columbia has met the standards of Section 1318, 66 Pa.C.S. § 1318, with regard to the gas costs Columbia has incurred during a historic 12-month period. In addition, because Columbia has filed a tariff proposing a new rate reflecting a change in its natural gas costs, the Commission must determine whether the specific findings of Section 1318 can be made with regard to the period that rates will be in effect in the Application Period. This finding is a condition precedent to the Commission's approval of the Company's proposed rates. 66 Pa.C.S. § 1318. It is to be noted that the provisions of Section 1318(a) are applicable to all gas utilities that recover their gas costs pursuant to Section 1307(f).

37. Columbia purchases various transportation and storage services from an affiliate, Columbia Transmission that are necessary to serve Columbia's diverse local market areas. Thus, it is also necessary that the Commission make the findings under Section 1318(b). The historic period reviewed in the proceeding is the 12 month reconciliation period ended January 31, 2015. The new tariff rate is intended to become effective October 1, 2015.

A. HISTORIC RECONCILIATION PERIOD STANDARDS.

38. With respect to Columbia's gas purchases and gas purchasing practices during the twelve-month historic reconciliation period ended January 31, 2015, it is requested that the Commission find that Columbia has met the standards set out in Section 1318 of the Public Utility Code, 66 Pa.C.S. § 1318, and required by Section

1307(f)(5) of the Public Utility Code, 66 Pa.C.S. § 1307(f)(5), as to all actual purchased gas costs in the historic period. It is requested that the Commission find, pursuant to Section 1307(f)(5) of the Public Utility Code, and based upon the evidence presented by the Parties in this case, that, during the twelve months ended January 31, 2015: (1) Columbia met the requirements of Section 1318(a) of the Public Utility Code by pursuing a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers; and (2) Columbia met the requirements of Section 1318(b) of the Public Utility Code relating to its purchases of gas, transportation and storage services from affiliates.

B. PROJECTED AND INTERIM PERIOD FINDINGS.

39. With respect to the twelve-month period beginning October 1, 2015, which is the period of time during which the proposed rates contained in this Partial Settlement would be in effect, it is requested that the Commission make the findings under Section 1318 of the Public Utility Code, including Sections 1318(a)(1) through (a)(4), and 1318(b)(1) through (b)(3), based upon information presently available and based upon evidence of record in this proceeding concerning Columbia's purchasing policies.

40. The Joint Petitioners agree that, based upon evidence of record in this proceeding concerning Columbia's projected gas purchases and gas purchasing policies, it appears that Columbia's projected gas purchases and projected gas purchasing policies will comply with the standards of Section 1318 of the Public Utility Code. Nevertheless, it is expressly understood and agreed that the findings relating to the rate to become effective October 1, 2015, are made solely for the purpose of setting prospective rates that shall be subject to the standards of Section 1318, and further

review in an appropriate future proceeding. This Section of the Partial Settlement is not intended to limit or prevent in any way present or future complainants from reviewing, after such projected gas purchases actually have been made and gas purchasing practices actually have been implemented, whether Columbia's gas purchases and gas purchasing practices have, in fact, complied with the standards of Section 1318. If, in an appropriate future proceeding, gas purchases and gas purchasing practices relating to the period October 1, 2015, through September 30, 2016, are challenged, the Commission's findings in this Section of the Partial Settlement shall pose no bar to the examination of such purchases and practices including, but not limited to, disallowance of, or reductions to, such costs during the one-year period commencing October 1, 2015.

41. The Joint Petitioners agree that future examination of the gas costs relating to the period February 1, 2015, through September 30, 2015, to determine whether Columbia's experienced and projected gas purchases and gas purchasing practices complied with the standards set forth in Section 1318 of the Public Utility Code shall be permitted and that the Commission's adoption of the findings under this Section of the Partial Settlement shall not be construed to limit or prevent any disallowance or reduction of such costs.

VII. CONDITIONS OF PARTIAL SETTLEMENT

42. The Partial Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Partial Settlement without modification. If the Commission modifies the Partial Settlement, any Joint Petitioner may elect to withdraw from the Partial Settlement and may proceed with litigation and, in such event, the Partial Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all

Joint Petitioners within five (5) business days after the entry of an Order modifying the Partial Settlement.

43. This Partial Settlement is proposed by the Joint Petitioners to settle issues in the instant proceeding. If the Commission does not approve the Partial Settlement and the proceedings continue, the Joint Petitioners reserve their respective procedural rights to briefing, and to argue their respective positions. The Partial Settlement is made without any admission against, or prejudice to, any position that any Party may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

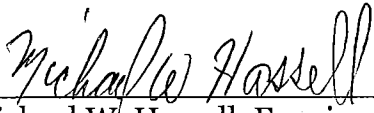
44. The Joint Petitioners acknowledge that the Partial Settlement reflects a compromise of competing positions and does not necessarily reflect any party's position with respect to any issues raised in this proceeding. This Partial Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Partial Settlement.

45. Attached as Appendices "A" through "D" are Statements of Support submitted by Columbia, I&E, OCA and OSBA, setting forth the bases upon which they believe the Partial Settlement is in the public interest.

VIII. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that the Honorable Administrative Law Judge Mark A. Hoyer and the Commission approve this Partial Settlement, including all terms and conditions thereof, rule on the reserved issues and that the Commission enter an Order consistent with this Partial Settlement and mark the complaints at C-2015-2474515 and C-2015-2475969 closed.

Respectfully submitted,



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Lindsay A. Berkstresser, Esquire
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Date: 6/24/15

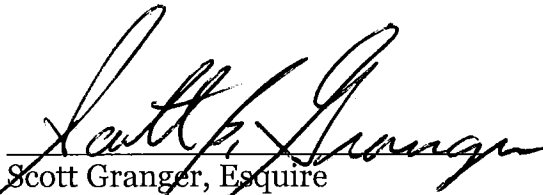
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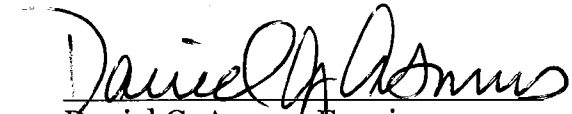
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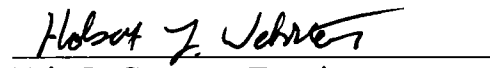
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*For: Bureau of Investigation and
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Date: 6/24/15

For: Office of Small Business Advocate


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Date: 6/24/15

For: Office of Consumer Advocate

Appendix “A”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2015-2469665
Office of Consumer Advocate	:	C-2015-2474515
Office of Small Business Advocate	:	C-2015-2475969
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	

COLUMBIA GAS OF PENNSYLVANIA, INC.

STATEMENT IN SUPPORT

Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) submits this Statement in Support of the Joint Petition for Partial Settlement in the above-captioned proceedings (“Partial Settlement”). Signatories to the Partial Settlement are Columbia, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”), parties to the above-captioned proceeding (hereinafter collectively referred to as the “Joint Petitioners”).¹

The Joint Petitioners have reviewed Columbia’s purchased gas costs (“PGC”) and purchasing practices and have concluded that both are consistent with the standards set forth in the Public Utility Code. Several issues were raised by the parties, and the Partial Settlement resolves all but two issues in the above-captioned proceeding.

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated

¹ The Columbia Industrial Intervenors (“CII”) and Dominion Retail, Inc., Shipley Energy Company, and Interstate Gas Supply, Inc. (collectively the “NGS Parties”), both active parties in this proceeding, have indicated that they do not oppose the Partial Settlement.

that settlement results are often preferable to those achieved at the conclusion of a fully-litigated proceeding. *See* 52 Pa. Code § 69.401. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

As an initial matter, the fact that the Partial Settlement is unopposed is, in and of itself, strong evidence that the Settlement is reasonable and in the public interest. The Partial Settlement was achieved after a comprehensive investigation of Columbia's gas purchasing practices, including extensive discovery and discussion among the Parties. Columbia submits that the Partial Settlement fairly balances the interests of the Company and its customers and, therefore, is in the public interest. Columbia respectfully requests that Administrative Law Judge Mark A. Hoyer (the "ALJ") and the Commission approve the Partial Settlement in its entirety, without modification. Columbia notes that by resolving all but two issues in this proceeding through Partial Settlement, the Parties were able to successfully avoid a portion of the additional costs associated with litigation.

For the reasons set forth below, the Partial Settlement is just and reasonable and should be approved.

I. PARTIAL SETTLEMENT

a. Projection of Customer Share of USM Net Proceeds

One issue raised in this proceeding concerns the appropriate projection of the customer share of Unified Sharing Mechanism (“USM”) net proceeds to be included in the calculation of Purchased Gas Cost (“PGC”) rates.²

USM net proceeds are shared with 75 percent returned to customers and 25 percent retained by Columbia. Columbia has for a number of years included a projection of the customer share of USM net proceeds,³ which is subsequently reconciled to actual net proceeds. (Columbia St. No. 2-R, p. 5).

Prior to Columbia’s 2014 PGC case, Columbia based its projection of the customer share of USM net proceeds on the amount of actual net proceeds achieved in the most recently completed PGC period. (OCA St. No. 1, p. 4). However, this approach was changed as part of the partial settlement in Columbia’s 2014 PGC case. In that partial settlement, the parties agreed to calculate the USM projection based on an average of the three most recently completed PGC periods at the time of Columbia’s pre-filing. (Columbia St. No. 2, p. 5).

The Parties to the 2014 PGC partial settlement reserved another aspect of the projection for this year’s PGC case. In last year’s proceeding, Columbia and the Parties were aware that, due to unique circumstances, Columbia expected to achieve net proceeds that would result in a customer share in excess of \$11 million for the twelve months ended September 30, 2014. (Columbia St. No. 2, p. 6). This amount far

² This is a separate issue from the reserved issue concerning the allocation of the customer share of USM net proceeds between Purchased Gas Demand Cost (“PGDC”) and Purchased Gas Commodity Cost (“PGCC”) rates.

³ *Pa. P.U.C. v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-00061355, Order entered September 19, 2006 (approving settlement that included a \$7 million projected USM credit).

exceeded recent experience. (Columbia St. No. 1, p. 44). As a consequence, the Parties included the following provision in the 2014 PGC partial settlement:

Parties agree that as part of next year's PGC proceeding they shall consider whether to exclude the expected USM credit amount of \$11.4 million for the twelve months ending September 30, 2014 from the average calculation on the basis that it is extraordinary and likely to distort the projection of USM credits.⁴

In this proceeding, Columbia offered substantial evidence to support exclusion of the actual customer share of \$11,971,233 from the three year average. Columbia showed that the \$11.9 million was clearly extraordinary and well in excess of recent experience. (Columbia St. No. 1, p. 44). Columbia further demonstrated that if the \$11.9 million were incorporated into the three-year average, the resulting USM credit amount in this case would be over \$7.2 million. (Columbia St. No. 1, p. 3). That amount would continue to be well in excess of recent experience, and well in excess of Columbia's projection of USM credits of about \$6 million for the twelve months ending September 30, 2015. (Columbia St. No. 2-R, p. 4).

Based upon the foregoing, Columbia proposed to replace the \$11.9 million amount with an amount of approximately \$6.9 million, which was derived from an average of USM credits for the five years ended September 30, 2013. (Columbia Exh. No. NJDK-1R, p. 3). This results in a three-year average of \$5,549,510. (Columbia St. No. 1-R, p. 4; Columbia Exh. No. NJDK-1R, p. 3).

The only Party to oppose Columbia's proposal was OCA, which continued to argue in favor of the use of the extraordinary amount of \$11.9 million in the calculation.

⁴ The question of the inclusion of actual USM credits for the twelve months ended September 30, 2014 was deferred to this case because actual credits for the twelve months ended September 30, 2014 would not be included in the three year average until this PGC case.

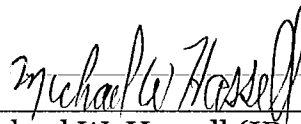
In settlement, the Joint Petitioners have agreed to use a proxy of \$7.5 million in lieu of the experienced \$11.9 million for the twelve months ended September 30, 2014, and agreed that this amount would be included in the three year average to be used to calculate the projected USM credit for this proceeding as well as the 2016 and 2017 PGC proceedings.

The Joint Petitioners have achieved a reasonable compromise on this issue, which should be adopted. The amount is somewhat higher than the proxy originally proposed by Columbia, reflecting a compromise of the issue. In addition, the Joint Petitioners have agreed to a fixed proxy amount for the twelve months ended September 30, 2014, for this PGC proceeding and the following two. This is important, as the twelve months ended September 30, 2014 will be part of the three year average for all three PGC cases. Thus, the Joint Petitioners have eliminated the distorting effect of the extraordinary experienced credit of \$11.9 million from future calculations.

II. CONCLUSION

The Partial Settlement resolves all but two issues raised during this proceeding. For the reasons explained above, and those set forth in the proposed findings in the Partial Settlement, the resolution of the issues contained within the Partial Settlement is in the public interest. The Partial Settlement should be approved without modification.

Respectfully submitted,



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Date: June 24, 2015

*Attorneys for Columbia Gas of
Pennsylvania*

Appendix “B”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2015-2469665
	:	
Columbia Gas of Pennsylvania, Inc.	:	
Section 1307(f)	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR PARTIAL SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE MARK A. HOYER:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), through its Prosecutor, Scott B. Granger, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Partial Settlement (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just and reasonable balance of the interests of Columbia Gas of Pennsylvania, Inc. (“Columbia” or “Company”) and its customers. The parties to this Joint Petition conducted extensive discovery and negotiation sessions. As a result, the Joint Petitioners¹ have agreed to the terms embodied in the foregoing Joint Petition with respect to issues not reserved for litigation, which have been separately briefed, and

¹ The Joint Petitioners are identified in the Joint Petition for Partial Settlement, p. 1.

request its approval. This request is based upon I&E's conclusion that the Settlement is in the public interest as supported by the following factors:

I. INTRODUCTION AND BACKGROUND

1. I&E is charged with the representation of the public interest in proceedings relating to rates, rate-related services and application proceedings affecting the public interest held before the Commission. Consequently, in all contested proceedings, including those resolved through negotiated settlements, it is incumbent upon I&E to ensure that the public interest is served and to comment on how the amicable resolution of any such proceeding will benefit the public interest. The request for approval of this Joint Petition is based on the I&E conclusion that the Settlement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."² Based upon I&E's analysis of the Company's Section 1307(f) filing, acceptance of this proposed Settlement is in the public interest and I&E requests that Administrative Law Judge Hoyer recommend and that the Commission approve the Settlement in its entirety.

2. On February 27, 2015, Columbia submitted pre-filed information regarding its 2015-2016 Purchased Gas Cost Rate filing pursuant to Section 1307(f) of the Public Utility Code and the Commission's regulations at 52 Pa. Code §§53.62-53.65. That pre-filing data reflected a proposed decrease of \$0.14050/Therm from Columbia's then-effective rate for recovery of purchased gas costs ("PGC") to sales customers.

² *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

3. By filing dated April 1, 2015, Columbia submitted its definitive filing, including proposed Supplement No. 230 to Tariff Gas – Pa. P.U.C. No. 9 (“Supplement 230”) to become effective for services rendered on or after October 1, 2015, and the Company’s prepared Direct Testimony.

4. The OSBA filed its Complaint on March 11, 2015. I&E filed its Notice of Appearance on March 12, 2015. The NGS parties filed a Petition to Intervene on March 27, 2015. The OCA filed its Complaint on March 30, 2015. And, the Columbia Industrial Intervenors (CII) filed a Petition to Intervene on March 30, 2015.

5. On April 6, 2015, I&E filed its prehearing conference memorandum as directed by the presiding ALJ, who conducted a prehearing conference on April 7, 2015. By ALJ Scheduling Order issued that same day the procedural schedule and other matters agreed to by the parties at the prehearing conference were memorialized.

6. I&E and other parties undertook extensive discovery with respect to Columbia’s filing. I&E also reviewed Commission Orders and Joint Motions regarding Columbia’s past 1307(f) filings.

7. In accordance with the procedural schedule established at the prehearing conference, I&E served its written testimony in this proceeding, which consisted of I&E Statement No. 1, the prepared direct testimony of I&E witness Jeremy Hubert; I&E Statement No. 1-R, the prepared rebuttal testimony of I&E witness Jeremy Hubert; and I&E Exhibit No. 1-R, the exhibit to accompany Mr. Hubert’s rebuttal testimony.

8. In its direct testimony, I&E addressed the net revenues generated by Columbia under its off-system sales and capacity release program and how they are

shared between Columbia and its purchased gas cost (“PGC”) and Choice customers through its Unified Sharing Mechanism (“USM”). In particular, I&E addressed how these revenues are and should be allocated between demand and commodity credits.

II. ANALYSIS

9. Prior to agreeing to the terms presented in the Joint Petition, I&E conducted a thorough review of the Company’s filing and supporting information, as well as discovery responses and additional submitted filing data. Based on its analysis of the Company’s filing and supplemental data, I&E is satisfied that the Settlement reflects adherence to the proper regulatory standards and contains adequate protections for ratepayers.

10. The Settlement includes the acknowledgement that the natural gas costs incurred by the Companies during the historic period were done so under adherence to a least cost fuel procurement policy. As provided for in the Public Utility Code, “[n]o rates for a natural gas distribution utility shall be deemed just and reasonable unless the commission finds that the utility is pursuing a least cost fuel procurement policy....”³ The I&E review of all available information in this proceeding confirms this representation. A least cost fuel procurement policy protects ratepayers from unnecessary and imprudent gas costs and prevents the Company from making a profit on gas supplies provided to its Purchased Gas Cost (“PGC”) customers.

11. The Settlement also provides that the natural gas costs that the Company expect to incur in the upcoming period will be based on the Company’s adherence to their

³ 66 Pa. C.S.A. §1318.

established least cost fuel procurement policy⁴. The Company's diligence in adhering to a least cost procurement strategy benefits customers directly in their gas bills. The Company's procurement strategy, despite the quarterly fluctuations, benefits ratepayers on an annual basis because it ensures that the Company is diligently obtaining gas on a reliable basis for its customers, at the most advantageous prices possible. This statutory policy must be adhered to and I&E is of the opinion that the Company's practices reflect this requirement and are based on sound regulatory principles. The Company's average costs reported to the Commission in their quarterly filings demonstrate the prudence of its purchasing practices.

12. The I&E review of the Company's annual PGC filing includes an analysis of its claimed E-Factor to ensure that they were done in accordance with established Commission practices. The E-Factor represents the mechanism for addressing the experienced over/under collections, reconciling variations between the projected gas costs and actual gas costs, as well as variances between projected and actual sales. The E-Factor also serves as the vehicle to pass through miscellaneous revenues, including penalties and supplier refunds, and to calculate interest due to ratepayers or the Companies.

The proper calculation of the E-Factor protects ratepayers by ensuring that rates are adjusted appropriately to reflect the impact that these factors have on purchased gas costs. I&E is satisfied that the Company's E-Factor calculations are appropriate and accurate and conform to proper regulatory practices.

⁴ Settlement, ¶¶57 & 71

13. In addition, Columbia's projected gas costs ("C-Factor") are also planned in accordance with established Commission practices, as determined by the I&E review. The C-Factor represents the commodity cost of gas component based on the projected cost of gas for the rate effective period, which ends September 30, 2016 in this proceeding. This adherence to accepted regulatory principles aids ratepayers in that the Company's purchased gas practice is being accomplished with the balanced interests of both the Company and its ratepayers being considered. The actual implementation of the Company's plan will be reviewed in next year's PGC proceeding. I&E opines that ratepayers are protected in that the Company does not gain any unwarranted financial advantage through its gas purchasing practices.

14. I&E has thoroughly reviewed the filings for Columbia and opines that the reported Unaccounted for Gas ("UFG") is reasonable based on the standards presented in this proceeding. A reasonable amount of UFG is expected in a natural gas distribution system. As the costs associated with this gas are recovered from ratepayers through the PGC, it is necessary to take appropriate measures to control this expense. If acceptable levels of UFG are not achieved, ratepayers will be protected from unjust and unreasonable rates by the regulatory provision that allows for the denial of the recovery of costs associated with imprudent Company practices. I&E opines that Company's UFG level is reasonable and that no action or recommendation is necessary in this proceeding.

15. The establishment of the proper Retainage levels is necessary to ensure that transportation customers contribute an adequate, but not excessive, amount of gas to compensate for the corresponding system wide UFG. This practice of establishing proper

Retainage percentages eliminates the unwarranted shifting of responsibility for UFG between retail and transportation customers. Proper Retainage levels equalize the responsibilities of the rate classifications and protect all ratepayers by ensuring equitable contributions to account for UFG. The Retainage percentage applied to the Company's transportation customers in this proceeding represents the appropriate level of their responsibility for UFG. As discussed above, establishment of the proper Retainage percentages protects PGC customers and transportation customers from unwarranted subsidies.

16. Under the terms of the Settlement, the Company will retain 25% of all off-system sales margins, capacity release credits, with the remaining 75% applied as an offset to purchased gas costs.⁵

17. I&E maintains that continuing the Company's Sharing Mechanism serves the public interest because it continues to provide the Company an incentive to maximize its efforts to increase capacity release and off-system sales activity and thereby reduce gas costs for PGC customers.

18. The Settlement provides that Columbia may place into effect the natural gas supply rates as proposed and identified in the appendices attached to the Joint Petition. The proposed rates are subject to quarterly updates, with limited exceptions, as required by the Commission's Regulations. The I&E analysis in this proceeding supports that these rates are just and reasonable, accurately reflect the costs of its purchased natural gas and are

⁵ Settlement, ¶49

based on sound regulatory practices. As such, I&E opines that these rates are in the public interest and should be approved.

III. SETTLEMENT

19. I&E submits that the proposed Settlement is in the public interest and should be approved by the ALJ and the Commission for the reasons addressed below. Since not all parties addressed all issues in the proceeding, I&E's Statement in Support reflects I&E's comments with respect to those issues of concern to I&E, and therefore does not necessarily comment upon each issue addressed in the Settlement.

20. In accordance with the Commission's policy at 52 Pa. Code §5.231 favoring settlements over costly and time consuming litigation, the parties engaged in several settlement discussions and, through the discovery and settlement negotiation process, were successful in achieving a settlement of all issues except two that were reserved for litigation: (1) the allocation of the Customer Share of USM net proceeds between the Purchased Gas Demand Cost ("PGDC") and the Purchased Gas Commodity Cost ("PGCC") rates; and (2) the NGS Parties proposal for a study regarding cost recovery of pipeline assets to serve the PGC.

21. On June 3, 2015, the parties appeared before ALJ Hoyer and stipulated to the admission of all prepared, written served testimony and waived cross-examination with respect to all testimony. At that time, I&E moved into evidence I&E Statement No. 1, I&E Statement No. 1 R, and I&E Exhibit No. 1-R.

22. On June 16, 2015, I&E filed its Main Brief addressing the issues specifically reserved for litigation set forth above. The parties' Reply Briefs, the Joint

Petition, and the parties' Statements in Support of the Joint Petition are all due on June 24, 2015.

A. PROJECTION OF CUSTOMER SHARE OF USM NET PROCEEDS

23. While the issue of the allocation of the customer share of USM net proceeds between the PGDC and the PGCC rates was reserved for litigation; an issue was raised, and the Parties have agreed, that Columbia will continue to calculate the USM projection of the customer's share based upon an average of the three most recently completed PGC periods for which data are available at the time of the PGC pre-filing.

24. The Parties have also agreed that for the twelve months ended September 30, 2014, the USM net proceeds shall be deemed to be \$7.5 million, and this amount shall be included in the three-year average for purposes of this proceeding and the 2016 and 2017 PGC proceedings.

IV. CONCLUSION

25. Based upon I&E's analysis of the filing, all prepared testimony, and prior Commission Orders and Joint Motions, acceptance of this proposed Settlement is in the public interest because the resultant rates are just and reasonable and comply with the requirements of the Public Utility Code for purchased gas cost proceedings. Further, resolution of all issues in this case by partial settlement, while reserving for litigation only those two issues that were not resolved by agreement among the parties, minimizes the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense, which is ultimately passed on

to ratepayers, while still securing for ratepayers a settlement of all other issues that is in the public interest.

26. I&E further submits that the acceptance of the foregoing partial settlement minimized the need for direct and cross-examination of most witnesses as well as the preparation of extensive briefs and exceptions on all issues typically addressed in a Section 1307(f) proceeding.

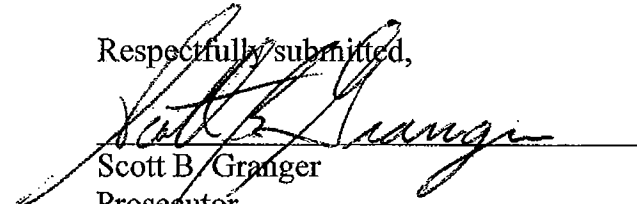
27. The Settlement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company or I&E as provided therein.

28. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

29. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions with respect to all issues settled therein. However, I&E has not waived its rights to file Replies to Exceptions with respect to any modifications to the terms and conditions of the Settlement, or any additional matters, that may be proposed by the ALJ in his Recommended Decision other than the two issues reserved for litigation. I&E also reserves the right to file Replies to Exceptions to any Exceptions that may be filed by the Company or any other party.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Partial Settlement as being in the public interest and respectfully requests that Administrative Law Judge Hoyer recommend approval of, and the Commission subsequently approve, the foregoing Joint Petition for Partial Settlement including all terms and conditions contained therein.

Respectfully submitted,



Scott B. Granger
Prosecutor
PA Attorney I.D. #63641

Dated: June 24, 2015

Appendix “C”

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2015-2469665
	:	
Columbia Gas of Pennsylvania, Inc.	:	

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR PARTIAL SETTLEMENT OF
RATE INVESTIGATION PURSUANT TO 66 Pa. C.S. § 1307(f)

The Office of Consumer Advocate (OCA), one of the signatory parties to the proposed Joint Petition for Partial Settlement of the rate investigation pursuant to 66 Pa. C.S. § 1307(f) (Partial Settlement), finds the terms and conditions of the Partial Settlement to be in the public interest for the following reasons:

I. Background

On February 27, 2015, Columbia Gas of Pennsylvania (Columbia, CPA, or the Company) submitted its purchased gas cost (PGC) pre-filing information in support of its annual reconciliation of PGC rates pursuant to Section 1307(f) of the Public Utility Code. 66 Pa. C.S. § 1307(f); 52 Pa. Code §§ 53.64, 53.65. On April 1, 2015, Columbia submitted its definitive annual PGC filing, which proposes a rate of \$0.39841/Therm for service rendered on and after October 1, 2015.

The Company’s 1307(f) filing was assigned to the Office of Administrative Law Judge and was further assigned to the Honorable Administrative Law Judge Mark A. Hoyer (ALJ) for investigation and scheduling of hearings to determine whether Columbia’s gas costs comply with

the standards set forth in the Public Utility Code. On March 11, 2015, the Office of Small Business Advocate (OSBA) filed a Formal Complaint. On March 12, 2015, the Commission's Bureau of Investigation & Enforcement (I&E) filed its Notice of Appearance. A Petition to Intervene was filed by Interstate Gas Supply, Inc., Shipley Energy and Dominion Energy Solutions (NGS Parties) on March 27, 2015. The OCA filed a Formal Complaint on March 30, 2015 against the Columbia filing. In addition, on March 30, 2015, the Columbia Industrial Intervenors (CII) filed a Petition to Intervene.

Pursuant to the procedural schedule adopted by ALJ Hoyer, the OCA presented the written direct, rebuttal and surrebuttal testimony of its expert witness Melissa Whitten. I&E presented the written direct, rebuttal and surrebuttal testimony of Jeremy B. Hubert. OSBA presented the testimony of Robert D. Knecht. The NGS Parties' filed the written direct, rebuttal and surrebuttal of Matthew White. The parties engaged in discovery and discussions aimed at resolving the issues concerning Columbia's filing. On June 3, 2015, evidentiary hearings were held in this matter and the parties stipulated to the admission of OCA, OSBA, NGS Parties, and I&E's written testimony.

Pursuant to the Commission's policy of encouraging settlements that are in the public interest, the parties were involved in a number of discussions regarding the issues identified in the OCA's and other parties' testimony. These discussions resulted in this proposed, partial settlement, filed on June 24, 2015, which is entered into or not opposed by all parties. As will be discussed below, the OCA submits that the proposed Partial Settlement is in the public interest.

II. Terms of Settlement

The OCA raised two issues with Columbia's PGC filing: the calculation of the projected customer share of the Unified Sharing Mechanism (USM) credits and the allocation of USM credits between the Purchased Gas Commodity Cost (PGCC) and Purchased Gas Demand Cost (PGDC) rates. The issue of the allocation of USM credits between the PGDC and PGCC rates has been reserved for litigation.

Projection of Customer Share of USM Net Proceeds (Partial Settlement ¶ 33)

As part of the Partial Settlement in the 2014 Columbia PGC case, Columbia agreed to calculate the projection of the customers' share of the USM projection based upon an average of the three most recently completed PGC periods for which data are available at the time of the Company's PGC pre-filing. The parties also agreed that as part of the 2015 PGC proceeding, the parties would consider whether to exclude the expected \$11.4 million USM credit amount for the twelve months ending September 30, 2014 from the average calculation on the basis that it is extraordinary and likely to distort the projection of USM credits. The actual USM credit revenue totaled \$11.9 million. CPA St. 2 at 6.

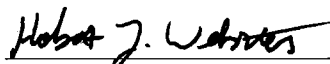
As part of this proposed Joint Settlement, the parties agree that for the twelve months ended September 30, 2014, the USM net proceeds shall be deemed to be \$7.5 million, and this amount shall be included in the three-year average for purposes of this proceeding and the 2016 and 2017 PGC proceedings. The parties further agree that the Company will continue to calculate the USM's projection of the customer's share based upon an average of the three most recently completed PGC periods for which data are available at the time of the PGC pre-filing. The OCA submits that these provisions are in the public interest because they will help to

moderate the impact of extraordinary events on the USM credit and are consistent with the OCA's position in the last two PGC proceedings. The use of an average prevents abnormally large or small proceeds in a particular year from unduly impacting the projected credit in the immediately following PGC period. The averaging methodology also recognizes the appropriateness of passing through to PGC customers the credits to which they are entitled in a timely manner.

III. Conclusion

For the foregoing reasons, the Office of Consumer Advocate submits that terms and conditions of the proposed Partial Settlement are in the public interest and the interest of Columbia Gas of Pennsylvania's ratepayers and should be approved.

Respectfully submitted,



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Date: June 24, 2015

Appendix “D”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	DOCKET NO. R-2015-2469665
	:	
COLUMBIA GAS OF PENNSYLVANIA, INC.	:	

**STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR PARTIAL SETTLEMENT**

I. INTRODUCTION

The Small Business Advocate is authorized and directed to represent the interests of small business consumers in proceedings before the Pennsylvania Public Utility Commission (“Commission”) under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. In order to discharge this statutory duty, the Office of Small Business Advocate (“OSBA”) is participating as a party to this proceeding to ensure that the interests of small commercial and industrial (“Small C&I”) customers of Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) are adequately represented and protected.

II. PROCEDURAL BACKGROUND

On February 27, 2015, pursuant to Section 1307(f) of the Public Utility Code, 66 Pa. C.S. Section 1307(f), Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) submitted its pre-filing information for its annual Purchased Gas Cost (“PGC”) Rate filing. On April 1, 2015, Columbia filed its annual PGC filing, Supplement No. 230 to Tariff Gas Pa. P.U.C. No 9.

The OSBA filed a Complaint in this proceeding on April 8, 2015, as well as a Notice of Appearance and a Public Statement.

Administrative Law Judge (“ALJ”) Mark A. Hoyer was assigned as the presiding officer for this proceeding. Other parties to this proceeding include the Office of Consumer Advocate (“OCA”), the Commission’s Bureau of Investigation and Enforcement (“I&E”), the Natural Gas Supplier (“NGS”) parties, and the Columbia Industrial Intervenors (“CII”).

The Initial Prehearing Conference was held on April 7, 2015, at which time a procedural schedule was finalized. Extensive discovery was conducted. Parties submitted the testimony of their witnesses; specifically, the OSBA submitted the Direct and Surrebuttal testimony of its witness, Robert D. Knecht.

Settlement negotiations took place during the course of this proceeding, and the parties eventually came to a joint settlement of all but two issues: (1) a proposed modification to the allocation of Unified Sharing Mechanism credits between the Purchased Gas Commodity Charge (“PGCC”) and the Purchased Gas Demand Charge (“PGDC”); and (2) the proposal by the NGS parties for a study regarding cost recovery of pipeline assets to serve the PGC.

A Hearing was held on June 3, 2015, where the parties stipulated to the testimony and the testimony was entered into the record by ALJ Hoyer. ALJ Hoyer was informed of the settlement of most of the issues, and requested that the parties submit a common briefing outline for the two remaining issues.

The OSBA filed a Main Brief pursuant to the procedural schedule agreed to by the parties and the ALJ. The OSBA addressed only the issue of the allocation of Unified Sharing Mechanism credits. Because the OSBA had taken no position with the respect to the issue raised by the NGS parties (a proposal for a Study regarding cost recovery of pipeline assets to serve the

PGC), the OSBA did not address that issue in the Main Brief.

The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition For Partial Settlement (“Joint Petition”). The OSBA submits this Statement in Support of the Joint Petition.

III. STATEMENT IN SUPPORT

On April 6, 2015, the OSBA filed its Prehearing Memorandum in this proceeding. In the Prehearing Memorandum, the OSBA identified the following specific issues of concern:

1. Whether the Company’s claims for unaccounted-for gas costs are reasonable;
2. Whether the Company’s proposed gas retainage rates for transportation customers are reasonable;
3. Whether the Company’s design day demand forecasting method is reasonable and whether upstream capacity is reasonably consistent with the design day demand forecast; and
4. Splitting Unified Sharing Mechanism (“USM”) credits between PGCC and PGDC.

After careful review of the filing and review of numerous sets of discovery materials, the OSBA concluded that the Company’s filed claims for unaccounted-for gas costs, its proposal for gas retainage rates for transportation customers, and its design day demand forecasting method were all reasonable with respect to the impacts on small business customers. The OSBA further determined that the Company’s upstream capacity was consistent with the aforementioned design day demand forecast. For these reasons, the OSBA did not deem it necessary to submit testimony on the first three issues listed above.

The OSBA, however, did submit the Direct and Surrebuttal Testimony of Mr. Knecht on the issue of the allocation of USM credits, which had been previously addressed in Columbia’s

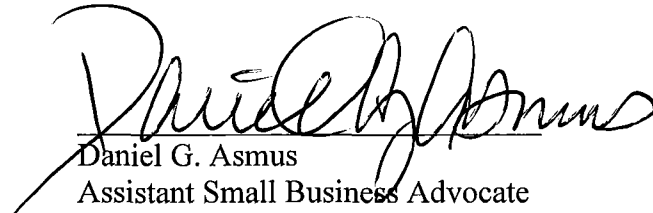
2008 1307(f) proceeding as well as in the 2014 1307(f) proceeding.. The OSBA also addressed the USM issue in its Main Brief.

The partial settlement of this proceeding avoids the litigation of many of the complex, competing proposals and saves the possibly significant costs of further and more extended administrative proceedings. Such costs are borne not only by the Joint Petitioners, but ultimately by the Company's customers as well. Avoiding extended litigation of this matter has served judicial efficiency, and allows the OSBA to more efficiently employ its resources in other areas.

IV. CONCLUSION

For the reasons set forth in the Joint Petition, as well as the additional factors enumerated in this statement, the OSBA supports the proposed Joint Petition and respectfully requests that ALJ Hoyer and the Commission approve the Joint Petition in its entirety without modification.

Respectfully submitted,



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Assistant Small Business Advocate
Attorney ID No. 83789

For:

John R. Evans
Small Business Advocate

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(717) 783-2525

Dated: June 24, 2015