

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility  
Commission

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vs.

Docket No. R-2015-2468056

Columbia Gas of Pennsylvania, Inc.

**DIRECT TESTIMONY OF  
NANCY J.D. KRAJOVIC  
ON BEHALF OF  
COLUMBIA GAS OF PENNSYLVANIA, INC.**

July 16, 2015

1 **I. Introduction**

2 **Q. Please state your name and business address.**

3 **A.** Nancy J. D. Krajovic, Southpointe Industrial Park, 121 Champion Way, Suite 100,  
4 Canonsburg, PA 15317

5 **Q. Are you the same Nancy J. D. Krajovic that served direct testimony in**  
6 **this proceeding?**

7 **A.** Yes.

8 **Q. What is the purpose of your rebuttal testimony?**

9 **A.** The purpose of my testimony is to respond to portions of the direct testimony of  
10 witnesses, Jeremy Hubert filed on behalf of the Bureau of Investigation and  
11 Enforcement (“I&E”), Thomas Butler, Matthew Sommer and Matthew White filed  
12 on behalf of the Natural Gas Suppliers Parties (“NGSs”), James Crist, filed on behalf  
13 of the Pennsylvania State University (“PSU”), Frank Plank filed on behalf of the  
14 Columbia Industrial Intervenors (“CII”), Roger Colton filed on behalf of the Office  
15 of Consumer Advocate (“OCA”) and Mitch Miller filed on behalf of the Coalition for  
16 Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”).

17 **Q. How will your rebuttal testimony be organized?**

18 **A.** I will discuss the following topics: Rider GPC, Rider CAC, other NGS Issues, Rider  
19 USP costs, CAP Plus, Universal Service Program Coordination and other CAUSE-  
20 PA issues and address the testimony of each of the witnesses listed above as they  
21 relate to those topics.

1 **II. Rider GPC**

2 **Q. Is Columbia's current Gas Procurement Charge ("GPC") rate of**  
3 **\$0.0695 per dth based upon specifically identified costs?**

4 **A.** No. In Columbia's last base rate proceeding the Company proposed a revised cost-  
5 based GPC calculation of \$0.0149 in rebuttal testimony. The currently effective rate  
6 is the result of the Settlement Agreement reached among the parties to the  
7 proceeding.

8 **Q. On page 14, lines 14-19 of NGS Witness White's testimony (NGS Parties**  
9 **Statement No. 3), Mr. White has identified what he claims are several**  
10 **deficiencies in the Company's calculation of the GPC. Does the**  
11 **Company agree?**

12 **A.** No.

13 **Q. Mr. White contends that storage working capital should be included in**  
14 **the Company's GPC. Does the Company agree?**

15 **A.** No. I would like to clarify that storage working capital is incurred equally for sales  
16 service customers and CHOICE® customers and is, therefore, already allocated  
17 between sales service and CHOICE® customers through base rates.

18 **Q. Please describe Columbia's CHOICE® average day program.**

19 **A.** The Company's CHOICE® Program provides its highest priority customers  
20 (residential and small commercial customers consuming 64,400 therms or less per  
21 year), the opportunity to select a supplier of natural gas other than the Company to  
22 provide their natural gas commodity requirements. Once a customer contracts with

1 a CHOICE® NGS for its natural gas commodity service, that NGS provides the  
2 Company with specific customer information and becomes responsible for  
3 purchasing natural gas and transporting that gas on interstate pipelines to the  
4 Company's gas distribution system.

5 **Q. How are the CHOICE® Program natural gas requirements determined**  
6 **for the NGSs?**

7 **A.** Prior to the beginning of each month, the Company determines the normalized  
8 annual demand of each NGS's customer group and determines the daily delivery  
9 requirement for the subsequent month by dividing that total normalized annual  
10 demand by 365. The product of this calculation (1/365<sup>th</sup> of the normalized annual  
11 demand) is the quantity that the NGS is required to deliver under the CHOICE®  
12 Program each day of the subsequent month. In compliance with the Company's  
13 tariff, the NGS must purchase firm gas supply for the months of November through  
14 March to meet this delivery requirement. This process is repeated each month to  
15 account for new customers or customers who have left the NGS's service. This  
16 constant delivery requirement each day of the year is why the Company's  
17 CHOICE® Program is referred to as an "Average Day Program."

18 **Q. Does Columbia's average day CHOICE® Program have a defined annual**  
19 **term?**

20 **A.** Yes, the average day CHOICE® Program's program year runs August 1st through  
21 the following July 31st.

1 **Q. Is there a reconciliation of the NGSs' average day deliveries based on a**  
2 **normalized projected customer's annual usage, and actual**  
3 **consumption over the program year?**

4 **A.** Yes. Records of deliveries vs. consumption are maintained for each month. At the  
5 end of July, the NGSs' deliveries and their customers' billed consumption are trued  
6 up. NGSs buy gas quantities from Columbia adequate to zero out the true-up if they  
7 have under-delivered for the year or will sell their excess delivery to Columbia if  
8 they have over-delivered.

9 **Q. What does this average day program have to do with gas storage?**

10 **A.** Columbia manages differences between NGS deliveries and their customers'  
11 consumption through storage management. By the end of December, the suppliers'  
12 cumulative deliveries are less than customers' cumulative requirements, and  
13 Columbia must call upon its inventory of gas in storage to make up the deficiency  
14 between cumulative NGS deliveries and customers' requirements. This deficiency  
15 continues on throughout the end of the CHOICE® delivery year in August, when  
16 the supplier is cashed in or out. In addition, because storage provides a "no-notice"  
17 service (that is, deliveries are not pre-scheduled), Columbia's gas storage inventory  
18 is considered to provide intra-month balancing between customer requirements  
19 and NGS deliveries, as well as to provide needed supplies to meet CHOICE®  
20 customer requirements in years in which customer usage exceeds average  
21 deliveries.

1 **Q. Can you provide an analysis that depicts the annual cycle of over and**  
2 **under supply?**

3 **A.** Yes. Exhibit NJDK-1R demonstrates that NGSs will over-deliver in August,  
4 September and October and will under-deliver in the months from November  
5 through April, followed by another period of over-delivery from May through July.

6 **Q. What else does the analysis show?**

7 **A.** The analysis clearly demonstrates that over deliveries made August through  
8 October are quickly offset by under deliveries November through March. The  
9 under delivery in the heating season erodes away any over deliveries on a net basis  
10 by January. In fact, the NGS is left owing Columbia gas in January and this  
11 continues until July when the true up again occurs. So the NGS owes the Company  
12 gas 6 months of the year. During this time, the CHOICE® customer and its NGS  
13 are both relying upon Columbia's gas in storage and its purchases of such gas  
14 injected into storage. This is what allows the average day program to operate. As  
15 designed, the average day program significantly reduces the NGS administrative  
16 tasks and risk associated with providing natural gas service.

17 **Q. Please summarize the NGS's position throughout this cycle.**

18 **A.** While this will vary by month based on when an NGS first begins serving a  
19 customer, on average, using normal weather assumptions, the NGS is projected to  
20 have an average monthly under-delivered balance of 1.18 therms for each  
21 residential CHOICE® customer. This means that CHOICE® customers are

1           benefitting from storage working capital, and it would be improper to adopt Mr.  
2           White's adjustment.

3   **Q.   How does the average day program compare to other utilities' choice**  
4   **programs that may require NGSs to deliver to a load curve?**

5   **A.**   If NGSs were required to deliver to a load curve, they would need to deliver volumes  
6           of gas to meet a customer's requirements every day of the year, and would not be  
7           allowed the delivery deficits inherent under the average day program.  In such  
8           cases, it could be argued that storage working capital does solely or substantially  
9           benefit sales customers, as storage is not used, or only used to a limited extent, by  
10          Choice customers in a non-average day program.

11 **Q.   Aside from providing winter requirements and daily and monthly**  
12 **balancing, are there other gas delivery benefits that Columbia's storage**  
13 **gas provides to the CHOICE® NGSs and therefore their customers?**

14 **A.**   Yes. Columbia's average day program does not require CHOICE® NGSs to meet  
15          design day or design winter conditions because CHOICE® NGSs deliver gas to  
16          meet their customers' *normalized* demand.  Columbia, as the Supplier of Last  
17          Resort, maintains storage capacity and fills that storage capacity by the beginning of  
18          the winter period in order to meet customer requirements in the event of a colder  
19          than normal winter.  Therefore, a portion of storage gas must be available to serve  
20          the requirements of CHOICE® customers demand in excess of normalized annual  
21          requirements upon which NGS deliveries are based.  Finally, Columbia has an open  
22          enrollment policy for CHOICE®.  That is, the NGSs are free to sign up customers in

1 any month of the year and are not restricted to signups matched to the beginning of  
2 the program year. To provide this opportunity for open enrollment, Columbia must  
3 operate its storage to have sufficient gas supplies to serve each firm service  
4 customer throughout the winter, without regard to when the customer elects  
5 CHOICE® service and consequently NGSs begin delivery of supplies. Without gas  
6 storage working capital invested by Columbia, NGSs could not have the benefit of  
7 an average day mechanism and year round customer enrollment. As can be seen  
8 from my Exhibit NJDK-1R, any new CHOICE® customers signed up between the  
9 months of October through February are served on a net basis with gas supplied in  
10 part by Columbia throughout the end of the initial CHOICE® delivery year.  
11 Furthermore, with the average day program the NGS administration costs are  
12 greatly reduced as compared to a demand day design program. In the average day  
13 program the NGS has the ability to schedule the gas and delivery for an entire  
14 month on a day of its choosing prior to the beginning of the month. In a demand  
15 day design program the NGS has to have staff available on weekends and holidays  
16 in order to meet their scheduling requirements.

17 **Q. Do you agree with Mr. White's assertion that Columbia uses working**  
18 **capital dollars to purchase its storage gas volumes for sales customers?**

19 **A.** No. It is clear that even if all customers were in the CHOICE® Program, it would  
20 be necessary for Columbia to continue making gas storage working capital  
21 investment to serve CHOICE® customers under the average day program, in order  
22 to continue to meet customers' requirements throughout the winter until the July

1 cash-out. In addition, Columbia would continue to have a substantial additional  
2 investment in storage gas that is necessary to meet colder than normal and design  
3 day winter criteria. I also note that OSBA witness Knecht, in a prior Company base  
4 rate proceeding stated that he understands and accepts the Company's logic for  
5 excluding storage working capital from the GPC, and "based on my rough  
6 calculations, it appears that, under this policy, Columbia is providing at least as  
7 much gas in storage working capital to the NGSs as to its own purchased gas cost  
8 ("PGC") customers."<sup>1</sup> He reiterated that position again in the most recent Columbia  
9 base rate proceeding.<sup>2</sup>

10 **Q. But can it be argued that NGSs are providing gas at the beginning of the**  
11 **storage injection cycle, and thus are always in a net positive position**  
12 **under normal conditions?**

13 **A.** No. To argue this one has to ignore the program year. Specifically, as I explained  
14 earlier, the program year begins August 1, with the reconciliation of prior year  
15 deliveries to actual customer usage. Deliveries for the months of April – July  
16 preceding August 1 are part of that prior period reconciliation, and do not carry over  
17 as a supplier balance.

18 **Q. On page 20 of his testimony, Mr. White states that "Columbia has failed**  
19 **to include the GP1 systems that had been attributable to the GPC in**  
20 **previous rate cases." How do you respond?**

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<sup>1</sup> Columbia v. Pa. P.U.C., Docket No. R-2012-2321748, OSBA St. No. 1, p. 50, lines 4-6.

<sup>2</sup> Columbia v. Pa. P.U.C., Docket No. R-2014-2406274, OSBA St. No. 2, pp 13-14.

1 A. At the outset, I note that GP1 was a gas management system designed to post  
2 quantities and payments on contracts to purchase Appalachian gas supplies from  
3 local gas producers tied directly to Columbia's distribution facilities. It also released  
4 payments to the accounting system. As indicated in the rate case at Docket No. R-  
5 2014-2406274, the process and functionality of GP1 was rolled into GasSource  
6 during the historic test year of TME 11/30/14, and therefore the Company has no  
7 expenses related to GP1 and consequently no costs available to be assigned to the  
8 GPC. Please see Exhibit NJDK-2R for a copy of the discovery response provided on  
9 that issue in the last case. No costs were assigned to the GPC in the calculation in  
10 the prior case. The NGS parties did not question the absence of GP1 through  
11 discovery.

12 **Q. Mr. White further claims that "Columbia assigns only 72% of those**  
13 **costs to the GPC with no explanation why the full costs of these systems**  
14 **are not allocated to the GPC." Is Mr. White's statement true?**

15 A. No. In response to the NGS Parties Data Request No. 1-010, attached to this  
16 testimony as Exhibit NJDK-3R, pages 1 and 2 of 3 Columbia stated the following:

17 The costs to operate GasSource for the fully forecasted rate  
18 year total \$53,614.31. 72% of that total is proposed to be  
19 recovered through the GPC as 72% of Columbia's customers  
20 take sales service from Columbia. The remaining 28% is  
21 reflected in base rates.  
22

23 A description of GasSource and its function, clearly indicating that it is used to  
24 support and provide benefit to both sales and CHOICE® customers, was provided

1 in response to NGS Parties Data Request No. 1-007 and included as page 3 of 3 of  
2 NJDK-3R , stated the following:

3 GasSource is a gas management system utilized by Northern  
4 Indiana Public Service Company, Columbia Gas of  
5 Massachusetts, Columbia Gas of Kentucky, Inc., Columbia Gas  
6 of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas  
7 of Pennsylvania, Inc., and Columbia Gas of Virginia, Inc. The  
8 application focuses on natural gas distribution company gas  
9 supply processes including, a) maintenance and  
10 administration of pipeline transportation and storage  
11 contracts, as well as natural gas supply contracts, including the  
12 maintenance of the respective pipeline rates, index rates, and  
13 negotiated rates; b) trading activity for both system supply and  
14 off system sales including the electronic generation of the  
15 respective transaction confirmations; c) scheduling activities  
16 for both system supply and off system sales on the various  
17 pipelines; d) capacity release activities including those  
18 required under the Choice Program; e) maintaining a real-time  
19 view of the available capacity on each of the respective pipeline  
20 contracts; f) providing a means of reconciling the pipeline  
21 invoices, gas supply invoices, and generating off system sales  
22 invoices; and g) report generation and electronic feed of  
23 information to the accounting system.

24 Many of these activities, such as the administration and  
25 maintenance of pipeline contracts and the respective rates,  
26 capacity release and invoice reconciliation provide support to  
27 natural gas distribution company activity as well as NGS  
28 activity. In addition, the items related to off system sales help  
29 reduce costs to the customers through the sharing mechanism.  
30

31  
32 **Q. Are the total costs associated with GasSource included in the \$53,614.31**  
33 **that you allocated between shopping and non-shopping customer for**  
34 **recovery through the GPC?**

35 **A.** Yes. These costs represent the ongoing expenses related to the operation and  
36 maintenance of that system. As indicated in last year's base rate filing, GasSource is  
37 fully depreciated, so there is no applicable depreciation.

1 **Q. Mr. White also suggests that Columbia has not allocated sufficient IT**  
2 **costs to the GPC because there is no assignment of DIS costs, which is**  
3 **used to track sales. For what purpose does DIS track sales?**

4 **A.** DIS tracks throughput to all customers for the purpose of applying all billing  
5 components, including distribution charges and gas supply charges (whether the  
6 supply is from the Company or an NGS) and is not related to the procurement of  
7 gas and therefore would be inappropriately assigned to the GPC. I will describe  
8 later in my testimony why a portion of the DIS related expenses are appropriately  
9 proposed for recovery through the CAC.

10 **Q. On page 17 of his testimony, Mr. White states that the Commission**  
11 **should assign a minimum of 5% of Columbia's total IT costs to the GPC.**  
12 **Do you agree?**

13 **A.** The Company disagrees with this for several reasons. First, witness White states  
14 that other utilities have allocated "substantially" more IT costs to the GPC than  
15 Columbia. Using another utility's costs or charges as a basis for what Columbia  
16 "should be" charging is pointless and unsubstantiated. Every utility is different in  
17 that each has its own cost structure, and Columbia's costs may be lower than what  
18 exists for other utilities. Mr. White's argument that Columbia's IT costs should be  
19 comparable to Peoples Natural Gas Company ("Peoples") because "Peoples utilizes  
20 the same Gastar systems CPA uses" is without merit. Columbia's GasSource system  
21 is owned and maintained by Columbia's parent, NiSource Inc., and the costs  
22 associated with that system are allocated among all of the NiSource distribution

1 systems. Thus, it is inaccurate to suggest that GasSource IT costs between  
2 Columbia and Peoples should be comparable because they have a comparable  
3 customer base, since the NiSource GasSource system costs are actually spread over  
4 a much larger customer base. Second, Mr. White has not provided any support as  
5 to why the Commission should allocate a minimum of 5% of total IT costs to the  
6 GPC, and this is an arbitrary assignment of costs not supported by any relevant  
7 analysis and should be rejected.

8 **Q. Are there any IT costs incurred to support gas procurement other than**  
9 **what Columbia has already identified?**

10 **A.** No.

### 11 **III. Rider CAC**

12 **Q. Does the Company currently recover through distribution rates the**  
13 **costs that Columbia is including in Rider CAC?**

14 **A.** Yes. However, in the rate design proposed in this case, witness Balmert has  
15 deducted these costs from the Company's base distribution revenue requirement  
16 and calculated proposed distribution rates on this adjusted base distribution  
17 revenue requirement (Exhibit 103, Schedule 8, Page 2, lines 15-28).

18 **Q. Several witnesses, including Mr. Hubert, Mr. White and Mr. Crist put**  
19 **forth an asymmetrical argument that the GPC is charged to sales**  
20 **service customers because they are the only customers who receive**  
21 **default gas supply, despite default supply being available to all, but all**  
22 **customers should pay costs associated with CHOICE® and**

1       **transportation service because they benefit by having the option to take**  
2       **competitive supply even if they do not choose to do so. Do you agree?**

3       A.    No. The Company agrees that there are benefits to all customers from the  
4       availability of CHOICE® as well as benefits to all customers from the availability of  
5       default supply. However, making the argument that those benefits justify all  
6       customers bearing the cost of CHOICE® while simultaneously stating that only the  
7       customers who use the default service should pay for its availability is rather  
8       disingenuous.

9       In fact, in its Final Revised Rulemaking Order at Docket No. L-2008-2069114  
10       issued June 23, 2011, the Commission dismissed the “all customers benefit  
11       argument” as noted in the following passage:

12               “EAPA and others argued that a sub-set of natural gas  
13               procurement costs of the NGDC, particularly the costs incurred to  
14               provide SOLR, are unavoidable and will continue to be incurred  
15               by the NGDC. A common criticism by many utilities was that  
16               SOLR service benefits both shopping and non-shopping  
17               customers, therefore these SOLR costs should be socialized and  
18               paid for by all customers. However, these same arguments can be  
19               espoused for competitive offers to non-SOLR customers. All  
20               customers benefit from the robust availability of competitive  
21               offers. As with SOLR service, customers can choose to avail  
22               themselves of these opportunities, or pass.

23  
24               Several parties also argued that, since some SOLR costs are often  
25               relatively fixed over the year and thus “unavoidable,” such costs  
26               should be socialized. *See EAPA ANOFR Comments* at 4;  
27               *Equitable ANOFR Comments*, Appendix A at 2; *NFG ANOFR*  
28               *Comments* at 4-5; *OCA ANOFR Comments* at 7. This position  
29               ignores competitive equity, since NGSs may also have fixed costs  
30               for participating in a market, yet such costs are not socialized.  
31               Moreover, whether or not a cost is fixed is not relevant to the  
32               designation of who benefits from the service. **Clearly, those**  
33               **who use the service should pay for it.**

1  
2 The costs included in the GPC represent the costs that the Company incurs in  
3 carrying out its obligation as Supplier of Last Resort. All customers in Columbia's  
4 territory benefit from that safety net and the Commission has seen fit to not  
5 eliminate this requirement. The Company must stand ready to operate its system  
6 and to supply any and all Choice-eligible customers at their election. However,  
7 through the GPC, the costs of fulfilling that obligation have been assigned only to  
8 the customers who take sales service, even though all customers have the benefit of  
9 having default service upon which to rely. Likewise, the costs and associated  
10 services that have been identified for recovery through the CAC are incurred only  
11 because there are transportation customers and suppliers who serve them.  
12 Furthermore, the costs included in the calculation of the CAC are a small subset of  
13 the costs of providing service to transportation service customers.

14 **Q. Mr. Hubert suggests that Rider CAC would penalize customers who**  
15 **elect CHOICE® or transportation service. Do you view Rider CAC as a**  
16 **penalty?**

17 **A.** No. Rider CAC simply represents the allocation of identifiable costs to specific  
18 groups of customers for administration and maintenance of the Choice and GDS  
19 programs as well as costs for enhancements to these programs sought by NGSs or  
20 in compliance with changes ordered by the Commission as a result of NGS  
21 intervention.

1 **Q. Witnesses White and Crist contend that Columbia's proposed Rider**  
2 **CAC are anti-competitive. Please comment.**

3 **A.** Initially, I emphasize that Columbia supports the right of all customers to choose  
4 their supplier. Columbia has a long history of transporting gas of third party  
5 providers to its customers. In the late 1980s, Columbia began transporting natural  
6 gas purchased from third party natural gas suppliers for large commercial and  
7 industrial customers.

8 Columbia piloted its CHOICE® Program in 1996 for 36,000 customers in  
9 Washington County. Year one results included four marketers and 5,300  
10 participants (15%). In 1997 Columbia expanded the pilot to include Allegheny  
11 County and a total of 137,000 customers. Year two results included nine marketers,  
12 27% of the eligible customers enrolled equaling a total of 37,000 participants, and  
13 savings of 8.7% over eight months compared to Columbia's regulated gas supply  
14 cost. Further pilot expansion to Beaver, Butler, York, Franklin, and Adams County  
15 occurred in 1998 increasing the eligible customer count to 270,000. In the third  
16 quarter of 1998 Columbia also introduced the first Purchase of Receivables Program  
17 in Pennsylvania. In January 1999 Columbia released its first CHOICE® eligible  
18 customer list. As of June 1999, 39% of eligible CHOICE® customers had chosen  
19 from one of eleven active gas suppliers, and CHOICE® customers had saved  
20 approximately \$3,500,000 since the program's inception. All this CHOICE®  
21 Program activity occurred before the legislature passed the Natural Gas Choice and  
22 Competition Act in June of 1999. Today Columbia continues its successful track

1 record of being a proponent of Choice with 25 suppliers providing gas service to  
2 customers in the CHOICE® Program. As of July 1, 2015, the Monthly PAGasSwitch  
3 Update on the Commission's PAGasSwitch Website reflects Columbia as the leader  
4 among NGDC Choice programs, with 27.0% of its residential customers using an  
5 alternate gas supplier, and 29.4% of the residential load being delivered by an NGS.  
6 As evidenced by the preceding history, Columbia was the NGDC pioneer of Choice  
7 in Pennsylvania, and continues to be the leader in residential customer  
8 participation. The proposal to implement Rider CAC is not an indication that the  
9 Company's longstanding support of competition is changing, but rather an effort to  
10 appropriately assign costs to the products in the competitive market.

11 **Q. What is the status of Columbia's transportation programs for**  
12 **commercial and industrial customers?**

13 **A.** Again referring to the Monthly PAGasSwitch Update on the Commission's  
14 PAGasSwitch Website as of July 1, 2015, 51.4% of the commercial load and 98.1% of  
15 the industrial load is supplied by NGSs. There are 22 NGSs serving those  
16 customers.

17 **Q. Do you have any other comment regarding Columbia's distribution**  
18 **service for transportation customers?**

19 **A.** Yes. Witness Crist, who has testified on behalf of the NGS Parties in previous  
20 Columbia base rate cases (see, e.g., R-2009-2149262, R-2010-2215623, and R-  
21 2012-2321748) states in his testimony in this case:

1           “Almost the entire industrial throughput, most of the commercial  
2           throughput, and a healthy percentage of the residential throughput, is gas  
3           delivered to transportation customers.”

4           PSU St. 1, pp. 11-12. Witness Crist recognizes Columbia’s successes in offering  
5           natural gas supply choice to customers.

6   **Q.   Turning now to address the specifics of Mr. White’s testimony, he**  
7   **claims that the current regulatory construct in Pennsylvania does not**  
8   **provide competitive parity for supply products and opines that the**  
9   **greatest advantage granted to the PGC product is that all customers are**  
10   **automatically assigned to that product by default. Can you comment on**  
11   **that?**

12   **A.**   Yes. I would note that the Retail Market Investigation ongoing at M-2015-2468991  
13   is examining the potential application of instant connects, seamless moves and  
14   accelerated switching as well as a Standard Offer Program similar to the one  
15   instituted in the electric industry for use in the competitive gas market. The instant  
16   connects and seamless moves could mean that a new or moving customer would  
17   never have to receive default service at the initiation of a new account. The  
18   Standard Offer Program designs being discussed involve offering non-shopping  
19   customers the opportunity to shop at each customer contact with their gas  
20   distribution company (except contacts related to emergencies or termination  
21   matters.)

22   **Q.   Mr. White claims that the default assignment ensures that Columbia**  
23   **maintains a significant portion of the market share, but provides no**

1           **statistical evidence. Can you quantify the portion of Columbia's load**  
2           **that is served by a competitive supply?**

3    **A.**    Yes. As shown on Exhibit 3, pages 6 and 7 sales service throughput during the  
4           historic test year was 34,450,179.9 Dth and transportation service throughput was  
5           47,599,151.0Dth At 58%, transportation service actually maintains a meaningful  
6           majority of the market share.

7    **Q.**    **On page 5, Witness White continues to talk about the costs he claims**  
8           **contribute to the lack of parity that NGSs must include in their gas**  
9           **supply cost, such as contact requirements, verification requirements,**  
10          **notice requirements and other consumer protection rules. Do you**  
11          **agree?**

12   **A.**    I do not agree that the costs identified by Mr. White create a lack of parity.  
13           Columbia does have regulatory and compliance requirement costs associated with  
14           gas supply. The Commission ensured that those costs were added to all NGDC gas  
15           supply costs when it approved regulations that included a Gas Procurement Charge  
16           ("GPC") in Docket No. L-2008-2069114. Therefore, those costs are included in  
17           Columbia's Rider GPC to ensure parity. Furthermore, various requirements noted  
18           by Mr. White were developed by the Commission to provide consumer protections  
19           unique to the transportation market.

20   **Q.**    **Does Columbia incur the same types of expenses identified by Mr.**  
21          **White when providing distribution service?**

1 A. Columbia does incur expenses for contact, verification and notice requirements  
2 when providing distribution service that it recovers through base rates. These  
3 expenses include contact, notification and verification requirements related to the  
4 distribution of gas supply to all customers, whether an NGS's gas supply, or  
5 Columbia's gas supply.

6 **Q. Witness White claims that the CAC will “further the favored regulatory  
7 treatment granted to the default rate product”. Is this true?**

8 A. No, it is not true. Columbia is not attempting to give its gas supply rate a benefit  
9 over transportation service by requesting Rider CAC. Columbia has no reason to  
10 encourage customers to choose Columbia as their gas supplier, since, as an NGDC,  
11 Columbia does not make a profit on the gas it purchases and sells to customers.  
12 Instead, Columbia is following the lead the Commission set in establishing the GPC  
13 by further unbundling rates, and using the standard rate-making principle of cost  
14 causation to assign costs to the customers who generate these costs. Transportation  
15 programs generate specific costs which should be borne by the customers using  
16 those services.

17 **Q. How does Rider CAC follow the cost causation rate-making principle  
18 and further unbundling?**

19 A. Columbia has identified a portion of the costs that are incurred by Columbia  
20 specifically to administer, maintain, and revise the CHOICE® Program and the  
21 GDS Program. Columbia is proposing to bill those incremental costs to the  
22 customers that participate in CHOICE® and GDS Programs, rather than spreading

1 the costs of these programs to all customers, including customers who do not use  
2 those services. As an example, included in the Rider CAC calculation are fully  
3 loaded labor and benefits costs for 27 employees who spend all or a portion of their  
4 time working on Columbia Gas of Pennsylvania CHOICE® and/or GDS Programs.  
5 These employees address NGS inquiries, provide password protected access to the  
6 secure ColumbiaSuppliers.com website, develop reports for NGSs to access, answer  
7 NGS questions about specific customers who have granted the NGS agent status,  
8 ensure compliance with regulations specific to those programs, work with IT to  
9 make changes as a result of new regulations, review reports, receive and confirm  
10 NGS's gas supply nominations, update NGSs with regard to changes, provide  
11 training on the use of the Aviator nominations system to new NGS employees or  
12 NGSs new to the Columbia system, and provide other necessary support to the  
13 CHOICE® and GDS Programs. It is important to note that labor and associated  
14 benefit costs of these employees would not exist if the CHOICE® and GDS  
15 Programs did not exist because those employees do not contribute to the  
16 distribution service of gas to Sales Service customers. This is not a situation where  
17 the employees would shift to "comparable" duties associated with sales service, or  
18 perform distribution service, absent the CHOICE® and GDS Programs. Therefore,  
19 the principle of cost causation, echoed by the Commission's Order cited on page 12  
20 of this testimony, indicates those customers should bear that cost.

1 Columbia has included in the CAC all costs associated with Aviator, which was  
2 described in the Company's response to OCA 1-012, attached here as Exhibit NJDK-  
3 4R, as follows:

4 Aviator was developed in-house and first utilized in October 2003.

5  
6 Aviator is an interactive, web-based application available 24 hours  
7 a day 7 days a week enabling customers and suppliers to:

- 8
- 9 • Arrange for transportation of gas on the local distribution
- 10 companies' systems (Nominations)
- 11
- 12 • Allow access to view daily and hourly measurement data
- 13 for electronic measured meters (EMDCS)
- 14
- 15 • View GTS/Tariff invoices (GTS Bill Viewer)
- 16
- 17 • View GTS billing reports (GTS Reports)
- 18
- 19 • View and manage Choice concerns (Choice Concerns)
- 20
- 21 • View tariffs of the local distribution companies
- 22
- 23 • View Notices which communicate a variety of information
- 24 from the local distribution company to its customers
- 25

26 Aviator's function is solely for the use of transportation customers and their NGSS  
27 and provides no value to the Company for the provision of either distribution or  
28 default service.

29 Also included for recovery through Rider CAC are the costs for programming  
30 changes to the billing systems the Company uses to bill GDS and CHOICE  
31 customers, where those changes have been requested by NGSS or required by new  
32 regulations regarding transportation services. No costs associated with the ongoing  
33 billing function or maintenance of the billing function are included for recovery in

1 Rider CAC, as Columbia clearly has the obligation to issue bills to all of its  
2 customers, regardless of the source of the gas supply. Those costs remain bundled  
3 in distribution rates.

4 Exhibit NJDK-5R contains copies of the Company's response to NGS 1-013 and 1-  
5 002, demonstrating the detailed information provided to support the charges  
6 sought for recovery through Rider CAC.

7 **Q. On page 7 of Witness White's testimony, he lists eleven items that he**  
8 **refers to as a "non-exhaustive list of costs incurred by NGSs to make a**  
9 **retail product available in the market". What is the point Witness**  
10 **White is attempting to make?**

11 **A.** Based on the subsequent question in his testimony it appears he is attempting to  
12 say that all of Columbia's costs to provide Sales Service are not included in the GPC.

13 **Q. Does Columbia also incur such costs?**

14 **A.** Yes. In fact, of the eleven items Witness White mentions, ten of the items are  
15 necessary for Columbia to provide distribution service.

16 **Q. What are those ten items?**

17 **A.** To provide standard distribution service to all customers Columbia needs: 1) call  
18 center infrastructure and employees; 2) internal and external legal counsel; 3)  
19 Information Technology ("IT") employees; 4) office space; 5) administrative and  
20 HR staff; 6) office supplies; 7) IT infrastructure; 8) accounting and auditing  
21 services; and 9) printing and postage to communicate with customers.

22 **Q. That is only nine items. What is the tenth item?**

1 A. Columbia incurs incremental costs to provide the CHOICE® and GDS programs  
2 when it employs personnel to receive and confirm the NGS nominations  
3 (scheduling of gas delivery). Columbia has included that cost in the calculation of  
4 the proposed Rider CAC.

5 **Q. Are you saying that the remainder of these costs incurred by Columbia**  
6 **are recovered through distribution rates?**

7 A. No. Pursuant to the Commission's regulations, Columbia identifies the portion of  
8 these costs incurred to provide gas supply service, and recovers them through its  
9 GPC.

10 **Q. What about Witness White's other item, employees for hedging and**  
11 **risk management?**

12 A. Employee costs associated with hedging and risk management are included in the  
13 GPC because those costs are specific to the purchase of gas supply.

14 **Q. On page 9, lines 16 through 19 Witness White lists four labor costs that**  
15 **are included in distribution rates that he claims are labor costs**  
16 **associated with making Columbia's gas supply rate available in the**  
17 **market. What is your response to his claim?**

18 A. I will address each of the four items separately.

19 The first item mentioned is "calculate and publish the default rate". Columbia's  
20 labor costs for calculating the purchased gas cost, filing it with the Commission,  
21 establishing the purchased gas cost rate in the billing system, and publishing the

1 rate in its tariff and on the Commission's website are included in the calculation of  
2 the GPC.

3 The second item, "bill the default rate" is included in Columbia's distribution rate.

4 The customer bills that Columbia generates each month include distribution rates  
5 and either NGS or Columbia gas supply charges. Columbia does not charge NGSs  
6 for including the NGS gas supply charge on Columbia's bill. If the NGSs paid a fee  
7 to include the gas supply cost on Columbia's bill, then it might be appropriate to  
8 include the cost of billing the purchased gas cost in the GPC. However, since NGSs  
9 are not charged billing costs, then Columbia should not include the cost of one or  
10 two line items reflecting its gas supply rate in the Rider GPC. Today, the costs are  
11 appropriately included in distribution rates.

12 "Collects for the default rate" is the third item mentioned. Similar to the second  
13 item, when Columbia "collects", it is collecting for the distribution charge as well as  
14 the gas supply charge, whether the customer received Sales Service or NGS gas  
15 supply. The collection costs would not be less if gas supply costs were not included  
16 in what was being collected, and, therefore, are appropriately included in  
17 distribution rates. I emphasize that under the POR program, Columbia purchases  
18 CHOICE® receivables, and must collect them. Columbia does not charge NGSs for  
19 this collection. There is an uncollectible accounts expense discount, but this  
20 discount is the same amount reflected in the Merchant Function charge applied to  
21 sales rates and reflected in the price to compare.

1 The fourth and final labor item mentioned by witness White is “answer questions  
2 for the default rate through their call center and other customer service channels”.  
3 Columbia’s experience with customer contacts through its call center indicate that  
4 the purchased gas cost is not the reason for the majority of customer inquiries.  
5 Therefore, the costs to address that customer contact are similar when a customer  
6 purchases their gas supply from an NGS. The customer contact costs are  
7 appropriately included in distribution rates. Furthermore, the Company has not  
8 asked to include in the Rider CAC the cost of customer contacts regarding the  
9 supplier portion of the bills or questions or complaints about the transportation  
10 service or provider that are received through its call center.

11 **Q. Witness White states that costs Columbia has included in the Rider CAC**  
12 **calculation are largely at Columbia’s discretion (page 12, lines 5**  
13 **through 8). Please comment.**

14 **A.** I disagree with this characterization. I doubt the NGS Parties would agree that  
15 Columbia has “discretion” to provide support for transportation customers and  
16 NGSs, even where those services are separate and in addition to distribution service  
17 support. He also claims that the Company’s employees get to “estimate” the time  
18 that they spend on certain activities. As stated in my direct testimony, labor and  
19 benefit costs associated with 32 employees are included in the calculation of Rider  
20 CAC. Of those 32, 27 of them spend 100% of their time on transportation activities  
21 and the other five spend between 10 and 20% on CHOICE® and GDS.

1 **Q. Mr. White claims that while the IT costs needed to bill and collect for**  
2 **PGC customers are recovered through base rates, the Company is**  
3 **attempting to recover IT costs associated with the DIS billing system**  
4 **utilized for CHOICE® through the CAC. Are these comparable costs?**

5 **A.** No. The Company recovers through distribution rates the DIS IT costs associated  
6 with billing distribution service and gas supply service for all customers, whether  
7 that supply is default or competitive. As I mentioned earlier on pages 20-21 of this  
8 testimony, the IT costs associated with the DIS billing system that are proposed for  
9 recovery through Rider CAC represent costs incurred to implement modifications to  
10 the DIS billing system at the request of the NGSs or in compliance with changes  
11 ordered by the Commission as a result of NGS intervention. These are not ongoing  
12 operational costs of billing and collections, nor are they costs that have anything to  
13 do with default service customers.

14 **Q. Does that conclude your rebuttal with respect to Mr. White's**  
15 **testimony?**

16 **A.** Yes, it does.

17 **Q. Please summarize witness Crist's Rider CAC testimony.**

18 **A.** Witness Crist questions the name of the Rider and labels it misleading. He also says  
19 the Rider is unnecessary, and that manpower and services necessary to distribute  
20 transportation gas are a fundamental part of business for NGDCs. He states two  
21 reasons why Rider CAC is unnecessary, and finally, he states Rider CAC should be  
22 rejected.

1 **Q. Do you agree with Witness Crist's concern about the name of Rider**  
2 **CAC?**

3 **A.** I understand his concern, however, while a significant part of the Natural Gas  
4 Choice and Competition Act of 1999 ("Act") is specific to Choice programs that  
5 serve residential and small business customers, there are parts of the Act that apply  
6 to all gas transportation service. That is how Columbia chose the name. However,  
7 Columbia is willing to discuss a different name for Rider CAC.

8 **Q. Why does Witness Crist say Rider CAC is unnecessary?**

9 **A.** Witness Crist provides two reasons why Rider CAC is unnecessary: 1) Sales service  
10 customers benefit by having transportation programs in place; and 2) Columbia's  
11 primary business is distributing gas to its customers.

12 **Q. Are these two reasons justification for the Commission to reject the**  
13 **Rider CAC?**

14 **A.** No, they are not.

15 **Q. Is the fact that all customers have supply options a basis for rejecting**  
16 **Rider CAC?**

17 **A.** No. I previously addressed the incongruence of the "all customers benefit"  
18 argument.

19 **Q. Is Columbia's primary business of distributing gas impacted by Rider**  
20 **CAC?**

21 **A.** No. Rider CAC seeks to collect certain incremental costs unrelated to the provision  
22 of distribution service.

1 **Q. At page 12, lines 3 through 5, Witness Crist asserts that you are**  
2 **suggesting that manpower and services necessary to distribute**  
3 **transportation gas are not part of the fundamental business of a gas**  
4 **distribution company. Is that accurate?**

5 **A.** No. Columbia agrees that delivering gas to all customers is a fundamental part of  
6 an NGDC's business. However, the labor, benefits and "services" included in Rider  
7 CAC are incremental to expenses to provide standard distribution service to all  
8 customers. The CHOICE® and GDS Program labor, benefits, and "services" costs  
9 included in Rider CAC are incremental to standard distribution service. Those  
10 incremental costs are properly borne by the customers taking advantage of those  
11 programs.

12 **Q. Does witness Crist address flex customers and the Rider CAC?**

13 **A.** Witness Crist suggests an additional sentence to proposed tariff page 176 containing  
14 Rider CAC as follows: "Rider CAC shall not apply to customers receiving service  
15 under the rules of paragraph 20, Flexible Rate Provisions".

16 **Q. Does Columbia agree with the suggested tariff revision?**

17 **A.** Not exactly. However, recognizing the validity of Mr. Crist's concern, the Company  
18 would alternatively propose language for Rider CAC similar to that contain in Rider  
19 DSIC that would read as follows: "The Company may reduce or eliminate the Rider  
20 CAC to any customer with competitive alternatives who are paying flexed or  
21 discounted rates and customers having negotiated contracts with the Company, if it  
22 is reasonably necessary to do so."

1 **Q. Does Witness Crist cite any regulations as argument against the Rider**  
2 **CAC?**

3 **A.** Yes, Witness Crist cites Chapter 60.2 of the Pennsylvania Code, paragraphs (3), (4),  
4 and (5).

5 **Q. Do you agree with Witness Crist's reference to these paragraphs as**  
6 **justification for denying a Rider such as Rider CAC?**

7 **A.** No, I do not. These paragraphs are specifically talking about transportation rates  
8 for transporting natural gas. Paragraph (3) specifies the transportation rate shall be  
9 the retail rate less the costs for natural gas supply, demand, commodity and storage.  
10 Paragraph (4) is talking about the transportation rate for gas produced in  
11 Pennsylvania. I note that Paragraph (5) requires that the rates in Paragraphs (3)  
12 and (4) be maintained as tariffed rates. As proposed, Rider CAC is not a rate for  
13 distribution or transportation of natural gas. Instead it is a rate to recover  
14 incremental costs Columbia incurs for administering and revising CHOICE® and  
15 GDS Programs above and beyond standard distribution service. Chapter 60.1 of the  
16 Pennsylvania Code states:

17 *The transportation of natural gas by jurisdictional gas utilities*  
18 *is in the public interest. Transportation service should be*  
19 *provided under terms, conditions and rates which minimize the*  
20 *shifting of costs to retail customers and provide the natural gas*  
21 *utility with an opportunity to recover the fixed costs incurred to*  
22 *serve the transportation service customers. The development of*  
23 *Pennsylvania natural gas should be promoted, because it will*  
24 *achieve benefits that accrue to gas utilities and their customers.*

25 Rider CAC does exactly what Chapter 60.1 instructs. It minimizes the shifting of  
26 costs to retail customers (those customers purchasing gas supply from Columbia)

1 and provides the natural gas utility with an opportunity to recover fixed costs (costs  
2 to maintain the CHOICE® and GDS Programs, not transport the gas) incurred to  
3 serve transportation service customers.

4 **Q. For equality and balance, should the IT and labor costs that Columbia**  
5 **incurs to provide sales service be removed from distribution rates and**  
6 **charged through a Rider to sales service customers?**

7 **A.** Those costs are already removed from distribution rates and charged to Sales  
8 Service customers through Rider GPC, which is included in the Gas Supply Charge  
9 line on sales service customer bills.

10 **Q. Does that conclude your rebuttal with respect to Mr. Crist's testimony?**

11 **A.** Yes, it does.

12 **Q. Did any other parties to this case comment on the CAC?**

13 **A.** Yes, the CII witness, Mr. Plank commented on the CAC.

14 **Q. Witness Plank's testimony raises concern about the impact that Rider**  
15 **CAC billed on a per therm basis will have on his company, Knouse**  
16 **Foods Cooperative, Inc. and recommends that if Rider CAC is approved**  
17 **it should be applied on a per customer basis. How do you respond?**

18 **A.** As indicated in my direct testimony, the Company has calculated the Rider CAC  
19 charges by first allocating those costs between CHOICE® and GDS customers and  
20 then calculating a per therm rate for CHOICE® customers and a per customer  
21 charge for GDS customers. Mr. Plank's testimony indicates that his company's

1 accounts are GDS accounts and would therefore not be subject to a per therm  
2 charge if Rider CAC is approved.

3 **IV. Other NGS Issues**

4 **Q. Do you have any general comments on the testimony provided by Mr.**  
5 **Butler?**

6 **A.** Yes, I do. Mr. Butler seems confused with the CHOICE® and General Distribution  
7 Service (“GDS”) Programs, the Company’s tariff and the charges associated with  
8 each program. In this rebuttal testimony, I will clarify the programs and the  
9 charges associated with them. Mr. Butler also makes several recommendations that  
10 the charges should be based upon the Columbia Gas Transmission index since as  
11 stated beginning at Line 5 on Page 7 of Mr. Butler’s testimony, the “vast majority of  
12 gas moved to Columbia of PA is delivered via Columbia Transmission (TCO)”. With  
13 the background in the natural gas business provided in his testimony, certainly Mr.  
14 Butler must realize that gas supplies can move across many interstate pipelines and  
15 to many different markets. In order to ensure gas supplies on the Company’s  
16 system, at a minimum, penalties and charges must be designed to take into account  
17 the prices across the marketplace. Otherwise, as a good business decision, an NGS  
18 will take advantage of the opportunity to sell their gas at higher prices elsewhere to  
19 the detriment of the Company’s distribution system and its PGC customers.

20 **Q. Earlier in your testimony beginning at page 2 you described the**  
21 **CHOICE® Program, the methodology by which NGSs’ daily natural gas**  
22 **requirements are determined and the annual reconciliation and cash-**

1           **out process. Can you now describe how the NGS gets its gas to its**  
2           **customers on the Company's distribution system?**

3    **A.**    Yes. Once the Company determines the CHOICE® NGS's daily delivery obligation,  
4           it makes an assignment of its contractual interstate pipeline Firm Transportation  
5           Service ("FTS") capacity equal to the delivery requirements of each CHOICE®  
6           NGS. That FTS capacity ensures the gas scheduled on the interstate pipeline will  
7           reach the Company's distribution system. As designed, this assignment of FTS  
8           capacity is then used by the CHOICE® NGSs to deliver the identified supplies to  
9           the Company on a constant daily basis each day of the month. The assignment of  
10          FTS capacity eliminates the risk of an NGS not being able to obtain the appropriate  
11          firm capacity to serve its CHOICE® customers. The simple delivery obligation  
12          required of the CHOICE® NGSs, one that stays constant for the month, reduces the  
13          NGSs' risks by allowing them to make a gas supply nomination for the same  
14          quantity each day of a given month.

15   **Q.    Please describe the penalties associated with the CHOICE® program.**

16   **A.**    A daily penalty of \$2.33 per therm is charged to a CHOICE® NGS when the  
17          Company does not receive gas equal to the amount of the daily delivery  
18          requirement. That penalty increases to a daily penalty of \$4.66 per therm during  
19          Operational Flow Orders.

20   **Q.    What is an Operational Flow Order?**

21   **A.**    An Operational Flow Order ("OFO") is a demand by the Company for specific  
22          actions on the part of shippers that are serving customers without daily measuring

1 devices and may be issued whenever the Company believes that the daily safe  
2 and/or reliable operations of its distribution system may be jeopardized including,  
3 without limitation, the need to protect the daily supply of sales and CHOICE®  
4 customers.

5 **Q. Is this penalty a charge for gas supply?**

6 **A.** No, it is a penalty for non-compliance. The difference between total CHOICE®  
7 NGS deliveries and their customers' requirements is reconciled in the annual cash  
8 out in July.

9 **Q. Why are penalties necessary?**

10 **A.** To protect customers who purchase their natural gas from the Company, also  
11 referred to as "PGC customers" or "Sales Service customers".

12 **Q. Please provide further explanation.**

13 **A.** The CHOICE® Program has been specifically designed with the expectation of  
14 even, daily deliveries by CHOICE® NGSs. Consequently, the Company plans its  
15 least cost purchase activity for its PGC customers by taking into consideration these  
16 expected deliveries by CHOICE® NGSs. Allowing CHOICE® NGSs to deviate from  
17 this delivery requirement places additional uncertainty on the Company's  
18 purchasing plans. Uncertainty generally increases the costs of such purchases to  
19 the detriment of PGC customers. For example, if CHOICE® NGSs under deliver on  
20 a normal winter day when customer requirements are being met, in part, by storage  
21 withdrawals, the Company could be forced to increase planned gas supply  
22 purchases on short notice in order to comply with contractual obligations on the

1 interstate pipeline for daily storage withdrawal limitations. Conversely, on a  
2 summer day, if a CHOICE® NGS over delivers, the Company could be forced on  
3 short notice to cut back on scheduled purchases in order to stay within storage  
4 injection limitations.

5 The CHOICE® Program has been designed such that it is easily manageable for  
6 CHOICE® NGSs to serve these firm requirements customers and a failure to  
7 deliver deserves a more severe penalty because of the differing nature of CHOICE®  
8 customers relative to GDS customers. Because the design of the CHOICE®  
9 program is dependent upon the delivery each day, it is appropriate that a penalty be  
10 applicable each day that a delivery failure occurs.

11 **Q. Why is it so important that an NGS meet his daily delivery**  
12 **requirement?**

13 **A.** As previously stated, the CHOICE® program has been designed with the  
14 expectation of even daily deliveries by CHOICE® NGSs. With that expectation the  
15 Company plans its least cost purchase activity for its PGC customers. It can be very  
16 difficult if not impossible to identify precisely the effect of non-compliance on PGC  
17 costs, and thus a penalty is applied. Allowing CHOICE® NGSs to deviate from this  
18 delivery requirement places additional uncertainty on the Company's purchasing  
19 plans increasing the costs of such purchases to the detriment of PGC customers and  
20 putting at risk the Company's obligation for least cost purchases. With the  
21 assignment of FTS capacity and the simple delivery obligation required of the  
22 CHOICE® NGSs, one that stays constant each day of the month, the CHOICE®

1 Program should be easily managed by the CHOICE® NGSs with little risk of  
2 differences between the required and scheduled deliveries. In fact, if the CHOICE®  
3 NGS is fulfilling its contractual obligations to the Company there is virtually no  
4 reason why the daily delivery requirement would not be met.

5 **Q. Why doesn't the Company allow NGSs to make up the gas imbalance for**  
6 **its CHOICE® customers as referenced on Page 4 of Mr. Butler's**  
7 **testimony?**

8 **A.** A "make up" concept just means that CHOICE® NGSs can decide daily what  
9 volumes they will deliver to Columbia. Allowing the NGSs to "make up" an  
10 imbalance will only serve to increase the frequency of NGS imbalances because it  
11 will give NGSs the opportunity to "make up" the deficiency in their deliveries when  
12 the market has recovered from a correction or an event that has caused natural gas  
13 prices to swing significantly. If an NGS can send its gas to a market other than the  
14 Company's system where the gas commodity is selling at a higher rate without  
15 incurring a penalty that is greater than the financial gain that can be made in  
16 another market, the NGS is making a good business decision. Knowing that it can  
17 make up a previous deficiency to avoid paying a penalty is an incentive for an NGS  
18 to under deliver gas supply to its customers when an opportunity for financial gain  
19 arises. The Company is not trying to stand in the way of an NGS making a profit  
20 but it should not be at the expense of PGC customers or threaten the reliability of  
21 natural gas service to the Company's customers.

22 **Q. Starting at Line 2 on Page 5 of Mr. Butler's testimony, he states "we**

1       **suspect that Columbia is concerned that NGSs may game the difference**  
2       **in daily prices, but Columbia will not even let NGSs cure their**  
3       **imbalances when it is obvious that there were no gaming opportunities**  
4       **on daily prices”. Do you have a response for this?**

5       **A.** Yes. It is not possible for Columbia to know why a CHOICE® NGS would fail to  
6       meet a simple daily scheduling requirement that is established each month. The  
7       Company has no way of determining when there are gaming opportunities for the  
8       NGSs, obvious or otherwise. To imply such is presumptive at best.

9       **Q. Do you have a comment on Mr. Butler’s proposal for a “parking fee”**  
10       **starting at Line 6 on Page 5 of his testimony?**

11       **A.** Yes, I do. As previously stated, the CHOICE® Program has been designed with the  
12       expectation of even daily deliveries by CHOICE® NGSs. Allowing deviation from  
13       this delivery requirement places additional uncertainty on the Company’s  
14       purchasing plans which could increase the costs to the detriment of PGC customers.  
15       Allowing the CHOICE® NGSs to cure imbalances later in the month puts  
16       additional risk on the Company’s purchase activity, makes it more difficult to  
17       manage within pipeline storage limitations and increases costs to the PGC  
18       customers.

19       **Q. Do you have any comment on the question and answer regarding the**  
20       **relationship between the “Imbalance Fee” and the price the Company**  
21       **pays for “replacement gas” starting at Line 14 on Page 5 of Mr. Butler’s**  
22       **testimony.**

1   **A.**    Yes, I do. The charge for non-compliance paid by CHOICE® NGSs is designed to  
2           ensure deliveries in accordance with the program design. The price the Company  
3           may pay for replacement gas is totally irrelevant. As I noted previously, the  
4           reconciliation of actual deliveries and customer consumption is made at the July  
5           cash out.

6   **Q.**    **Mr. Butler asserts at page 5 lines 19-22 that CHOICE® customers pay**  
7           **for no-notice service and they should have access to those rights.**  
8           **Please comment.**

9   **A.**    The CHOICE® customers do receive no-notice service, as Columbia balances daily  
10          the difference between average deliveries and actual customer requirements. The  
11          existence of no-notice service is not a basis for allowing NGSs to ignore the  
12          structure of the average day program and deliver when they choose.

13 **Q.**    **Do you have comments on Mr. Butler's tariff language proposal starting**  
14          **at Line 15 on Page 9 of his testimony?**

15 **A.**    Yes, I do. Mr. Butler's simplified view of the marketplace is astounding. He must  
16          realize that gas supplies can move across many pipelines and to many different  
17          markets. In order to ensure CHOICE® supplies are scheduled properly on the  
18          Company's system, the penalties must be designed to take into account the prices  
19          across the marketplace and recognize that NGSs may take advantage of higher  
20          prices elsewhere to the detriment of the Company's distribution system and the  
21          PGC customers. To include only the Company purchases or the Columbia  
22          Appalachia Index does not recognize the impact of prices elsewhere in the market.

1 If the prices are higher on Texas Eastern, Dominion Transmission or Tennessee Gas  
2 Pipeline for example, the NGSs could choose to move their gas to those markets or  
3 focus their efforts in those markets and pay the modest non-compliance penalties  
4 proposed by Mr. Butler. Mr. Butler's proposed tariff language removes the  
5 increased charges on days when there is an OFO in effect. It is even more critical on  
6 these days that CHOICE® NGSs schedule to their delivery obligation. The  
7 penalties on OFO days must therefore remain increased commensurate with the  
8 criticality of the situation.

9 **Q. Would the Company be willing to entertain market based charges?**

10 **A.** Yes, the Company would consider a penalty structure that reflects marketplace  
11 pricing provided it is not limited to the Company purchases or the Columbia  
12 Appalachia Index as suggested by Mr. Butler. However, this would still remain a  
13 penalty pursuant to the structure of the CHOICE® Program and not a purchase or  
14 sale of gas. In addition, should an OFO be called, the charges must escalate as such  
15 charges may be escalated on the upstream pipelines.

16 **Q. Please explain the purpose of GDS.**

17 **A.** GDS is a program that gives Commercial and Industrial ("C&I") customers the  
18 opportunity to purchase their natural gas supply from an NGS.

19 **Q. How is GDS different than CHOICE®?**

20 **A.** Please see Table 1 for the high level program differences between the GDS and  
21 CHOICE® Programs.

22 **Table 1**

	<b>CHOICE®</b>	<b>GDS</b>
<b>Eligibility</b>	Residential & Small Commercial	All Commercial & Industrial
<b>Capacity</b>	Assigned Firm Capacity	No Capacity Assigned
<b>Gas Delivery Volume &amp; Scheduling</b>	Company provides NGS a daily delivery requirement for a calendar month	NGS determines the quantity and frequency of gas deliveries subject to certain tariff limitations
<b>Distribution Service Provided</b>	Firm	Firm provided the supply is delivered to the Company on a firm basis
<b>Penalties</b>	\$2.33 / therm \$4.66 / therm during an OFO	\$2.33 / therm during an OFO/OMO
<b>Gas Bank</b>	No	Yes, with tolerances

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**Q. What options does a GDS customer have for Firm service?**

**A.** A GDS customer has a few options to obtain different levels of Firm service. He may contract for firm gas supply and firm pipeline capacity for all or a portion of his demand with his chosen NGS. He also has the option of purchasing firm interstate pipeline capacity from the Company under the Standby Service rate schedule in the Company's tariff. Standby Service does not provide Firm gas supply. Standby Service is required for human needs customers who do not have operable alternate fuel. If a GDS customer's gas is delivered directly to the market area in which the customer is located, that gas will be delivered on the Company's system and therefore is considered firm delivery on the Company's system. A Standby Service customer has the option of purchasing Firm gas supply from an NGS.

1 **Q. Would you please describe a GDS program gas bank?**

2 **A.** The Company affords GDS customers a banking service that provides the ability to  
3 bank gas supplies for subsequent use under Rider EBS – Elective Balancing  
4 Services. Such banks are available to all GDS customers and also to NGSs who opt  
5 to “aggregate” their customers (“NGS Aggregator”) to reduce risk. As long as GDS  
6 customers and/or NGS Aggregators maintain their bank balances within the  
7 generous limits provided by the Company under Rider EBS there are no “penalties”.  
8 Rider EBS provides that a sale/purchase occurs whenever a bank balance,  
9 measured at the end of each month (not daily), falls outside the tolerance levels of  
10 the gas bank. If a GDS customer or NGS Aggregator depletes their bank, and the  
11 customer(s) continue using gas, the GDS customer(s) begin to burn gas supply  
12 originally obtained for the Company’s PGC customers. Such use is considered  
13 imbalance gas and it is sold to the customer or NGS Aggregator by the Company. If  
14 a customer or an NGS Aggregator exceeds its bank tolerance level, which is the  
15 maximum amount of banked gas the customer/NGS Aggregator may have at the  
16 end of the month, the Company purchases these excess volumes. The Company has  
17 these sale/purchase provisions in order to maintain the integrity of its supply  
18 portfolio and comply with its least cost purchasing obligations.

19 **Q. Please describe EBS Option 1.**

20 **A.** By electing EBS Option 1 (Full Balancing Service), the customer or its NGS  
21 Aggregator has the opportunity to: (1) maintain a bank from month to month on the  
22 Company’s system; (2) access banked gas on a firm basis even during periods when

1 there are operational limitations on the system; and (3) add to its bank on any day  
2 at its determination. For larger GDS customers that have selected EBS Option 1  
3 under the Company's Tariff, the customer's bank tolerance level is equal to 5% of  
4 their current annual quantity. For smaller GDS customers that have selected EBS  
5 Option 1, their bank tolerance level is equal to 10% of their current annual quantity  
6 November through September, and 5% of their current annual quantity for the  
7 month of October. For example, an NGS serving a larger customer using 1,200,000  
8 therms per year (or an average of 100,000 therms per month) can have a bank of  
9 up to 60,000 therms, or an average of 18 days supply, at any time. Moreover, an  
10 NGS Aggregator aggregates multiple customers into a single group for banking  
11 purposes, thus increasing the maximum bank quantity up to the sum total of the  
12 individual aggregated customers' maximum bank quantities, providing even more  
13 flexibility to stay within tolerance. The Company's bank provides the customer, or  
14 it's NGS Aggregator, with a significant tolerance and these sale/purchase costs are  
15 not intended to be punitive in nature. The bank tolerance levels provide NGSs more  
16 than adequate room to manage their supply on a monthly basis. Falling outside of  
17 those bank tolerance levels, or using more gas in a month than the sum of deliveries  
18 and banked gas, which are the reasons why the sale/purchase occurs, is not the  
19 result of an inadvertent mistake or restriction on delivery rules, but the result of a  
20 failure to coordinate customer requirements and the volume of gas to deliver during  
21 the month.

22 **Q. Beyond the generous bank levels provided by the Company to GDS**

1 **customers and their NGSs, are other options available to the GDS**  
2 **customers and their NGSs to avoid a sale/purchase?**

3 **A.** Yes. The Company provides Imbalance Trading Services, which include Bank  
4 Balance Transfers and Gas Transfer Service. These are services that were developed  
5 at the specific request of the NGSs. These services allow customers that have  
6 selected EBS Option 1, or their NGS Aggregator, to transfer gas in accordance with  
7 the Company's tariff. These services provide customers, or their NGS Aggregators,  
8 the opportunity to reduce or eliminate the risk of sale/purchase charges by  
9 arranging a sale of gas or bank transfer to another customer or NGS Aggregator

10 **Q. Are there ever daily penalties under GDS?**

11 **A.** Yes. In the event the Company is required to issue Operational Flow Orders (OFO)  
12 or Operational Matching Orders (OMO) that restrict deliveries by GDS customers, a  
13 \$2.33 per therm charge is assessed on the difference between the Daily OFO/OMO  
14 Level and the actual daily OFO/OMO compliance quantities scheduled. The \$2.33  
15 will not be assessed if the difference results from the customer/NGS Aggregator  
16 delivering more than the Daily OFO/OMO Level during an OFO/OMO that restricts  
17 under-deliveries, or from the customer/NGS Aggregator delivering less than the  
18 Daily OFO Level during an OFO/OMO that restricts over-deliveries. In addition,  
19 the customer/NGS Aggregator must pay for all other charges incurred by the  
20 Company on the date of the OFO/OMO that results from the customer's/NGS  
21 Aggregator's failure to comply with the OFO/OMO, including a proportionate share  
22 of any pipeline penalties that were incurred by the Company. It should be noted

1 that during OFOs and OMOs, the GDS customers and/or their NGS Aggregators  
2 still have access to their banks. A typical cold weather OFO may direct a customer  
3 or their NGS Aggregator to deliver no less than a specified percentage of their  
4 maximum daily quantity while a typical cold weather OMO may direct a customer  
5 or their NGS Aggregator to deliver no less than a specified percentage of their actual  
6 daily demand. Customers/NGS Aggregators receiving service under EBS Option 1  
7 that have a positive bank balance will be provided an under delivery tolerance of 5%  
8 of their maximum daily quantity.

9 **Q. Please explain why the penalties during OFO periods are less for GDS**  
10 **than for CHOICE®.**

11 **A.** Unlike GDS customers, these high priority residential and small commercial  
12 customers do not have the same opportunities to reduce usage or change to an  
13 alternate fuel as do larger commercial and industrial customers. Thus, a CHOICE®  
14 NGS's failure to deliver has a greater impact upon the CHOICE® customers and  
15 thus a higher penalty is warranted.

16 **Q. At Line 22 on Page 10 of Mr. Butler's testimony, he states "NGSs are**  
17 **required by the General Transportation Tariff to deliver a monthly gas**  
18 **quantity equal to its actual customer metered consumption for each**  
19 **nomination group. An imbalance occurs if there is a difference**  
20 **between the NGS's deliveries and the actual use by the nomination**  
21 **groups". Do you have a comment?**

22 **A.** Yes, I do. His statement that NGSs are required to deliver a monthly gas quantity

1 equal to actual metered consumption is simply incorrect. Mr. Butler has obviously  
2 ignored or failed to acknowledge the fact that GDS customers who elect EBS Option  
3 1 are provided gas banks to enable them to manage their gas delivered to the  
4 Company's distribution system versus their consumption on a monthly basis.  
5 There does not need to be equality each month between NGS deliveries and  
6 customer requirements, as differences can be managed within the generous  
7 allowance of the monthly banks. And finally, his references throughout this section  
8 of his testimony should have referred to "General Distribution Service" as specified  
9 in the Company's tariff rather than "Gas Transportation".

10 **Q. Beginning at Line 30 on Page 10 and continuing through Line 2 on Page**  
11 **11, Mr. Butler states "Columbia has 7 market areas in Pennsylvania.**  
12 **Meaning, an NGS that has general transportation customers in each**  
13 **market area has to balance at least 7 nomination groups individually".**  
14 **Do you have a comment?**

15 **A.** Yes, I do. Rather than market areas, the tariff refers to these city gate delivery  
16 points as Pipeline Scheduling Points (PSP) and there are actually eight PSPs  
17 associated with deliveries for GDS customers, not seven as Mr. Butler states in his  
18 testimony. The tariff does require balancing by PSP which is reflective of the  
19 upstream pipeline requirements imposed on the Company to balance each city gate  
20 on a daily basis. Due to the diverse and non-contiguous nature of the Company's  
21 distribution system and the Company's existing capacity portfolio, the Company  
22 does not have the assets that would be necessary to balance across the distribution

1 system. That is, an NGS could not schedule its supplies to one PSP if its customers  
2 are located in another PSP.

3 **Q. Beginning at Line 17 on Page 11 of Mr. Butler's testimony, he states that**  
4 **an NGS is expected to balance exactly, even when there is a functional**  
5 **mismatch between the customer's meter read dates and calendar**  
6 **month deliveries. Is this true?**

7 **A.** The first part of his statement is incorrect. Once again, Mr. Butler has ignored or  
8 failed to acknowledge the fact that GDS customers are provided gas banks to enable  
9 them to manage their gas delivered to the Company's distribution system versus  
10 their consumption. Additionally, an NGS can aggregate multiple customers into a  
11 single group for banking purposes, thus increasing the maximum bank quantity  
12 tolerance up to the sum total of the individual customers' maximum bank  
13 quantities, providing even more flexibility to stay within the permitted gas bank  
14 parameters. While there are differences between the customer meter read dates  
15 and calendar month deliveries, the permitted and generous bank quantities should  
16 be more than adequate to allow the customers and their NGS Aggregators to  
17 manage their deliveries versus consumption.

18 **Q. At Line 19 on Page 11 of Mr. Butler's testimony, he states "I believe it is**  
19 **important for Columbia to release the meter reading information as**  
20 **soon as it is available and the imbalance system should be based on**  
21 **monthly quantities and prices as I will propose". Do you have a**  
22 **comment?**

1    **A.**    Yes, I do. The customer meters on the Company's distribution system include both  
2           daily read meters and monthly read meters. Unless there are issues with a specific  
3           meter, the meter reading information is generally available no later than the third  
4           business day of the following month. Both customers and their NGSs are always  
5           able to work with the Company to install daily metering with telemetry, meaning  
6           the customer and the NGS, with the customer's written permission, can have access  
7           to a meter reading on any day and time with computer access. The Company's  
8           entire customer base should not bear the expense of additional computer  
9           programming to provide GDS customer meter readings sooner so that an NGS can  
10          meet very generous gas banking criteria. At some point it becomes the NGS's  
11          financial responsibility to meet his contractual obligations to his customers and the  
12          Company.

13   **Q.**    **Beginning at Line 6 on Page 12 of his testimony, Mr. Butler states "when**  
14           **customers pay for balancing service, NGSs should be able to manage**  
15           **banks more effectively and trade gas once they know the level of their**  
16           **potential imbalances. Columbia only gives NGSs to the third day of the**  
17           **following month to trade banked imbalances". Do you have a**  
18           **comment?**

19   **A.**    Yes, I do. The Company provides very generous bank levels to GDS customers and  
20          their NGS Aggregators, as well as Imbalance Trading Services. In addition, meter  
21          reading information is generally available by the third business day of the following  
22          month. In fact, upon review of May 2015, well over 99% of the meter reading data

1 was available by the third business day. This level of availability has long been  
2 typical. This, coupled with the ability to install telemetered daily measurement, is  
3 designed to be more than adequate for customers and their NGSs to manage their  
4 gas banks within tolerance without the need to extend the trading period.

5 **Q. Do you have comments regarding Mr. Butler's proposal for settling the**  
6 **excess or deficient bank volumes on page 15, beginning on Line 19 of his**  
7 **testimony?**

8 **A.** Yes, I do. The tariff language under Rider EBS – Option 1 provides for a price  
9 equivalent to the greater of (1) the average of the highest City Gate price for  
10 deliveries to Columbia Gas for ten (10) consecutive days during the calendar month  
11 as published in Platts Gas Daily "Daily Price Survey" under the heading "Texas  
12 Eastern, M-3" or (2) the highest commodity cost of purchases by the Company  
13 during the calendar month, including the delivered cost of purchases at the city  
14 gate...". The pricing was structured in this manner to recognize the ability of  
15 customers and their NGS Aggregators to take gas quantities off the Company's  
16 system when a pricing arbitrage exists and the inability of monthly meter reads to  
17 recognize when the purchase or sale occurred. Mr. Butler must realize that gas  
18 supplies can move across many pipelines and to many different markets. The  
19 marketplace has become more diverse and dynamic in recent years and in order to  
20 ensure supplies are scheduled and managed properly on the Company's system, the  
21 OFO/OMO penalties and sale prices must take into account the prices across the  
22 marketplace and recognize that NGSs may make decisions that financially benefit

1 themselves by taking advantage of higher prices elsewhere to the detriment of the  
2 Company's distribution system and its PGC customers. Actions taken by GDS  
3 customers and their NGSs have a direct impact on the Company's ability to manage  
4 its system and thus a direct impact on the PGC customers. With the generous  
5 banks and Imbalance Trading Services offered, the customers and their NGS  
6 Aggregators, provided they are managing their business properly, should have no  
7 problem managing their gas banks within tolerance.

8 **Q. Do you have a market based proposal that you would consider?**

9 **A.** Not at this time. The Company believes the penalties, cash out pricing and  
10 multipliers are appropriate and working as intended.

11 **Q. At line 18 of page 16, Mr. Butler refers to a "hammer" – or a way to**  
12 **enforce delivery obligations and claims that his proposal provides a**  
13 **significant deterrent to bad behavior. Do you agree?**

14 **A.** No. He proposes that multipliers be eliminated and the imbalance price be based  
15 on the highest price paid by Columbia or the highest Columbia Appalachia index  
16 price. If the market prices in other areas where the NGSs could sell their gas are  
17 higher than either of those prices, the NGSs could take advantage of that, not meet  
18 their contractual obligations, pay the imbalance charges and still profit. I see no  
19 deterrent or disincentive to "bad behavior" in that proposal, merely a price cap  
20 beyond which such transactions would lose their attractiveness.

21 **Q. Do you have comments regarding Mr. Butler's summary of**  
22 **recommendations beginning at Line 16 on Page 18 of his testimony?**

1    **A.**    Yes. With regard to the meter reads, the meter reading information is generally  
2           provided no later than the third business day of the following month. Customers  
3           and their NGS agents have the option of installing telemetered daily measurement  
4           that is available 24 hours/day with computer access. With the generous banks and  
5           Imbalance Trading Services offered, the customers and their NGS Aggregators,  
6           provided they are properly managing their business, should have no problem  
7           operating within the gas bank tolerances.

8           With regard to the splitting of nomination groups between Priority 1 and non-  
9           Priority 1, although the Company has some concerns with combining these two  
10          groups, the Company will further review this issue and consider potential  
11          modifications.

12          With regard to the banks and the imbalance trading comments on page 19 of Mr.  
13          Butler's testimony, the customers and their NGS Aggregators, utilizing the banks  
14          and Imbalance Trading Services offered by the Company, and having the option of  
15          telemetered daily measurement have all the tools necessary to manage their gas  
16          banks. The Company is not willing nor should it extend the gas bank trading  
17          beyond the third day of the following month. This would unnecessarily extend the  
18          Company's Accounting Department closing process which is unacceptable.

19    **Q.**    **How was the CHOICE® and GDS performance on the Company's**  
20           **distribution system this last winter?**

21    **A.**    Over the five winter months, November 2014 through March 2015, the CHOICE®  
22           NGSs were 99.98% in compliance delivering to CHOICE® daily delivery

1 requirement. During OFOs and OMOs, the GDS customers and the NGS  
2 Aggregators were 99.76% in compliance.

3 **Q. Are the Company's penalties appropriate?**

4 **A.** Upon review of only these winter months, it appears that the penalties are  
5 appropriate and are working as intended. In addition, with the high percentage in  
6 compliance, it would appear the customers and NGS Aggregators are able to  
7 operate within tolerance levels. Reducing the penalties would increase the arbitrage  
8 opportunities for the customers and NGS Aggregators reducing the compliance  
9 level to the detriment of the PGC customers.

10 **Q. Is this last winter's performance typical of the NGSs historical ability to**  
11 **comply with their contractual obligations?**

12 **A.** Yes.

13 **Q. Do you consider the penalties to be a barrier to entry or a cause for**  
14 **restricting NGSs from participating in the programs?**

15 **A.** No, there are currently 25 NGSs participating in the Company's CHOICE®  
16 Program and 22 NGSs participating in the Company's GDS Program. The penalties  
17 can hardly be considered as being a hindrance to these programs.

18 **Q. Do you have any concluding comments regarding Mr. Butler's**  
19 **testimony?**

20 **A.** Yes. Many of the recommendations provided in Mr. Butler's testimony could serve  
21 to provide opportunity and incentive to customers and their NGS Aggregators to  
22 take advantage of pricing arbitrage in lieu of fulfilling their delivery obligation.

1 Arbitrage opportunities act to serve only the economic benefits of the customers or  
2 NGS Aggregators at the direct expense of the Company and its PGC customers.  
3 NGDCs are obligated to operate their systems to provide safe and reliable service in  
4 their service territories. The Company has constructed an additional framework  
5 that specifically supports reliable service to customers who choose to participate in  
6 the CHOICE® or GDS Programs. The Company is not and should not be required  
7 to create and support a framework that will facilitate arbitrage commodity trading  
8 to the potential detriment of sales service customers.

9 **Q. Does that conclude your rebuttal to Mr. Butler's testimony?**

10 **A.** Yes, it does.

11 **Q. Turning to Mr. Sommer's testimony, he states on Page 2, starting on**  
12 **Line 17 that "this past winter the annual volume review document was**  
13 **not distributed, however, until February 20<sup>th</sup>" and on Page 2, starting**  
14 **on Line 6 that "the report is generally distributed in mid-February,**  
15 **which is problematic for NGSs". Are these statements correct?**

16 **A.** No, they are not. The information is provided to the NGSs in January of each year  
17 through an email that is sent to their designated representatives. Shipley was  
18 provided this information through an email that was sent to Ms. Cara Passalacqua,  
19 Ms. Laura Greenholt and Ms. Brandy Stiles on January 23, 2015, in advance of the  
20 February 1 effective date. This should provide adequate time for the NGSs to  
21 prepare and schedule gas supplies for February 1. If Shipley would prefer these

1 notices be sent to alternate or additional representatives, the Company would be  
2 happy to include them in the notification.

3 **Q. Concerning the Customer Info Report, on Page 3, starting on Line 12 of**  
4 **Mr. Sommer's testimony, he states "this report is not available until**  
5 **midway through the month for when it is effective, generally it is made**  
6 **available the day after Columbia posts the bank and burns report. Is**  
7 **this correct?**

8 **A.** No, it is not. This information is posted by the 20<sup>th</sup> of the month prior to the month  
9 in which it is effective. Therefore, Shipley should have the necessary information  
10 prior to the beginning of the effective month. If there is confusion with regard to  
11 the information, the Company is willing to work with Shipley to help them  
12 understand what information is available to them and when.

13 **Q. Do you have comments regarding what Mr. Sommer refers to as the**  
14 **"customer enrollment name game"?**

15 **A.** Yes I do. As Mr. Sommer should appreciate, the Company must have the complete  
16 legal entity name in order to ensure that the contract is binding. Columbia must  
17 also act in accordance with its tariff and Commission regulations.

18 **Q. Does that conclude your rebuttal to Mr. Sommer's testimony?**

19 **A.** Yes, it does.

20 **V. Rider USP**

21 **Q. Please briefly describe Columbia's proposed changes related to its USP**  
22 **Rider cost recovery.**

1    **A.**    Columbia is proposing two changes relative to the USP Rider. The first is to move  
2           recovery of fees charged to the Company by the third party contractor to administer  
3           the CAP Program, including CAP application processing, re-verification processing,  
4           agency training and database administration from distribution rates into Rider  
5           USP. These fees represent recovery of external administrative costs only.  
6           The second change is to move recovery of all costs charged to the Emergency Repair  
7           Program from distribution rates into Rider USP and simultaneously increase the  
8           budget for the program from \$500,000 to \$600,000 to meet increased demand.  
9           Currently the program is administered by a third party and all costs are external  
10          charges.

11   **Q.**    **Do you have any general comments on the testimony provided by Mr.**  
12           **Colton?**

13   **A.**    Yes, I do. Mr. Colton appears to view the Company's proposed changes as an  
14           attempt to move internal administrative costs associated with LIURP and  
15           WarmWise: Audits and Rebates into Rider USP for recovery.

16   **Q.**    **Is that correct?**

17   **A.**    No. The costs proposed to be moved into Rider USP recovery and described above  
18           are currently all external expenses.

19   **Q.**    **Are there currently internal administrative costs associated with**  
20           **LIURP and WarmWise: Audits and Rebates (A&R) recovered through**  
21           **Rider USP?**

1    **A.**    Yes. As a result of the settlement of Columbia’s 2008 base rate case, Columbia was  
2           authorized to recover its new LIURP spending level (at that time) of \$3.0 million, as  
3           well as the annual budget of \$750,000 for the Energy Efficiency Program (now  
4           referred to as A&R) through Rider USP. It is important to note that those annual  
5           spending levels include all internal administrative costs as well as external  
6           administrative costs in addition to the costs of the benefits (weatherization services)  
7           provided to the customers.

8    **Q.**    **Is there any regulatory authority or provision that permits the recovery**  
9           **of administrative costs as part of usage reduction program funding?**

10   **A.**    Yes. 52 Pa. Code §58.5 provides for administrative costs and 52 Pa. Code §58.2  
11           defines them as follows:

12                                 *Administrative costs*—Expenses not directly related to the  
13                                 provision of program services. The term may include salaries,  
14                                 fringe benefits and related personnel costs for administration,  
15                                 secretarial and clerical support involved in fiscal activities,  
16                                 planning, personnel administration, and the like; office  
17                                 expenses, such as rents, postage, copying and equipment; and  
18                                 other expenses, such as audit and evaluation expenses,  
19                                 advertising and insurance.  
20

21

22   **Q.**    **Based on the provisions of the Settlement of the 2008 rate case**  
23           **providing for Rider USP recovery of LIURP and WW: A&R in**  
24           **conjunction with 52 Pa. Code §58.2 as stated above, is it your**  
25           **contention that Rider recovery of internal labor, benefits, call center**  
26           **expenses is appropriate and has the approval of the Commission?**

27   **A.**    Yes, it is.

1 **Q. Is the inclusion of these costs in Rider USP subject to Commission**  
2 **review and audit?**

3 **A.** Yes. Columbia provides detailed information on calendar year costs recovered  
4 through the Rider with the annual 1307(e) reconciliation statement to the  
5 Commission's Bureau of Audits and with the April 1 quarterly Rider USP filing.

6 **Q. Does the information show labor, benefits, call center expenses?**

7 **A.** Yes.

8 **Q. Have Rider USP revenues and expenses been subject to Commission**  
9 **audit?**

10 **A.** Yes. The Rider revenues and expenses that have flowed through Rider USP through  
11 December 2012 have been subject to audit by the Commission's staff, with no  
12 disallowances.

13 **Q. Mr. Colton expresses concern that there might be "double recovery" of**  
14 **internal costs if the Company is assigning internal administrative costs**  
15 **to Rider USP. Are the labor, benefits and call center costs subject to**  
16 **Rider USP also reflected in base rates?**

17 **A.** No. Through the use of code patterns for and specific accounting identifiers  
18 referred to as cost objects, costs assigned to Rider USP cannot simultaneously be  
19 charged to general O&M costs. These identifiers are also utilized in the budgeting  
20 process so that rates are based on the net allocation of costs between distribution  
21 rates and Rider USP rates.

22 **Q. Is there another benefit to recovery of these costs through Rider USP?**



1           **Program in light of Columbia’s request to increase the fixed customer**  
2           **charge. How do you respond?**

3    **A.**    The CAP Plus Program was challenged by CAUSE-PA’s predecessor Pennsylvania  
4           Communities Organizing for Change (“PCOC”) in Columbia’s 2011 base rate  
5           proceeding docketed at R-2010-2215623. PCOC requested and was granted  
6           Commission reconsideration of its Order dated October 14, 2011 relative to the CAP  
7           Plus amount. The Commission ultimately upheld the application of the CAP Plus  
8           amount as a component of the CAP customer’s “asked to pay” amount. The  
9           Commission recognized that there is to be a balancing between the interest of CAP  
10          customers and the interest of the customers who bear the cost of the program.  
11          PCOC subsequently appealed that decision to the Commonwealth Court of  
12          Pennsylvania, which upheld the Commission’s decision in its Opinion filed April 10,  
13          2014 at No. 635 C.D. 2012. Clearly the legality of the CAP Plus should not be in  
14          question.

15   **Q.**    **Mr. Miller asserts that the CAP Plus amount added to an increased**  
16           **customer charge results in an unacceptably high energy burden not in**  
17           **line with the Commission’s guideline for affordability. How has the**  
18           **annual CAP Plus amount impacted the annual average “asked to pay”**  
19           **amounts?**

20   **A.**    The CAP Plus amount is intended to recognize that CAP participants also receive  
21           LIHEAP benefits that reduce the average amount actually paid by CAP customers.  
22           Columbia began billing the CAP Plus amount in November, 2010 and adjusts the

1 amount with the first billing unit each November. Columbia's average CAP bill in  
2 2011 was \$58 per month. In 2014, the average CAP bill was \$59 per month,  
3 although the CAP Plus amount has decreased from \$17.00 to \$6.00 over the same  
4 time period.

5 The table below shows the average CAP bill from 2005 through the present. Note  
6 that the CAP Plus amount is part of, not in addition to, the average CAP bill  
7 amount.

	Average CAP Bill	CAP Plus Included in Average CAP Bill *
2005	\$48	
2006	46	
2007	45	
2008	47	
2009	49	
2010	49	
2011	58	\$17
2012	51	18
2013	53	13
2014	54	9
2015	59	6
* began in November 2010.		

17 As can be seen from the table, the average asked to pay amount is \$1.00 more in  
18 2015 than it was in 2011 and in that time period the Company has received approval  
19 to increase base rates in 2011, 2013 and 2014.

20 In addition, in 2013, Columbia had the lowest average CAP bill of all Pennsylvania  
21 gas utilities according to the Commission's Universal Service Report. Finally,  
22 Columbia's rate for removal due to non- payment was 3.2% in 2014. For these

1 reasons, the Company believes its CAP bill structure with CAP Plus strikes the  
2 appropriate balance between affordability for CAP customers and cost of the  
3 program for non-CAP customers.

4 **Q. Mr. Miller expresses concern that the CAP Plus amount is “rounded up”**  
5 **and suggests that amount be refunded to CAP customer to account for**  
6 **that rounding. Please respond.**

7 **A.** The Plus amount is intended to reflect an approximation of LIHEAP benefits to be  
8 received in the upcoming period, based upon LIHEAP benefits received by CAP  
9 customers in the prior year. At no time was the CAP plus formula described as a  
10 one to one recovery of any amount or subject to a reconciliation of LIHEAP benefits  
11 and the Plus amount. Columbia has charged CAP customer’s only whole Plus  
12 dollars since the inception of the CAP Plus Program, just as it has always charged  
13 whole dollars for the base CAP amount, since the inception of the CAP Program. A  
14 whole dollar is amount is easier to remember and increases the likelihood of  
15 consistent regular payments, a primary goal of the CAP Program. Columbia uses  
16 generally accepted mathematical principles to round to the nearest dollar every  
17 year. In 2010/11, 2013/14 and 2014/15 program years the number was rounded up.  
18 In years 2011/12 and 2012/13, the number was rounded down. I would observe  
19 that any credit or debit adjusts the shortfall or CAP credit amount, which is the  
20 amount paid by the non-CAP customers through Rider USP. Every CAP customer  
21 receives a discounted bill paid for by residential non-CAP customers. The

1 suggestion to bill the non-CAP customers more to further discount a CAP  
2 **customer's bill that was already paid defies logic.**

3 **Q. Will CAP customers pay more under a higher customer charge rather**  
4 **than higher volumetric rates?**

5 **A.** On average, no. CAP customers tend to be high use customers. Their average  
6 normalized usage in the historic test year was 1,223 therms, compared to 891  
7 therms for non-CAP customers. Nearly 50% of our CAP customers have CAP  
8 amounts based on "percentage of budget bill." For those with higher than average  
9 usage, their budget bills will increase more under a higher volumetric charge than  
10 under a higher customer charge. CAP customers on % of income, minimum  
11 payment or average of payments amounts will not be impacted by a rate increase  
12 either in the customer charge or the volumetric charge. I would also observe that  
13 CAP customers' bills are reviewed for affordability each year, and changes may be  
14 made to the payment plan based upon that review.

## 15 **VII. Universal Service Program Coordination**

16 **Q. Would you like to address any other concerns raised by Witness Miller?**

17 **A.** Yes. Mr. Miller states that increased program outreach is necessary to ensure all  
18 programs are accessible. While the Company's current outreach efforts are  
19 extensive and the results show they are effective, the Company continuously seeks  
20 opportunities for new avenues through which to reach customers. Current outreach  
21 efforts include attendance at 15 or more legislative fairs, three Be Utility Wise  
22 events, and three senior partnership events each year. The Company recently

1 completed community roundtable events to promote universal service programs.  
2 These events were held at local sites across Columbia's service territory with over 90  
3 legislative office representatives and local community-based agencies. Brochures  
4 and handouts were offered for distribution at all locations. Social media has been  
5 tapped with the Company using Facebook and Twitter to promote programs to all  
6 customers. References to the availability of programs for low income or payment  
7 troubled customers are made on most Company press releases. The Company  
8 holds press conferences on LIHEAP, makes outbound calls to all previous and  
9 potentially income eligible LIHEAP households and includes information about  
10 LIHEAP and CRISIS in bills and termination notices. The Company's website  
11 provides up-to-date information on all programs and information is delivered to  
12 every household without service as part of the cold weather survey. As part of the  
13 discovery process, the Company submitted a detailed procedure identifying call  
14 center scripting and processes which outlined the exhaustive efforts to ensure every  
15 customer calling for restoration and/or payment arrangements is notified and  
16 referred to the appropriate programs with that initial contact.

17 Mr. Miller further supports his statement that increased outreach is necessary since  
18 "just 20% of Columbia's confirmed low income customers are in CAP". In 2014,  
19 there were 26,663 customers enrolled in CAP at some point during the year. In  
20 addition, in the most recent heating season, 15,214 customers received LIHEAP but  
21 were not in CAP. Therefore, a total of 41,877 customers received payment  
22 assistance in 2014. Columbia's confirmed low income customer count includes all

1 customers that verify income through LIHEAP, CRISIS and CAP as well as any  
2 customers that self-declare their income as level one when making payment  
3 arrangements. Many customers who self-declare their income to be level one do  
4 not follow through with the CAP application process upon hearing that income  
5 must be verified. It is possible that some of these customers actually have higher  
6 than reported income.

7 **Q. Mr. Miller correctly identifies several of the reasons why customers are**  
8 **not in CAP, but seems to suggest that more should be. Columbia's CAP**  
9 **Program requires that a customer be "payment troubled" to enroll.**  
10 **Can you explain that?**

11 **A.** Yes, in an effort to balance the needs of CAP customers and non-CAP customers,  
12 Columbia does require that a customer have difficulty paying their bill prior to CAP  
13 entry. Otherwise, non-CAP customers could be paying to resolve a problem that  
14 doesn't exist. Current Commission policy dictates that the Company must offer as  
15 an alternative a 1/24th of the total balance for restoration instead of CAP. Many  
16 customers who could be in CAP are choosing to pay 1/24th of a very small balance,  
17 thanks to prior CAP forgiveness, to restore service. Ultimately, customers will wait  
18 until a large balance amasses again and use energy assistance funds to reenter CAP.  
19 The Company terminated 5,737 non-CAP low-income customers in 2014. Scripting  
20 and policies set forth dictate that all customers identified as level one are referred to  
21 appropriate programs at each contact. These facts should lead one to conclude that

1 the majority of the remaining 60,000 “confirmed” low income, non-CAP customers  
2 are able to pay their bill and do not need the assistance of CAP or other programs.

3 Q. Do you believe that once a low income payment troubled customer is enrolled in  
4 CAP, that they should be required to remain in CAP, even if the service is shut-off?

5 A. Yes. This would support Mr. Miller’s aim to have more customers in the CAP  
6 program and make the number of participants in the program a more accurate  
7 metric.

8 **Q. Do you agree with Mr. Miller’s assertion on page 13 of his testimony**  
9 **that the number of accounts reported as without service annually in the**  
10 **Cold Weather Survey under 56 PA Code 56.100 (h) could be**  
11 **understated?**

12 A. No. Mr. Miller states that the number of electric and gas accounts without utility  
13 service only reflect the number of households without a central heating source and  
14 households with a potentially unsafe heating source. If a household has natural gas  
15 as a central heating source and their electric service is also off, it only makes sense  
16 that the electric survey these accounts as well, even though the customer may not  
17 have electric as their primary heating source. To my knowledge, the electric utilities  
18 are surveying all off accounts and including these numbers in their survey results,  
19 even though electric is not the central heating source. Consequently, I believe that a  
20 dwelling where both gas and electric are both off are counted twice in the survey  
21 numbers.

1 **Q. Mr. Miller states that there is a lack of cross program referrals and**  
2 **specifically cites a lack of overlap between ERP and LIURP and ERP and**  
3 **CAP. (LIURP and CAP are above 80% overlap and were not**  
4 **mentioned.) Do you agree with that conclusion?**

5 **A.** No. As a general rule ERP and LIURP are not expected to overlap. ERP was  
6 developed to assist low income property owners with heating system related  
7 emergencies. LIURP strives to reduce overall usage of low income customers but  
8 also repairs and replaces broken or inefficient heating systems. LIURP has a usage  
9 eligibility threshold of 170 therms, ERP has no such usage requirement. If a  
10 customer presents with a heating emergency and meets the LIURP guidelines, the  
11 emergency will be resolved immediately but paid through LIURP and then the  
12 customer will be offered other LIURP services as well. Generally, therefore,  
13 customers are either served through ERP or LIURP and the determination occurs at  
14 intake based on usage. It is possible that a LIURP customer may need new  
15 assistance in a subsequent year and could then utilize ERP or the ERP Program  
16 could fund a heating related emergency and LIURP will fund weatherization  
17 measures, but by design, this is not most often the case. Based on usage data  
18 provided by the Company to CAUSE it is clear that higher usage customers are in  
19 CAP and would therefore qualify for and be referred to LIURP, not ERP. Some ERP  
20 customers have subsequently been referred to CAP, but that would not be the  
21 expectation since their usage was not high enough to be LIURP eligible and they

1 can most likely afford their bill. Furthermore, CAP, CARES and Hardship funds are  
2 relatively mutually exclusive by design.

3 LIURP, ERP and LIHEAP are woven through each customer's circumstance as  
4 appropriate. A CAP customer who was referred by CARES will not be identified as  
5 CAP and CARES, just CAP. A customer on CAP will not receive a Hardship fund  
6 grant unless it is needed to restore service in the fall, by design, prior to joining  
7 CAP. Unfortunately, the reality that a LIHEAP customer can apply for the grant to  
8 be used for their secondary heat source negates the possibility that all CAP  
9 customers will receive LIHEAP and post it to their Columbia bill. In addition,  
10 regardless of the outreach, some customers are reluctant or unwilling to apply for  
11 LIHEAP. Columbia continues to take a holistic approach to customers' payment  
12 problems but only refers to the most appropriate programs. In summary, Mr.  
13 Miller's cross-program enrollment data only indicates that not all low-income  
14 customers reap benefits from every program that Columbia offers, which is  
15 appropriate since not all low-income customers have the same needs. His data does  
16 not support his contention of a need for more targeted coordination.

## 17 **VIII. Other CAUSE-PA Issues**

18 **Q. Mr. Miller states that Columbia's year-over-year terminations**  
19 **increased 44% from April, 2014 to April, 2015 and compared that rate**  
20 **to industry increase of 14%. He did not reference the 64% increase in**  
21 **reconnections in the same period. Did Columbia explain these**  
22 **increases?**

1    **A.**    Yes. In response to CAUSE-PA data request 2-005 (attached as Exhibit NJDK-6R),  
2           Columbia stated the following:

3                   Due to the extreme cold weather, referred to as the Polar Vortex, that  
4                   impacted Pennsylvania during the winter heating season of 2013-  
5                   2014, State Representative Peter Daley requested that western  
6                   Pennsylvania utility companies delay collection action on residential  
7                   customers for the first two weeks of April 2014, providing residential  
8                   customers additional time to contact the utilities and make payment  
9                   arrangements on the higher than normal bills they received as a result  
10                  of the cold winter.

11                  Columbia honored Representative Daley's request and postponed  
12                  collection actions across its service territory for the first two weeks of  
13                  April 2014.

14                  Therefore, terminations for April 2014 were lower than would  
15                  normally be expected. A similar delay did not occur in April 2015,  
16                  making a year over year comparison show a notable increase.

17                  Additionally, this would explain Columbia's 64% increase in  
18                  reconnections for the same period.

19  
20  
21  
22  
23    **Q.**    **Does the fact that there are substantially more terminations than**  
24           **reconnections provide evidence that customers are without gas service?**

25    **A.**    No. One can draw many assumptions from data, but it is important to consider that  
26           customers also move to new residences and establish new service, rather than have  
27           service reconnected, or have service connected in the name of another resident at  
28           the current premise. These are not counted as reconnections.

29    **Q.**    **Mr. Miller suggests that Columbia be required to provide greater**  
30           **funding and additional data collection than is currently available. He**  
31           **also recommends quantifiable goals and an enforcement mechanism.**  
32           **Do you find those recommendations appropriate?**

1    **A.**    No. Again, Columbia must balance the needs of all of its customers in providing  
2            funding for universal services and spending resources on the study of societal  
3            economic challenges and how to solve them. The Company already has a  
4            significantly higher LIURP budget than that of other Pennsylvania utilities.  
5            Furthermore, Columbia complies with all of the extensive regulatory requirements  
6            for data collection and reporting. Mr. Miller has failed to provide justification that  
7            Columbia should be singled out among Pennsylvania utilities with even greater  
8            requirements and a potential enforcement mechanism. If the Commission believes  
9            additional reporting and goals for low income participation should be considered,  
10           that should occur in a generic proceeding in which all utilities with low income  
11           programs are invited to participate. Therefore his recommendations in that regard  
12           should be rejected.

13    **Q.**    **Does this conclude your rebuttal of Mr. Miller's testimony?**

14    **A.**    Yes, it does.

15    **Q.**    **Does this complete your rebuttal testimony in its entirety?**

16    **A.**    Yes, it does.

COLUMBIA GAS OF PENNSYLVANIA, INC.  
 IMPACT of CHOICE PROGRAM on STORAGE  
 December 31, 2016

Ln. No.	Month	Year 1												Year 2												Mktr Adv/(Dis)			
		Jan 31	Feb 28	Mar 31	Apr 30	May 31	June 30	July 31	Aug 31	Sep 30	Oct 31	Nov 30	Dec 31	Annual 365	Jan 31	Feb 28	Mar 31	Apr 30	May 31	June 30	July 31	Aug 31	Sep 30	Oct 31	Nov 30	Dec 31	Annual	Avg Aug-Jul	Avg Pre-Aug
<b>Typical Residential Customer Usage in DTH - See Exh. 103, Sch. 4, Pg 14</b>		16.51	16.29	14.19	8.87	4.38	2.28	1.43	1.39	1.44	2.39	6.17	12.01	87.35	16.51	16.29	14.19	8.87	4.38	2.28	1.43	1.39	1.44	2.39	6.17	12.01	87.35		
2	Mktr Deliveries for January sign-up	J		6.70	7.42	7.18	7.42	7.18	7.42	7.42	7.18	7.42	7.42		7.42	6.70	7.42	7.18	7.42	7.18	7.42								
3	CPA Paid for January sign-up	J	8.15	15.24	11.53	6.63	3.33	1.86	1.41	1.42	1.92	4.28	9.09	14.26	16.40	15.24	11.53	6.63	3.33	1.86	1.41								
4	July True-up Made in August									4.82																			
5	Mktr Advantage / (Disadvantage)		8.15	16.68	20.80	20.24	16.15	10.83	4.82	(6.00)	(11.27)	(14.41)	(12.50)	(5.66)	3.33	11.87	15.98	15.42	11.33	6.01	-						1.18	13.95	
6	Mktr Deliveries for February sign-up	F			7.42	7.18	7.42	7.18	7.42	7.42	7.18	7.42	7.42		7.42	6.70	7.42	7.18	7.42	7.18	7.42								
7	CPA Paid for February sign-up	F	7.10	11.53	6.63	3.33	1.86	1.41	1.41	1.42	1.92	4.28	9.09	14.26	16.40	15.24	11.53	6.63	3.33	1.86	1.41								
8	July True-up Made in August									(4.77)																			
9	Mktr Advantage / (Disadvantage)		7.10	11.21	10.65	6.56	1.24	(4.77)	(6.00)	(11.27)	(14.41)	(12.50)	(5.66)	3.33	11.87	15.98	15.42	11.33	6.01	-							1.18	5.33	
10	Mktr Deliveries for March sign-up	M			7.18	7.42	7.18	7.42	7.42	7.18	7.42	7.18	7.42		7.42	6.70	7.42	7.18	7.42	7.18	7.42								
11	CPA Paid for March sign-up	M		4.44	6.63	3.33	1.86	1.41	1.41	1.42	1.92	4.28	9.09	14.26	16.40	15.24	11.53	6.63	3.33	1.86	1.41								
12	July True-up Made in August									(11.54)																			
13	Mktr Advantage / (Disadvantage)			4.44	3.88	(0.21)	(5.53)	(11.54)	(6.00)	(11.27)	(14.41)	(12.50)	(5.66)	3.33	11.87	15.98	15.42	11.33	6.01	0.00							1.18	(1.79)	
14	Mktr Deliveries for April sign-up	A			7.42	7.18	7.42	7.42	7.42	7.18	7.42	7.18	7.42		7.42	6.70	7.42	7.18	7.42	7.18	7.42								
15	CPA Paid for April sign-up	A		2.19	3.33	1.86	1.41	1.41	1.41	1.42	1.92	4.28	9.09	14.26	16.40	15.24	11.53	6.63	3.33	1.86	1.41								
16	July True-up Made in August									(13.23)																			
17	Mktr Advantage / (Disadvantage)			2.19	(1.90)	(7.22)	(13.23)	(10.19)	(6.00)	(11.27)	(14.41)	(12.50)	(5.66)	3.33	11.87	15.98	15.42	11.33	6.01	-							1.18	(5.04)	
18	Mktr Deliveries for May sign-up	M			7.42	7.18	7.42	7.42	7.42	7.18	7.42	7.18	7.42		7.42	6.70	7.42	7.18	7.42	7.18	7.42								
19	CPA Paid for May sign-up	M		1.14	1.86	1.41	1.41	1.41	1.41	1.42	1.92	4.28	9.09	14.26	16.40	15.24	11.53	6.63	3.33	1.86	1.41								
20	July True-up Made in August									(10.19)																			
21	Mktr Advantage / (Disadvantage)			1.14	(4.18)	(10.19)	(10.19)	(6.00)	(6.00)	(11.27)	(14.41)	(12.50)	(5.66)	3.33	11.87	15.98	15.42	11.33	6.01	-							1.18	(4.41)	
22	Mktr Deliveries for June sign-up	J			7.42	7.18	7.42	7.42	7.42	7.18	7.42	7.18	7.42		7.42	6.70	7.42	7.18	7.42	7.18	7.42								
23	CPA Paid for June sign-up	J		0.72	1.41	1.41	1.41	1.41	1.41	1.42	1.92	4.28	9.09	14.26	16.40	15.24	11.53	6.63	3.33	1.86	1.41								
24	July True-up Made in August									(5.29)																			
25	Mktr Advantage / (Disadvantage)			0.72	(5.29)	(5.29)	(6.00)	(6.00)	(6.00)	(11.27)	(14.41)	(12.50)	(5.66)	3.33	11.87	15.98	15.42	11.33	6.01	-							1.18	(2.29)	
26	Mktr Deliveries for July sign-up	J			7.42	7.18	7.42	7.42	7.42	7.18	7.42	7.18	7.42		7.42	6.70	7.42	7.18	7.42	7.18	7.42								
27	CPA Paid for July sign-up	J			0.70	1.41	1.41	1.41	1.41	1.42	1.92	4.28	9.09	14.26	16.40	15.24	11.53	6.63	3.33	1.86	1.41								
28	July True-up Made in August									0.70																			
29	Mktr Advantage / (Disadvantage)				0.70	(6.00)	(6.00)	(6.00)	(6.00)	(11.27)	(14.41)	(12.50)	(5.66)	3.33	11.87	15.98	15.42	11.33	6.01	-							1.18	0.70	
30	Mktr Deliveries for August sign-up	A			7.42	7.18	7.42	7.42	7.42	7.18	7.42	7.18	7.42		7.42	6.70	7.42	7.18	7.42	7.18	7.42								
31	CPA Paid for August sign-up	A			1.42	1.92	4.28	9.09	14.26	1.42	1.92	4.28	9.09	14.26	16.40	15.24	11.53	6.63	3.33	1.86	1.41								
32	July True-up Made in August																												
33	Mktr Advantage / (Disadvantage)				1.42	(3.85)	(6.99)	(5.08)	1.76	10.74	19.28	23.40	22.84	18.75	13.43	7.42	0.70										1.18	8.59	
34	Mktr Deliveries for September sign-up	S			7.42	7.18	7.42	7.42	7.42	7.18	7.42	7.18	7.42		7.42	6.70	7.42	7.18	7.42	7.18	7.42								
35	CPA Paid for September sign-up	S			1.20	4.28	9.09	14.26	14.26	1.20	4.28	9.09	14.26	14.26	16.40	15.24	11.53	6.63	3.33	1.86	1.41	1.42	0.72						
36	July True-up Made in August																												
37	Mktr Advantage / (Disadvantage)				1.20	(1.94)	(0.03)	6.81	15.79	24.33	28.44	27.89	23.80	18.47	12.46	6.46	0.00										1.18	14.29	
38	Mktr Deliveries for October sign-up	O			7.42	7.18	7.42	7.42	7.42	7.18	7.42	7.18	7.42		7.42	6.70	7.42	7.18	7.42	7.18	7.42								
39	CPA Paid for October sign-up	O			3.09	9.09	14.26	14.26	14.26	3.09	9.09	14.26	14.26	14.26	16.40	15.24	11.53	6.63	3.33	1.86	1.41	1.42	1.92	1.20					
40	July True-up Made in August																												
41	Mktr Advantage / (Disadvantage)				3.09	5.00	11.84	20.82	29.36	33.47	32.91	28.83	23.50	17.49	11.49	6.22	(0.00)										1.18	20.63	
42	Mktr Deliveries for November sign-up	N			7.42	7.18	7.42	7.42	7.42	7.18	7.42	7.18	7.42		7.42	6.70	7.42	7.18	7.42	7.18	7.42								
43	CPA Paid for November sign-up	N			6.01	14.26	14.26	14.26	14.26	6.01	14.26	14.26	14.26	14.26	16.40	15.24	11.53	6.63	3.33	1.86	1.41	1.42	1.92	4.28	3.09				
44	July True-up Made in August																												
45	Mktr Advantage / (Disadvantage)				6.01	12.85	21.83	30.37	34.48	33.92	29.83	24.51	18.50	12.50	7.23	4.09	(0.00)										1.18	23.59	
46	Mktr Deliveries for December sign-up	D			7.42	7.18	7.42	7.42	7.42	7.18	7.42	7.18	7.42		7.42	6.70	7.42	7.18	7.42	7.18	7.42								
47	CPA Paid for December sign-up	D			8.26	14.26	14.26	14.26	14.26	8.26	14.26	14.26	14.26	14.26	16.40	15.24	11.53	6.63	3.33	1.86	1.41	1.42	1.92	4.28	9.09	6.01			
48	July True-up Made in August																												
49	Mktr Advantage / (Disadvantage)				8.26	17.24	25.78	29.89	29.33	25.24	19.92	13.91	7.91	2.64	(0.50)	1.41	-										1.18	21.19	

Question No. NGS Parties 3-001  
Respondent: M.J. Bell  
K.K. Miller  
Page 1 of 1

COLUMBIA GAS OF PENNSYLVANIA INC.

R-2014-2406274

Data Requests

NGS Parties – Set 3

Question No. NGS Parties 3-001:

Regarding Exhibit MJB-4:

- A. Provide the total system costs of the Gas Source and GP1 systems;
- B. What percentage of those costs are attributed to the GPC; and
- C. What percentage of those costs are recovered through Columbia's distribution rates?

Response:

- A. The Company has identified \$90,504.60 depreciation expense on \$451,397.94 investment and \$67,072.00 maintenance expense for Gas Source. As of April 1, 2014, the process and functionality of GP1 has been rolled into Gas Source and the Company should have no further expense associated with GP1. While preparing this response and reviewing the information provided by the Company in response to I&E-RE-75 and NGS-2-017 Attachment B, the Company has determined that it has incorrectly included the depreciation expense of \$90,504.60 as this system has been fully depreciated as of March 2014, but will remain in service. In addition, the IT maintenance expense included in Exhibit MJB-3 and Exhibit MJB-4 are historic test year costs as of November 30, 2013 and were not adjusted for the fully forecasted rate year, December 31, 2015. This caused the IT maintenance expense to be understated by \$1,466. A revision to Exhibit MJB-3 is being provided as Attachment A to this response and a revision to Exhibit MJB-4 is provided as Attachment B.
- B. 100%.
- C. 0%.

COLUMBIA GAS OF PENNSYLVANIA INC.

R-2015-2468056

Data Requests

NGS Parties – Set 1

Question No. NGS Parties 1-010:

Identify all computer systems, software and or computer programs used by Columbia to purchase natural gas, nominate deliveries, manage its supply portfolio, and track sales to customers. For each item identified, provide the total cost; the percentage of that cost recovered in base rates, and the percentage recovered through any other mechanisms, whatever they may be.

Response:

GasSource (described in the response to NGS 1-007) is the system Columbia utilizes to purchase natural gas, nominate deliveries, and manage its supply portfolio.

The costs to operate GasSource for the fully forecasted rate year total \$53,614.31. 72% of that total is proposed to be recovered through the GPC as 72% of Columbia's customers take sales service from Columbia. The remaining 28% is reflected in base rates.

The Company's Distributive Information System (DIS) tracks sales to customers, among many other functions. DIS is the primary Customer Service and Customer Information system. It is actually a collection of many subsystems that support the use of a broad range of customer and operations information. The system consists of a large database and supports the collection, storage and retrieval of mission-critical Customer Service data for approximately two million customers. The DIS system integrates the information exchange for numerous operational activities that are part of daily customer services. The information and system logic supports the following types of customer services and interactions: customer meter reading and billing, on-line customer inquiries, payment options, accounting and adjustment processing, service order scheduling and execution, credit and collections, meter and service line information, usage history, premise and marketing information and other such customer information requirements. Total costs of DIS reflected in the historic test year consist of \$896,545 in Annual Application Maintenance and Support expenses and depreciation of \$13,537.75. Of the total Annual Application Maintenance and Support expenses, \$186,706.80, or 20.8% is being proposed to be recovered through Rider CAC and the remaining 79.2% would be reflected in base rates.

COLUMBIA GAS OF PENNSYLVANIA INC.

R-2015-2468056

Data Requests

NGS Parties – Set 1

Question No. NGS Parties 1-007:

With regard to the expense items listed under the heading “Information Technology Systems Maintenance”, and in particular the item identified as “Gas Source” on line 11 of Exhibit NJDK-2, please provide a detail description of “Gas Source” and the how “Gas Source” is involved in gas procurement for Columbia Gas.

Response:

GasSource is a gas management system utilized by Northern Indiana Public Service Company, Columbia Gas of Massachusetts, Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., and Columbia Gas of Virginia, Inc. The application focuses on natural gas distribution company gas supply processes including, a) maintenance and administration of pipeline transportation and storage contracts, as well as natural gas supply contracts, including the maintenance of the respective pipeline rates, index rates, and negotiated rates; b) trading activity for both system supply and off system sales including the electronic generation of the respective transaction confirmations; c) scheduling activities for both system supply and off system sales on the various pipelines; d) capacity release activities including those required under the Choice Program; e) maintaining a real-time view of the available capacity on each of the respective pipeline contracts; f) providing a means of reconciling the pipeline invoices, gas supply invoices, and generating off system sales invoices; and g) report generation and electronic feed of information to the accounting system.

Many of these activities, such as the administration and maintenance of pipeline contracts and the respective rates, capacity release and invoice reconciliation provide support to natural gas distribution company activity as well as NGS activity. In addition, the items related to off system sales help reduce costs to the customers through the sharing mechanism.



COLUMBIA GAS OF PENNSYLVANIA INC.

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Data Requests

OCA – Set 1

Question No. OCA 1-012:

Reference page 6, line 1. Please explain when the Aviator system was acquired and identify all of the functions it performs for the Company.

Response:

Aviator was developed in-house and first utilized in October 2003.

Aviator is an interactive, web-based application available 24 hours a day 7 days a week enabling customers and suppliers to:

- Arrange for transportation of gas on the local distribution companies' systems (Nominations)
- Allow access to view daily and hourly measurement data for electronic measured meters (EMDCS)
- View GTS/Tariff invoices (GTS Bill Viewer)
- View GTS billing reports (GTS Reports)
- View and manage Choice concerns (Choice Concerns)
- View tariffs of the local distribution companies
- View Notices which communicate a variety of information from the local distribution company to its customers

COLUMBIA GAS OF PENNSYLVANIA INC.

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Data Requests

NGS Parties – Set 1

Question No. NGS Parties 1-013:

Please provide a detailed explanation of the process employed by Columbia to determine what particular costs and/or expenses were eligible for recovery as part of the CHOICE Administration Charge.

Response:

The costs included for recovery through the CHOICE Administrative Charge (CAC) are labor (including benefits and overheads) and IT expenses.

Labor

To calculate labor expenses to include, Columbia determined which departments within NiSource Corporate Services provide resources to manage and administer Columbia's provision of transportation services to General Distribution Service (GDS) and CHOICE customers and their suppliers. Individuals within those departments were asked to identify what percentage of their time they charged to the Company was related to either CHOICE or GDS service.

Each individual's labor and benefits charged to Columbia Gas of Pennsylvania by month for TME 11/31/14 were summed and a benefits and overhead factor was calculated. The total labor expenses were then annualized to reflect 2015 and 2016 labor cost increases to forecast labor costs for the FFRY ended 12/31/16. The benefits and overhead factor was applied to the annualized labor expenses to generate forecasted benefits and overhead. The percentages identified by individuals noted above were applied to the forecasted labor and benefits and overheads to be charged to the Company, which were then summed to arrive at the forecasted 2016 labor (including benefits and overheads) allocable to the CAC.

IT Expenses

As explained in my testimony, the Company seeks to recover a portion of the costs that it incurs to enhance and maintain the systems that support the CHOICE program and GDS where those costs are incurred solely for the benefit of the CHOICE and GDS customers and or their NGSs. The Company identified the entire cost of the Aviator system (programming changes and ongoing operating and maintenance costs) and the costs of certain programming changes to the GTS and DIS billing systems to meet those criteria.

Columbia personnel who are identified in the response to NGS 1-014 reviewed descriptions of all programming changes made to the GTS and DIS systems that impacted the processing of GDS or CHOICE transactions. Any changes that included impact on non-GDS or CHOICE transactions (sales service transactions) were excluded in total. Any changes that were implemented for Company business purposes (for example, bill redesign, zip code reassignment, etc.) were excluded in total. Any changes to reflect the implementation of new base rates or rate design changes were excluded in total. Only those changes that occurred for the benefit of GDS or CHOICE customers or their NGSs were included.

The identification of the IT costs included in the Rider CAC calculation is contained in the response to NGS 1-002.

COLUMBIA GAS OF PENNSYLVANIA INC.

R-2015-2468056

Data Requests

NGS Parties – Set 1

Question No. NGS Parties 1-002:

With regard to Exhibit NJDK-3, and specifically for the categories of expenses listed as Aviator, GDS, and CHOICE, please provide a detailed description of the types of costs that are included in each category are they are charged to both CHOICE and GDS customers.

- a) Are any costs associated with either Aviator, GDS or CHOICE recovered in base rates? If the answer is “yes”, what percentage of those costs are recovered in base rates and on what bases are the costs allocated? If the answer is “no” explain why.
- b) With regard to costs associated with the categories labeled: Aviator, GDS and CHOICE, are these IT services shared with or used by any affiliate? If the answer is “yes”, list the affiliated companies with which each service is shared, the percentage of costs allocated to each affiliate, and the basis for the allocation methodology.

Response:

The categories of Aviator, GDS and CHOICE are a reference to the subject of the IT programming changes which generated the IT expenses included in the calculation of the CAC.

The expenses for all programming changes to and ongoing operating and maintenance of the Aviator system during the TME 11/30/14, totaling \$71,486.90, were included as the Aviator system exists only to support transportation service customers and/or the NGSs that serve them. The Aviator expenses were allocated between General Distribution Service (GDS) and CHOICE service based upon the ratio of each category's proportionate share of the combined Dth deliveries for TME 11/30/14.

Expenses associated with programming changes made during the TME 11/30/14 to the Company's Distributive Information System (DIS) and the Company's Gas Transportation Service system (GTS) because of the CHOICE program or strictly for the benefit of CHOICE customers and/or their suppliers are included and allocated wholly to CHOICE in the amount of \$186,706.80.

Expenses associated with programming changes made during the TME 11/30/14 to the Company's Distributive Information System (DIS) and the Company's Gas Transportation Service system (GTS) strictly for the benefit of GDS customers and/or their suppliers are included and allocated wholly to GDS in the amount of \$9,262.00.



DIS is the system that, among many other functions, provides for the tracking of all customer consumption and monthly customer billing for all CHOICE eligible customers. Ongoing operations and maintenance expenses for the DIS system are NOT included here as DIS would be used to track consumption for all customers and issue bills to CHOICE customers whether or not they were CHOICE customers. GTS is the system that, among many other functions, provides for the monthly customer billing for all GDS customers. Ongoing operations and maintenance expenses for the GTS system are NOT included here, as GTS is the system used by the Company to issue bills to GDS customers. The Company's obligation to issue monthly bills is independent of the existence of transportation service.

- a) All costs associated with the Aviator system are proposed to be recovered through Rider CAC. The IT costs included on Exhibit NJDK-3 labeled as GDS and CHOICE for recovery through Rider CAC represent programming changes to GTS or DIS explicitly for the benefit of GDS and CHOICE customers and/or their suppliers. The allocation of the costs between CHOICE and GDS customers is discussed above.

IT expenses for Application Maintenance and Support (maintenance) for the historic test year were \$896,545 for DIS and \$241,060 for GTS. The Company proposes that 17.2% of that total be reflected in Rider CAC. In base rates, IT maintenance costs are allocated to customers using Allocation Factor#19 from Exhibit 111, Schedule 1, Page 13 of 18.

- b) The IT costs categorized as Aviator, GDS and CHOICE on Exhibit NJDK-3 represent Columbia Gas of Pennsylvania's portion of the expenses associated with programming changes (and ongoing operation and maintenance for Aviator) discussed above. If a programming change was generated by and benefits only

transportation services in Pennsylvania then all resources spent to implement the change are billed to Pennsylvania. IT services are shared among the Columbia Gas distribution companies. When a programming change benefits more than only one distribution company, then the costs are allocated among each distribution company. For programming changes made to Aviator and GTS, costs are allocated based on 50% Total Gross Fixed Assets and 50% Total Operating Expenses. Costs associated with programming changes to DIS are allocated based on number of retail customers.

Question No. CAUSE-PA 2-005  
Respondent: N.J.D. Krajovic  
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COLUMBIA GAS OF PENNSYLVANIA INC.

R-2015-2468056

Data Requests

CAUSE-PA - Set 2

Question No. CAUSE-PA 2-005:

Reference [http://www.puc.state.pa.us/general/pdf/Terminations\\_Table\\_Apr-Apr14-15.pdf](http://www.puc.state.pa.us/general/pdf/Terminations_Table_Apr-Apr14-15.pdf). Why did Columbia's termination rate rise 44% year over year, April 2014 to April 2015?

Response:

Due to the extreme cold weather, referred to as the Polar Vortex, that impacted Pennsylvania during the winter heating season of 2013-2014, State Representative Peter Daley requested that western Pennsylvania utility companies delay collection action on residential customers for the first two weeks of April 2014, providing residential customers additional time to contact the utilities and make payment arrangements on the higher than normal bills they received as a result of the cold winter.

Columbia honored Representative Daley's request and postponed collection actions across its service territory for the first two weeks of April 2014.

Therefore, terminations for April 2014 were lower than would normally be expected. A similar delay did not occur in April 2015, making a year over year comparison show a notable increase.

Additionally, this would explain Columbia's 64% increase in reconnections for the same period.