**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

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|  | Public Meeting held December 3, 2015 |
| Commissioners Present:  Gladys M. Brown, Chairman  John F. Coleman, Jr., Vice Chairman  Pamela A. Witmer, Statement  Robert F. Powelson  Andrew G. Place |  |
| Pennsylvania Public Utility Commission  Office of Consumer Advocate  Office of Small Business Advocate  Pennsylvania State University  Columbia Industrial Intervenors  G. Thomas Smeltzer  v.  Columbia Gas of Pennsylvania, Inc. | R-2015-2468056  C-2015-2473682  C-2015-2477816  C-2015-2476623  C-2015-2477120  C-2015-2484454 |

**OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the Joint Petition for Partial Settlement (Joint Petition or Partial Settlement) filed on August 27, 2015, by the Commission’s Bureau of Investigation and Enforcement (I&E); the Office of Consumer Advocate (OCA); the Office of Small Business Advocate (OSBA); Columbia Industrial Intervenors (CII); Dominion Retail, Inc. (Dominion); Shipley Energy Company (Shipley); Interstate Gas Supply, Inc. (IGS); the Retail Energy Supply Association (RESA); the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) and Columbia Gas of Pennsylvania, Inc. (Columbia or the Company) (collectively, the Joint Petitioners).[[1]](#footnote-1)

Also before the Commission for consideration and disposition is the Joint Petition for Settlement Removing PSU Amended Complaint Issues from Base Rate Proceedings to a Separate Proceeding to be Consolidated with a Future Columbia Application to Abandon the Snowshoe Lateral in Part and Service to Certain Customers (Snowshoe Settlement) filed on August 27, 2015, by Columbia and the Pennsylvania State University (PSU or Penn State). The Snowshoe Settlement was amended on September 15, 2015, to extend the date for Columbia to file an abandonment petition.

Also before the Commission for consideration and disposition are the Exceptions of I&E, Columbia and PSU filed on October 23, 2015, to the Recommended Decision (R.D.) of Administrative Law Judge (ALJ) Mary D. Long, which was issued on October 13, 2015, in the above-captioned proceeding. Replies to Exceptions were filed by I&E and the OCA on October 29, 2015, by Columbia on October 30, 2015, and by CAUSE-PA on November 2, 2015.

For the reasons stated, *infra,* we shall adopt the Recommended Decision, as modified, consistent with this Opinion and Order, and approve the Joint Petition as well as the Snowshoe Settlement. Additionally, we shall deny the Exceptions of I&E and grant the Exceptions of Columbia.[[2]](#footnote-2)

# History of the Proceeding

On March 19, 2015, Columbia filed Supplement No. 226 to Tariff Gas – Pa. P.U.C. No. 9 to become effective May 18, 2015, containing proposed changes in rates, rules, and regulations calculated to produce $46.2 million or an 8.63% increase in additional annual revenues.

On April 9, 2015, the Commission issued an Order suspending Columbia’s filing until December 18, 2015, unless permitted by Commission Order to become effective at an earlier date.

I&E entered its appearance in this proceeding. The OCA, the OSBA, CII and PSU filed Formal Complaints. The OCA Complaint is filed at Docket No. C‑2015-2473682. The OSBA Complaint is filed at Docket No. C-2015-2477816. CII’s Complaint is filed at Docket No. C-2015-2477120. PSU’s Complaint is filed at Docket C-2015-2476623. All of the Complaints were consolidated in this rate proceeding for hearing and disposition. An individual, G. Thomas Smeltzer, also filed a Formal Complaint at Docket C-2015-2484454. Petitions to intervene were filed by CAUSE-PA, RESA and the NGS Parties.

The Parties engaged in discovery and filed written testimony. By email dated July 31, 2015, counsel for Columbia informed the ALJ that the active Parties had reached an accord in principle on most of the issues raised in the litigation. The first day of the hearing convened on August 4, 2015, as scheduled. The Parties agreed to waive cross-examination of all of the witnesses except for those who had testimony related to PSU’s amended Complaint concerning the Snowshoe Lateral.

The second day of hearing convened on August 10, 2015. The Parties then informed the ALJ that PSU and Columbia had agreed to defer litigation of the issues related to the Snowshoe Lateral and that neither Party would be introducing written testimony or cross-examining witnesses on that subject. Of the remaining issues, only one issue concerning the disposition of the Hardship Fund could not be resolved within the Partial Settlement. The written testimony of the remaining witnesses which did not involve the subject of the Snowshoe Lateral was admitted into the record and the Parties waived cross-examination of those witnesses.

On August 27, 2015, Columbia, I&E, the OCA, the OSBA, CII, the NGS Parties, CAUSE-PA and RESA filed the Joint Petition for Partial Settlement. The Partial Settlement was also served on the lone individual Complainant, G. Thomas Smeltzer. By interim order dated August 28, 2015, any Party wishing to object to the settlement was directed to file those objections on or before September 8, 2015. No objections were received.

In a Recommended Decision, issued on October 13, 2015, ALJ Long recommended approval of the Partial Settlement without modification, recommended approval, in part, of the Snowshoe Settlement, holding in abeyance the service-related terms of this settlement, and recommended that Columbia be temporarily allowed to continue to recover $375,000 in Hardship Funds through its Universal Service Plan (USP) Rider.

As noted, Exceptions were filed by Columbia, I&E and PSU on October 23, 2015. Replies to Exceptions were filed by Columbia, I&E, the OCA and CAUSE-PA.

# Introduction

As a preliminary matter, we note that any issue that we do not specifically delineate shall be deemed to have been duly considered and denied without further discussion. The Commission is not required to consider expressly or at length each contention or argument raised by the parties. *Consolidated Rail Corp. v. Pa. PUC*, 625 A.2d 741 (Pa. Cmwlth. 1993); also see, generally, *University of Pennsylvania v. Pa. PUC*, 485 A.2d 1217 (Pa. Cmwlth. 1984).

In her Recommended Decision, the ALJ made eleven Findings of Fact (FOF) and reached three Conclusions of Law (COL). R.D. at 15-16, 59. The Findings of Fact and Conclusions of Law are incorporated herein by reference and are adopted without comment unless they are either expressly or by necessary implication rejected or modified by this Opinion and Order.

1. **Legal Standards**

The purpose of this investigation is to establish distribution rates for Columbia’s customers that are “just and reasonable” pursuant to Section 1301 of the Public Utility Code (Code), 66 Pa. C.S. § 1301. A public utility seeking a general rate increase is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. *Bluefield Water Works and Improvement Co. v. Public Service Comm’n of West Virginia,* 262 U.S. 679 (1923) (*Bluefield*).

In determining what constitutes a fair rate of return, the Commission is guided by the criteria set forth in *Bluefield, supra,* and *Federal Power Comm’n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944). In *Bluefield* the United States Supreme Court stated:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.

A rate of return may be too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.

*Bluefield,* 262 U.S. at 692-693.

1. **Settlements**

The policy of the Commission is to encourage settlements, and the Commission has stated that settlement rates are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code §§ 5.231, 69.401. A full settlement of all the issues in a proceeding eliminates the time, effort and expense that otherwise would have been used in litigating the proceeding, while a partial settlement may significantly reduce the time, effort and expense of litigating a case. A settlement, whether whole or partial, benefits not only the named parties directly, but, indirectly, all customers of the public utility involved in the case.

Rate increase proceedings are expensive to litigate, and the reasonable cost of such litigation is an operating expense recovered in the rates approved by the Commission. Partial or full settlements allow the parties to avoid the substantial costs of preparing and serving testimony and the cross-examination of witnesses in lengthy hearings, the preparation and service of briefs, reply briefs, exceptions and replies to exceptions, together with the briefs and reply briefs necessitated by any appeal of the Commission’s decision, yielding significant expense savings for the company’s customers. For this and other sound reasons, settlements are encouraged by long-standing Commission policy.

Despite the policy favoring settlements, the Commission does not simply rubber stamp settlements without further inquiry. In order to accept a settlement such as those proposed here, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. York Water Co.*, Docket No. R‑00049165 (Order entered October 4, 2004); *Pa. PUC v. C. S. Water and Sewer Assoc.*, 74 Pa. P.U.C. 767 (1991).

With regard to the burden of proof in this matter, Section 315(a) of the Code provides:

**§ 315. Burden of proof**

1. **Reasonableness of rates.—**In any proceeding upon the motion of the commission, involving any proposed or existing rate of any public utility, or in any proceedings upon complaint involving any proposed increase in rates, the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility. The commission shall give to the hearing and decision of any such proceeding preference over all other proceedings, and decide the same as speedily as possible.

66 Pa. C.S. § 315(a). Consequently, in this proceeding, Columbia has the burden to prove that the rate increase proposed by the Settlement is just and reasonable. In this case, the Joint Petitioners have reached an accord on many of the issues and claims that arose in this proceeding and submitted the Partial Settlement and the Snowshoe Settlement. The Joint Petitioners have the burden to prove that the Partial Settlement is in the public interest. Columbia and PSU have the burden to prove that the Snowshoe Settlement is in the public interest.

# The Joint Petition for Partial Settlement

1. **Terms and Conditions of the Partial Settlement**

The Joint Petitioners agreed to the Partial Settlement covering all issues except for one. The Partial Settlement will result in an increase in distribution revenues of $28 million, which is $18.2 million less than the $46.2 million originally proposed by Columbia. The Joint Petitioners have agreed to a base rate increase, an allocation of that revenue increase to the rate classes, a rate design for each rate class, universal service matters, programs to expand the availability of gas service, and natural gas supplier issues. The Parties to this proceeding reserved for litigation the following issue: the issue of whether Columbia should end immediately its recovery of $375,000 through its USP Rider that is used to fund its Hardship Fund in part.

The Settling Parties state that the Settlement was achieved after an extensive investigation of Columbia’s filing, including extensive informal and formal discovery and the filing of direct, rebuttal, surrebuttal and rejoinder testimony by a number of the Joint Petitioners. Settlement ¶ 86 at 19. They also state that the Settlement is in the public interest for the reasons set forth in their respective Statements in Support. Settlement ¶ 88 at 19.

The Partial Settlement consists of the Joint Petition containing the terms and conditions of the Partial Settlement and Appendices A through K. Appendix A to the Settlement presents the Settlement Increase by rate class. Appendix B presents the allocation of the proposed annual revenues by rate schedule. Appendix C sets out the Settlement tariff supplements to be filed and to become effective in accordance with the Settlement. Appendices D through K represent the Statements in Support filed by Columbia, I&E, the OCA, the OSBA, CII, the NGS Parties, CAUSE-PA, and RESA, respectively.

The essential terms of the Partial Settlement are set forth in ¶¶ 47-84. The Joint Petitioners agreed to the following terms and conditions:

1. **Revenue Requirement**

47. Rates will be designed to produce an increase in operating revenues of $28.0 million based upon residential throughput level of 34,500,000 Dth and throughput levels for all other classes as proposed by the Company for the twelve months ended December 31, 2016.

48. As of the effective date of rates in this proceeding, Columbia will be eligible to include plant additions in the DSIC once eligible account balances exceed the levels projected by Columbia at December 31, 2016. The foregoing provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.

49. For purposes of calculating its DSIC, Columbia shall use the equity return rate for gas utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

50. Columbia will continue to use normalization accounting with respect to the benefits of the tax repairs deduction. In addition, with regard to the $37.4 million tax refund previously received by Columbia that is attributable to the change in method for the repairs deduction, commencing with the effective date of rates in this proceeding, the remaining amount of $681,571 shall be amortized over 12 months commencing January 1, 2016. The amortization shall continue to be without interest and without a deduction of the unamortized balance from rate base. Changes in the refund amount, above or below the $37.4 million, shall be reflected in accumulated deferred income taxes to be created under the normalization method of accounting.

51. Columbia also will be permitted to continue to use normalization accounting with respect to the tax treatment of Section 263A mixed service costs.

52. Columbia will amortize the following expenditures:

(i) NIFIT – Amortization of non-Company labor start-up costs of the new financial software of $1,260,764, over a three-year period commencing with the effective date of rates in this proceeding.

(ii) Blackhawk Storage – Continuation of the previously-approved 24.5 year amortization of the total amount of $398,865 to be included on books and in rate base as a regulatory asset to reflect the total original cost that began on October 28, 2008.

(iii) Tax Credit – Amortization of the unamortized portion of the $37,487,634 total tax credit of $681,571 over 12 months commencing January 1, 2016.

(iv) Corporate Services OPEB-Related Costs – Continuation of the previously-approved amortization of the regulatory asset of $903,131 associated with the transition of NiSource Corporate Services Company from a cash to accrual basis for OPEBs, over a ten-year period that began July 1, 2013.

(v) Columbia OPEB Deferral Passback – Rates reflect a 12 month amortization of the estimated deferred OPEB balance of $(114,640) commencing January 1, 2016.

53. As established in the settlement of Columbia’s base rate proceeding at R-2012-2321748, Columbia will be permitted to continue to defer the difference between the annual OPEB expense calculated pursuant to FASB Accounting Standards Codification (“ASC”) 715, “Compensation – Retirement Benefits (SFAS No. 106) and the annual OPEB expense allowance in rates of $0. Only those amounts attributable to operation and maintenance would be deferred and recognized as a regulatory asset or liability. To the extent the cumulative balance recorded reflects a regulatory asset, such amount will be collected from customers in the next rate proceeding over a period to be determined in that rate proceeding. To the extent the cumulative balance recorded reflects a regulatory liability, there will be no amortization of the (non-cash) negative expense, and the cumulative balance will continue to be maintained.

54. Commencing with the effective date of rates, Columbia will deposit amounts in the OPEB trusts when the cumulative gross annual accruals calculated by its actuary pursuant to ASC 715 are greater than $0. If annual amounts deposited into OPEB trusts, pursuant to this Settlement, exceed allowable income tax deduction limits, any income taxes paid will be recorded as negative deferred income taxes, to be added to rate base in future proceedings.

55. On or before April 1, 2016, Columbia will provide the Commission’s Bureau of Technical Utility Services (“TUS”), I&E, OCA and OSBA an update to Columbia Exhibit No. 108, Schedule 1, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2015. On or before April 1, 2017, Columbia will update Exhibit No. 108, Schedule 1 filed in this proceeding for the twelve months ending December 31, 2016. In Columbia’s next base rate proceeding, the Company will prepare a comparison of its actual revenue, expenses and rate base additions for the twelve months ended December 31, 2016. However, it is recognized by the Joint Petitioners that this is a black box settlement that is a compromise of Joint Petitioners’ positions on various issues.

56. For all future debt issuances during the twelve month periods ending December 31, 2015 and December 31, 2016, Columbia will provide to TUS, I&E, OCA and OSBA, within 60 days of issuance, all loan documentation filed with the Commission in compliance with orders in filings submitted by Columbia pursuant to Chapter 19 of the Pennsylvania Public Utility Code. In addition, Columbia will preserve and provide to I&E, OCA and OSBA as a part of its next base rate case the following: (1) all documentation supporting debt issued between this base rate case and the next base rate case; and (2) the Treasury yield as reported in the Federal Reserve Statistical Release, H.15 Selected Interest Rates and the yield spread as reported by Reuters Corporate spreads as of the dates of each issuance.

57. Tariff rates will go into effect on December 18, 2015.

## Revenue Allocation and Rate Design

1. The Residential customer charge will remain at the current $16.75/month.

59. Small General Service customer charges will remain at the current $21.25/month (≤6440 therms) and $48.00/month (>6440 therms).

60. Revenue allocation to the classes is set forth in Appendix “A.” Rate design for all classes shall be as set forth in Appendix “B.” Revenue allocation and rate design reflect a compromise and do not endorse any particular cost of service study.

61. Columbia will agree to withdraw its Choice Administrative Charge (“CAC”) proposal in this proceeding.

62. Columbia’s Gas Procurement Charge (“GPC”) rate shall continue at the current rate of $0.00695/therm.

63. Columbia will not propose a CAC for a period of two base rate cases, or five years, whichever occurs first. Parties further agree not to propose a change to Columbia’s GPC rate for a period of two base rate cases, or five years, whichever occurs first. Provided, however, that if any non-party to this settlement, during this stay out period, proposes changes to the GPC, all parties to this agreement reserve the right to propose either a CAC or other changes to the GPC in rebuttal testimony.

## C. Universal Service and Conservation

64. Columbia’s proposals to: (a) increase the Emergency Repair Program (“ERP”) annual budget to $600,000; (b) raise the eligibility guidelines for ERP to 200% of the Federal Poverty Level (“FPL”); and (c) recover ERP program costs through Rider Universal Service Program (“Rider USP”), are approved. The portion of ERP funds available for individuals between 151% and 200% of the FPL will be limited to 10% of the total ERP budget.

65. Columbia’s proposal to recover third party costs to administer its Customer Assistance Program (“CAP”) through its Rider USP is approved.

66. Columbia will establish a Universal Service Advisory Committee, and will invite participants of interested parties, community partners, and representatives of other public utilities in the region. Columbia agrees to hold two Universal Service Advisory Committee meetings per year.

67. Columbia will track all cancelled or denied referrals by reason for the ERP and the Low Income Usage Reduction Program (“LIURP”). Columbia will report the data to the Universal Service Advisory Committee.

68. Columbia will continue its efforts to coordinate between low income and energy conservation programs, while recognizing participant qualification differences among the programs and the intent of the programs to address different needs among customers served under Customer Assistance Referral and Evaluation Services, Customer Assistance Program, Low Income Usage Reduction Program and ERP. In addition, Columbia will reach out to the Pennsylvania Department of Community and Economic Development (DCED) and to other public utilities within its service territory to explore ways to further enhance Columbia’s coordination of energy efficiency programming. Columbia will inform the Universal Service Advisory Committee of the results of these efforts, and will provide an opportunity for Committee members to offer feedback and recommendations for improvement.

69. Columbia will continue its extensive low income customer outreach efforts, and will continue to consult with other entities that assist low income customers to identify additional, cost-effective outreach efforts. Columbia will explore ways to engage in joint advertising efforts with other public utilities within Columbia’s service territory to promote the availability of universal service program assistance. Columbia will inform the Universal Service Advisory Committee of the results of these efforts, and will provide an opportunity for Committee members to offer feedback and recommendations for improvement.

## D. Programs to Expand the Availability of Gas Service

70. The following programs to expand availability of natural gas service in Columbia’s service territory are approved: (a) footage allowance of 150 feet of main per residential applicant in normal situations; (b) allowance of 150 feet of Company-owned service line in normal situations; and (c) up to $1,000.00 reimbursement per residential conversion customer toward the cost of house piping for projects that generate a net positive present value greater than $1,000.00 per customer. Columbia agrees to provide the following information related to Columbia’s service expansion proposals:

a. Main and service investment per project;

b. Net Present Value (“NPV”) model results for each project, inclusive of the main and service allowances;

c. Required New Area Service (“NAS”) deposit by project;

d. House piping reimbursement by project;

e. Number of customers connected by each project and number of subsequent connections;

f. Annual non-gas revenues received by project, separated into base rate and NAS revenues (principle and interest stated separately);

g. Annual usage by project;

h. Average investment cost per customer by project; and

i. Number of new service requests for projects in which the NPV model is run, but the project does not proceed to construction.

## E. Natural Gas Supplier Issues

71. The current penalty for failure to deliver in accordance with the Choice Daily Delivery requirement on non-Operational Flow Order (“OFO”) days is reduced from $23.30 per Dth, to $20.80 per Dth.

72. The current penalty for failure to deliver in accordance with the Choice Daily Delivery requirement on OFO days is reduced from $46.60 per Dth to $41.60 per Dth.

73. In addition, in 2016, Columbia will develop and implement a notice in its Aviator system to notify an NGS if its scheduled nomination for its CHOICE deliveries does not comply with its daily delivery requirement. While the NGS will be able to proceed with its scheduled nomination, the NGS will need to affirmatively elect to proceed before submitting the nomination.

74. The current Elective Balancing Service (“EBS”) under-deliveries and over-deliveries tariff language is modified to the following:

1. Consumption in Excess of Deliveries (under-deliveries):

The price for such imbalance gas shall be sold by the Company at the higher of:

1. a price equal to 120% of the average of the Daily Index prices for each day of the applicable month as reported in the PLATTS GAS DAILY publication, in the **Daily price survey** section under the heading “**Appalachia**” for “Columbia Gas, App.” **Midpoint**, plus the 100% load factor TCO FTS costs (including demand, commodity and retainage), or
2. the highest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the city gate, if any excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty days before the beginning of the calendar month.

In addition, applicable taxes and Company transportation shall apply. Furthermore, if, in any month, Company incurs other charges, including gas costs, penalty charges or cash-outs caused by excess monthly under deliveries, the Customer or NGS shall be charged its pro rata share of such charges.

1. Deliveries in Excess of Consumption (over-deliveries):

The price for such imbalance gas shall be purchased by the Company at the lower of:

1. a price shall be equal to 80% of the average of the Daily Index prices for each day of the applicable month as reported in the PLATTS GAS DAILY publication, in the **Daily price survey** section under the heading “**Appalachia**” for “Columbia Gas, App.” **Midpoint**, or
2. the lowest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the City Gate, if any excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty (30) days before the beginning of the calendar month.

In addition, if, in any month, Company incurs other charges, including gas costs, penalty charges or cash-outs caused by excess monthly over deliveries, the Customer or NGS shall be charged its pro rata share of such charges.

75. The current OFO/Operational Matching Order (“OMO”) penalty is reduced from $23.30 per Dth, to $20.80 per Dth.

76. Columbia will allow Priority 1 and non-Priority 1 customers to be in the same nomination group within the same market area.

77. Columbia shall continue its current practice that allows General Distribution Service (“GDS”) Customers and/or GDS NGS’ to transfer gas across contiguous, non-constrained market areas.

1. Columbia will change the deadline for bank balance transfers from the first business day following the last day of the calendar month in which the trade is to apply, to the third business day following the last day of the calendar month in which the trade is to apply.

79. Columbia will update the Customer Information List before the start of the effective month.

80. Columbia will review its training and processes for managing instances in which it becomes aware of discrepancies between a name on a customer account and a different customer name provided to the Company, with the intent to minimize any potential delay in switching a customer to an NGS, recognizing the Company’s authority to require security deposits in appropriate circumstances. The Company shall discuss the results of its review with the NGS Parties.

## F. Other

81. Columbia will continue its efforts to reduce restoration costs, through efforts including, but not limited to, coordinating pipe replacement projects with other street projects, and replacing pipe using trenchless construction techniques where technically and economically feasible.

82. Columbia agrees to meet with the Commission’s Gas Safety Division, and any other interested parties, within 30 days of the final order in this proceeding, to discuss strategies that seek to reduce construction and restoration costs associated with all pipeline replacement projects.

83. In addition to the meeting proposed in Paragraph 81, supra, prior to October 31, 2015, Columbia will meet with the Commission’s Gas Safety Division and other parties to identify increasing state, county and municipal requirements that exceed the Pennsylvania Department of Transportation restoration standards and add to the cost of pipeline replacements in an effort to develop coordinated potential responses to such requirements. In furtherance of such meetings, Columbia will discuss the results of the audits of the restoration costs for its 10 largest projects that were provided in Exhibit MJD – 1R in the prior year, identifying costs incurred in excess of the Pennsylvania Department of Transportation restoration standards for paving, sidewalk repair and permitting fees.

84. Columbia will continue its efforts to reduce its number of Type 2 leaks, pursuant to its current target of repairing Type 2 leaks within 12 months, and not to exceed 15 months, and will also continue its efforts to reduce the backlog of Type 3 leaks.

In addition to the specific terms to which the Joint Petitioners have agreed, the Partial Settlement contains certain general, miscellaneous terms. The Partial Settlement is conditioned upon the Commission’s approval of the terms and conditions without modification. The Partial Settlement establishes the procedure by which any of the Joint Petitioners may withdraw from the Partial Settlement and proceed to litigate this case, if the Commission should act to modify the Partial Settlement. Partial Settlement ¶ 89 at 19. In addition, the Partial Settlement provides that it is made without any admission against, or prejudice to, any position which any of the Joint Petitioners might adopt during subsequent litigation of this case or any other case. Partial Settlement ¶ 92 at 20.

The Joint Petitioners respectfully requested that the ALJ and the Commission approve the Partial Settlement, including all terms and conditions thereof, subject to the resolution of the one issue reserved for briefing. Partial Settlement at 21.

1. **ALJ’s Recommendation**

The ALJ found that the proposed Partial Settlement was reasonable, was in the public interest and, therefore, recommended its approval with modification. She stated that the Partial Settlement represented a just and fair compromise of the serious issues raised in this proceeding. Furthermore, the ALJ stated that after substantial investigation and discovery the Parties have achieved a reasoned accord on a broad array of issues resulting in just and reasonable rates for natural gas service rendered by Columbia. R.D. at 51.

The ALJ noted that the reduction in proposed revenue requirement increase, together with the revenue allocation, the reduction in the proposed residential customer charge, and all of the other terms and conditions of the Partial Settlement represented a fair and reasonable settlement of this proceeding. The ALJ opined that resolution of this proceeding by negotiated settlement removes the uncertainties of litigation. In addition, she asserted that all Parties obviously benefit by the reduction in rate case expense and the conservation of resources made possible by adoption of the proposed Partial Settlement in lieu of litigation. Specifically, the ALJ pointed out that acceptance of the Partial Settlement will negate the need for the filing of additional testimony by all Parties, participation at in-person hearings, the filing of main and reply briefs, exceptions and reply exceptions, and potential appeals. According to the ALJ, this savings in rate case expense serves the interests of Columbia and its ratepayers, as well as the Parties themselves. R.D. at 51.

Importantly, the ALJ found that the Partial Settlement found support from a broad range of Parties with diverse interests. She noted that the public advocates, I&E, the OCA, and the OSBA, each maintained that the interests of their respective constituencies have been adequately protected and that the terms of the Partial Settlement are in the public interest. Also, the ALJ noted that other interests, including natural gas suppliers and other natural gas-related interests, public interest groups representing low-income customers (CAUSE-PA), and large gas users (PSU and CII), were also represented and supported the Partial Settlement. According to the ALJ, the Joint Petitioners have reached agreement on a broad array of issues, demonstrating that the Partial Settlement is in the public interest and should be approved. R.D. at 51.

The ALJ explained that the individual Complainant was served with a copy of the Joint Petition and offered an opportunity to comment or object to its terms and demonstrate why the case should be litigated rather than settled. However, no objections were filed. Therefore, the ALJ found that his due process rights have been fully protected and his Formal Complaint must be dismissed for lack of prosecution.[[3]](#footnote-3) R.D. at 52.

The ALJ found the Partial Settlement embodied in the Joint Petition is both just and reasonable and its approval is in the public interest. As a result, she recommended that the Commission approve the Joint Petition. R.D. at 52.

1. **Disposition**

Prior to the evidentiary hearing, the Parties reached a Partial Settlement in principle for a majority of issues. At the hearing, the Parties pre-served testimony and exhibits were admitted into the record and cross-examination was waived. The Partial Settlement was not signed by all the Parties, but also was not opposed by any Party.

Based upon our review of the Partial Settlement, we agree with the ALJ, as well as the filed Statements in Support, that the terms and conditions of the Partial Settlement are in the public interest and should be approved. We find that there are a number of settled issues within the Partial Settlement that are beneficial to customers. Among those provisions are: (1) the reduced distribution rate increase of about sixty percent of the originally proposed increase in rates; (2) the agreement by Columbia to provide the Parties with updates to Columbia Exhibit No. 108, Schedule 1, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2015, and December 31, 2016; (3) the inclusion of specific provisions for meeting the Company’s Other Post-Employment Benefits (OPEB) requirements; (4) the agreement by Columbia to provide the Parties with all loan documentation filed with the Commission for all future debt issuances during the twelve months ended December 31, 2015, and December 31, 2016; (5) the agreement to a revenue allocation that is within the range of revenue allocations proposed by the Joint Petitioners; (6) the agreement on the *pro forma* throughput volume for the residential class of 34,500,000 dekatherms; (7) the agreement that the residential customer charge will remain at the current rate of $16.75 per month in lieu of Columbia’s proposed amount of $20.60 per month; (8) the agreement that the customer charges for small commercial and industrial customers remain unchanged; (9) the agreement relative to the amount of the gas procurement charge which will continue at the current rate of $0.00695 per therm and will be subject to a further stay out period; (10) the agreement that Columbia’s proposed Choice Administrative Charge (CAC) will not be adopted, and will be subject to a further stay out period; (11) the agreement to increase the Emergency Repair Program’s (ERP) annual budget to $600,000, to raise the eligibility guidelines for the ERP to 200% of the Federal Poverty Level and to recover ERP program costs through Rider USP; (12) the agreement by Columbia to establish a Universal Service Advisory Committee that will meet twice a year; (13) the agreement by Columbia to track all cancelled or denied referrals by reason for the ERP and the Low Income Usage Reduction Program and to report that data to the Universal Service Advisory Committee; (14) the commitment of Columbia that it will continue its efforts to coordinate low income and energy conservation programs and continue its extensive low income customer outreach efforts; (15) the initiation by Columbia of three new proposals designed to expand the availability of natural gas service in its service territory[[4]](#footnote-4) as well as certain reporting requirements placed upon Columbia related to these service expansion proposals; (16) the inclusion of various changes to Columbia’s tariff rules to reduce penalties and imbalance charges of concern to natural gas suppliers; (17) the agreement by Columbia to meet with the Commission’s Gas Safety Division, and any other interested parties, within thirty days of the final order in this proceeding, to discuss strategies that seek to reduce construction and restoration costs associated with all pipeline replacement projects; and (18) the agreement by Columbia to continue its efforts to reduce its number of Type 2 leaks and its efforts to reduce the backlog of Type 3 leaks.

The Partial Settlement resolves the majority of the issues impacting residential consumers, business customers and the public interest at large and represents a fair balance of the interests of Columbia and its customers. The benefits of approving the Partial Settlement are numerous and will result in significant savings of time and expenses for all Parties involved by avoiding the necessity of further administrative proceedings, as well as possible appellate court proceedings, conserving precious administrative resources. Moreover, the Partial Settlement provides regulatory certainty with respect to the disposition of issues which benefits all parties. For the reasons stated herein and in the settling Parties’ Statements in Support, we agree with the ALJ’s conclusion that the Joint Petition for Partial Settlement is in the public interest. Accordingly, we shall adopt the ALJ’s recommendation to grant the Joint Petition and approve the Partial Settlement, without modification.[[5]](#footnote-5)

# The Snowshoe Settlement

On April 14, 2015, PSU filed a Formal Complaint at Docket No. C‑2015‑2476623 challenging Columbia’s base rate filing. Thereafter, on July 31, 2015, PSU filed a Motion for Leave to File Amended Complaint (Motion).

In its Motion, PSU noted that the State College area presently receives natural gas service through three points of delivery (PODs): the Snowshoe POD; the Dominion Transmission, Inc. (DTI) POD at Pleasant Gap; and the Texas Eastern Transmission (TETCO) POD. PSU explained that subsequent to Columbia’s rate filing and PSU’s Complaint, Columbia issued a letter dated May 5, 2015, notifying PSU that it would be removing the distribution line permanently from the Snowshoe POD because certain parts of the line needed to be replaced. According to the letter, Columbia intended to remove the distribution line from service effective July 2, 2016. PSU argued that this action, in part, presented service and reliability issues.[[6]](#footnote-6) Motion at 2.

PSU contended that good cause existed to grant leave to amend its Complaint and attached a proposed Amended Complaint. On August 7, 2015, Columbia filed an Answer to the Amended Complaint. Also on August 7, 2015, Columbia and PSU informed the ALJ that they had reached an agreement to separate from the base rate proceeding, the issues subsequently raised in the Amended Complaint, including the issue related to the abandonment of the Snowshoe Lateral and abandonment of service to certain customers. Additionally, Columbia indicated that it would be filing an abandonment proceeding and the Company and PSU would jointly request consolidation of that proceeding with the separated Amended Complaint proceeding. Snowshoe Settlement at 5.

As noted above, a second day of hearings on the base rate proceeding was held on August 10, 2015, at which Columbia and PSU excluded testimony and exhibits concerning the Snowshoe Lateral, the Company’s acquisition of DTI capacity, and other related issues. *Id.* at 6.

Columbia and PSU engaged in further settlement discussions and on August 27, 2015, filed the Snowshoe Settlement. The Parties contend that the Snowshoe Settlement is in the best interest of Columbia and its customers, including PSU. It will also allow the revenue settlement to be filed without opposition by PSU while permitting Penn State to raise any additional concerns about the Snowshoe Lateral in the future abandonment proceeding. Furthermore, the Parties argue that it will remove from the base rate case the complicated and highly technical service and operational issues related to the Snowshoe Lateral. *Id.*

On September 15, 2015, Columbia and PSU filed an Amendment to the Snowshoe Settlement.[[7]](#footnote-7)

# Terms and Conditions of the Snowshoe Settlement

In the Snowshoe Settlement, Columbia and PSU agreed to sever the issues related to Columbia’s proposed abandonment of the Snowshoe Lateral. As indicated above, Columbia agreed to file, no later than October 30, 2015, an application for abandonment of service for certain customers.[[8]](#footnote-8) Additionally, Columbia and PSU agreed to jointly request consolidation of the application for abandonment with the separated proceeding. Columbia confirmed that as the applicant for abandonment, it shall bear the burden to demonstrate that the removal from service of the center portion of the Snowshoe Lateral, the abandonment of service, and its April 2015 acquisition of capacity from DTI are in the public interest. Snowshoe Settlement at 7.

In addition to the severance of issues related to PSU’s Amended Complaint, the Snowshoe Settlement contains the following service-related provisions:

1. Columbia agrees that, absent an emergency or a directive to Columbia by either the Federal Pipeline and Hazardous Materials Safety Administration or the Pennsylvania Public Utility Commission’s Gas Safety Division to shut down, cease to operate temporarily or permanently or reduce pressure on the Snowshoe Lateral or any portion thereof, it shall continue to operate the Snowshoe Lateral pending a decision in the consolidated proceeding. Columbia will not prevent General Distribution Service (“GDS”) customers from scheduling deliveries to the Columbia Pipeline Group (“TCO”) Market Area 36 pending a final decision in the consolidated proceeding. During the period explained below permitting deliveries, Columbia shall allow Penn State to deliver 3000 Dth Maximum Daily Quantity (“MDQ”) on TCO with the ability to request annually in writing an adjustment with a written response by Columbia. If the Commission authorizes abandonment of service to certain customers and thus any part of the Snowshoe Lateral that would prevent deliveries of gas from TCO to Penn State, Columbia agrees that it will not permanently sever the connection between the Snowshoe Point of Delivery (“POD”) and the State College market until the longer of June 30, 2017 or until it has given notice to Columbia’s GDS customers, including Penn State, that is at least six (6) months prior to the next June 30 (the “June 30 Notice Date”), to be effective one year after the June 30 Notice Date. (For avoidance of doubt, if Columbia were to receive approval to abandon service to certain customers on December 31, 2015, Columbia could provide notice on December 31, 2015 that it intends to sever the connection to the Snowshoe POD effective July 1, 2017). If a final non-appealable order concludes that service to certain customers may not be abandoned and the center portion of the Snowshoe Lateral must remain in service, then Columbia shall rebuild the Snowshoe Lateral. Penn State will support inclusion of such costs in Columbia’s rate base.
2. If Columbia receives authority to abandon service to certain customers on any part of the Snowshoe Lateral that would prevent deliveries of gas from TCO to the State College market, Columbia will not sever the connection between the Snowshoe POD and the State College market until Columbia confirms and commits to Penn State that Columbia can and will permit Penn State to deliver 100% of Penn State’s load at its Texas Eastern Transmission Corporation (“TETCO”) POD. To fulfill this commitment, Columbia agrees to make improvements to the TETCO POD in order to accommodate the provision of service to the State College market, including Penn State’s load. Such improvements will be paid by Columbia, and Penn State will support inclusion of such costs in Columbia’s rate base. Such improvements will be constructed and operational at or before the time the Snowshoe line is severed if approved by the Commission. Any upgrade installation shall take place during the months of April through October. During the period of construction Columbia will balance PSU’s scheduled deliveries on TETCO pursuant to the terms of its Rider EBS – Elective Balancing Service using its portfolio of capacity assets.
3. Penn State agrees not to oppose the revenue settlement and allocation and other terms and conditions of settlement in the base rate proceeding at Docket No. R-2015-2468056 with all or a majority of parties, and Columbia agrees such non-opposition shall not be used as a defense against or waiver of any claims in Penn State’s Amended Complaint. However, PSU agrees that it will not propose in the consolidated proceeding any claims that Columbia’s settled rates or other terms of the base rate settlement should be changed or reduced. All base rate claims by PSU are withdrawn.

Snowshoe Settlement at 8-9.

Both Columbia and PSU submitted Statements in Support asserting that the settlement is fair, just and reasonable and, therefore, in the public interest. The Snowshoe Settlement is conditioned upon the Commission’s approval of the terms and conditions without modification. *Id.* at 10.

1. **ALJ’s Recommendation**

ALJ Long recommended that the Commission approve the severance of the issues raised in PSU’s Amended Complaint related to the Snowshoe Lateral. According to the ALJ, the proposal is a sensible resolution to the dispute. By deferring the litigation of PSU’s claims related to the Snowshoe Lateral, both Columbia and PSU will have the opportunity to develop a thorough record for adjudication without the pressure of the compressed litigation schedule of a base rate proceeding. Further, the ALJ explained that the issues raised by PSU are better addressed in the context of an abandonment petition. Noting that other State College customers who may be affected by the pending abandonment will have an opportunity to participate in the future proceeding, the ALJ found the severance provisions in the Snowshoe Settlement to be in the public interest. R.D. at 52.

The ALJ further determined that the remaining terms of the Snowshoe Settlement go well beyond the base rate related issues of this proceeding by addressing service-related matters which either do not require the approval of the Commission or are premature for the Commission’s consideration. The ALJ stated that PSU and Columbia have requested that the Amended Complaint be severed from this proceeding and consolidated with an abandonment application which, at the time of the issuance of the Recommended Decision, had yet to be filed. Thus, the ALJ found that it would be premature for the Commission to consider the remaining terms of the Snowshoe Settlement. According to the ALJ, it would not be in the public interest for the Commission to have the appearance of prejudging that application and any related filing to that proceeding. Therefore, the ALJ determined that the Amended Complaint, the remaining terms of the Snowshoe Settlement and any related filings should be held in abeyance pending Columbia’s filing of an application for abandonment. *Id.* at 52-53, 61.

1. **Exceptions and Replies**

In its Exceptions, Columbia argues that the Snowshoe Settlement should be approved in its entirety. Columbia expresses concerns that the ALJ’s decision removes several integral provisions of the settlement pertaining to service-related issues raised by PSU.[[9]](#footnote-9) According to Columbia, the ALJ’s recommendation to reserve the service-related terms for later consideration could imperil both the Snowshoe Settlement and the Partial Settlement involving the base rate issues. Columbia Exc. at 5-7.

Columbia challenges the ALJ’s statement that consideration of the service-related terms would be premature or that doing so may prejudge the outcome of the consolidated proceeding. First, the Company asserts that PSU’s Amended Complaint raised operational and service issue related to Columbia’s decisions pertaining to the Snowshoe Lateral and asserted that the utility’s rate increase could be rejected due to inadequate service. Thus, the Company contends, PSU requested that Columbia’s proposed rate increase be evaluated in light of PSU’s service-related concerns. According to the Company, the Snowshoe Settlement, which includes PSU’s agreement to withdraw its base rate claims, is critical to resolving on a final basis the Partial Settlement. *Id.* at 8.

Furthermore, Columbia asserts that the service-related terms are not premature and respond directly to PSU’s concerns about the impact of the Snowshoe Lateral’s removal from service. The Company proffers that the Snowshoe Settlement reasonably preserves the *status quo* of the Snowshoe Lateral’s operations until after a decision is made in the separated proceeding. *Id.* at 9.

Additionally, Columbia argues that the Snowshoe Settlement provides protections for PSU if the Commission resolves the dispute in favor of abandonment. The Snowshoe Settlement’s terms, Columbia contends, are directly responsive to the operation of the Snowshoe Lateral pending a decision in the consolidated proceeding. Moreover, they provide a reasonable time thereafter to permit customers and marketers to adapt if necessary. Columbia states that these terms do not prejudge the future application and consolidated proceeding in any way. For example, the Company cites to provisions protecting against a too-rapid shutdown of the Snowshoe Lateral if the Commission resolves the proceeding in favor of Columbia. Likewise, if the Commission ultimately denies the abandonment application, the provisions contain requirements for the Company to rebuild the Snowshoe Lateral and for PSU to support the inclusion of those costs in the Company’s rate base. *Id.* at 10-11.

Finally, Columbia argues that the ALJ failed to recognize that the Snowshoe Settlement was predicated on the Commission’s approval without modification. If PSU were to withdraw from the Snowshoe Settlement, the Company states, PSU could contest Columbia’s base rate increase. This would thereby eliminate any judicial economy gained by allowing the severance of the service-related issues from the base rate proceeding. *Id.* at 11-12.

PSU raises four Exceptions in response to the ALJ’s findings pertaining to the Snowshoe Settlement. First, PSU argues that the approval of the Snowshoe Settlement without modification would be in the public interest. PSU notes that Columbia would be required to keep transportation facilities in service for at least eighteen months after any Commission order approving removal of the service. This would provide certainty to Penn State and other customers about their natural gas supply purchases. Additionally, PSU contends that the provisions requiring Columbia to upgrade POD facilities to remedy any existing bottlenecks or lack of facilities would help all State College customers and promote infrastructure redundancy and competition in the natural gas supply market. PSU Exc. at 3, 5-11.

In its second Exception, PSU argues that the approval of Columbia’s base rate increase without addressing the inefficiency, ineffectiveness and inadequacy of the Company’s service would violate the Code and appellate court decisions. Citing to Sections 523(a) and 526(a) of the Code, 66 Pa. C.S. §§ 523(a) and 526(a), PSU contends that the Commission is required to review whether the service rendered by a utility is efficient, effective and adequate before approving any rate increase. [[10]](#footnote-10) PSU proffers that the ALJ’s recommendation to approve Columbia’s rates without resolving the service-related issues raised in PSU’s Amended Complaint would violate legislative intent and produce rates which are subject to challenge and potential refund. In support, PSU cites to *Joseph Horne Co. v. Pa. PUC*, 506 Pa. 475, 485 A.2d 1105 (1984) (*Joseph Horne*), for the proposition that the Commission cannot allow rates without affording due process and a hearing and that deferring issues raised in rate cases into a subsequent proceeding amounts to illegal temporary rates. PSU Exc. at 11-12.

In its third Exception, PSU argues that the approval of Columbia’s rates without holding an evidentiary hearing related to the Snowshoe Lateral service-related allegations would deprive Penn State of due process and violate related appellate decisions such as *Joseph Horne.* PSU Exc. at 12-14. PSU’s final Exception asserts that the failure to approve the Snowshoe Settlement without modification would thwart, without any discernable reason, the Commission’s policy of encouraging settlements in rate cases. *Id.* at 14-15.

I&E filed Replies to Exceptions related to the Snowshoe Settlement. In its Replies, I&E states that the only signatories to the Snowshoe Settlement are Columbia and PSU and that I&E does not oppose the settlement. Further, I&E notes that the Snowshoe Settlement may impact the Partial Settlement because PSU’s agreement not to oppose the base rate claims was contingent upon the full approval of the Snowshoe Settlement without modification. I&E R. Exc. at 5.

1. **Disposition**

Upon review, we will approve the Snowshoe Settlement without modification. In her Recommended Decision, ALJ Long explained that during the course of the litigation of the base rate proceeding, no other Party raised any issues related to the Snowshoe Lateral. Similarly, she stated no other Party took a position on the agreement between Columbia and PSU to defer resolution of the Snowshoe Lateral dispute until Columbia files a formal abandonment application with the Commission. R.D. at 14. Furthermore, as noted above, I&E states that it does not oppose the Snowshoe Settlement and recognizes the potential for problems in the Partial Settlement (referred to as “base rate settlement” on page 9 of the Snowshoe Settlement, *supra*) if the service-related issues pertaining to the Snowshoe Lateral are held in abeyance. Thus, the proposed Snowshoe Settlement is uncontested.

The ALJ also reasoned that it would be premature to permit PSU’s service-related issues to be consolidated with an abandonment application which, at the time, had not been filed. According to the ALJ, it would not be in the public interest for the Commission to have the appearance of prejudging a future abandonment application. Thus, she found that the PSU’s Amended Complaint, the Snowshoe Settlement and related filings should be held in abeyance “pending Columbia’s filing of an application for abandonment.” R.D. at 53. In light of Columbia’s subsequent filing of the Abandonment Application on October 30, 2015, however, the ALJ’s concerns that it would be premature to consolidate the service-related issues are now moot.

Moreover, we agree with Columbia that the service-related terms of the Snowshoe Settlement respond directly to PSU’s concerns about the impact of the proposed removal of the lateral from service. The provisions do not prejudge the Commission’s consideration of the consolidated proceeding but rather contain appropriate protections and remedies depending upon how the Commission ultimately resolves the dispute. Upon consideration, we shall grant the first Exception of Columbia, modify the Recommended Decision and approve the Snowshoe Settlement without modification.[[11]](#footnote-11)

# Contested Issue

1. **Hardship Fund**
2. **Background**

Columbia’s Hardship Fund provides financial assistance in the form of grants, which are administered by the Dollar Energy Fund (DEF)[[12]](#footnote-12) to Columbia’s low-income residential customers who need temporary assistance in paying their gas bills and who meet certain qualification guidelines. Columbia M.B. at 7. Columbia’s Hardship Fund program has a total projected budget of $409,000. CAUSE-PA M.B. at 14. Columbia raises funds for its Hardship Fund through several means, including voluntary donations from shareholders, employees, and ratepayers.[[13]](#footnote-13) Columbia M.B. at 8. However, the current primary source of funds for Columbia’s Hardship Fund is an amount of $375,000 that is recovered from all of Columbia’s non-CAP residential customers through Columbia’s USP Rider. *Id.*; Columbia St. 112-RJ at 1.

Prior to 2012, Columbia received $375,000, less a $13,125 administrative fee, for its Hardship Fund from Citizens Energy Corporation (Citizens Energy) pursuant to a gas supply contract between Columbia and Citizens Energy. However, in 2012, Columbia cancelled this contract. Columbia M.B. at 8-9. As part of the settlement in Columbia’s 2012 base rate proceeding at Docket No. R-2012-2321748, the parties to the settlement agreed that Columbia would be able to recover $375,000 per year for its Hardship Fund through its USP Rider to compensate for the loss of funds that resulted from the cancellation of Columbia’s contract with Citizens Energy. OCA M.B. at 5-6.

On June 2, 2014, Columbia filed its proposed 2015-2018 Universal Service and Energy Conservation Plan (USECP) with the Commission at Docket No. M-2014-2424462. On March 26, 2015, the Commission entered a Tentative Order (*Tentative Order*) proposing to approve Columbia’s USECP and requesting comments from interested parties regarding the contents of the USECP. Among the issues for which the Commission invited comment was the issue of the cost recovery funding mechanism for the Hardship Fund. OCA M.B. at 6. The Commission noted that although it did not seek to amend Columbia’s present funding mechanism, it was concerned that donations for Columbia’s Hardship Fund will decline as non-CAP customers become aware that they are already contributing toward the Hardship Fund through the USP Rider. *Tentative Order* at 28. On July 8, 2015, the Commission entered its Final USECP Order (*USECP Order*)[[14]](#footnote-14) in this matter and directed the Parties to the instant base rate case to address, through testimony in the matter before us, the issue of whether funding for the Hardship Fund should continue to be recovered through the USP Rider. *USECP Order* at 40; OCA M.B. at 6.

1. **Positions of the Parties**

**a. Columbia**

Columbia submitted that in its *USECP Order,* the Commission did not mandate that Columbia immediately cease recovering $375,000 for its Hardship Fund through contributions received through its USP Rider without also permitting Columbia sufficient time to initiate alternative voluntary fundraising efforts. Columbia M.B. at 6‑7, 13. To the contrary, Columbia argued that the Commission merely instructed the Parties to address the issue of cost recovery of funding for the Hardship Fund through the USP Rider in the matter before us. *Id.* at 10. Columbia posited that if it was the intention of the Commission to direct the immediate removal of $375,000 in hardship funding from the USP Rider, the Commission would have explicitly mandated this in the *USECP Order*. Columbia R.B. at 2. Additionally, Columbia contended that immediate reduction of funding to the Hardship Fund would be detrimental to low-income customers who are dependent on this funding. Columbia M.B. at 7.

Columbia asserted that because it has experienced an increase in fuel fund utilization (*i.e.*, Columbia’s Hardship Fund), the contribution to the Hardship Fund it currently recovers through the USP Rider remains necessary. Therefore, Columbia concurred with the OCA’s recommendation, outlined, *infra,* that Columbia should be permitted to temporarily continue to recover the $375,000 Hardship Fund contribution it currently receives through its USP Rider while it proactively seeks additional voluntary funding to replace this current recovery mechanism. In Columbia’s view, the OCA’s proposal adequately addressed the Commission’s directive in its *USECP Order* while also affording Columbia sufficient time to increase fundraising efforts and to fully develop additional voluntary sources of funding to replace the current funding mechanism. Columbia averred that it intended to immediately seek additional sources of voluntary funding. Columbia pointed out that, as part of the Partial Settlement reached in the instant case, it agreed to establish a Universal Service Advisory Committee. Columbia noted that it would call upon this Committee to suggest ways to secure additional voluntary funding for the Hardship Fund. Columbia M.B. at 7, 12-13.

**b. OCA**

The OCA submitted that although it opposes the use of ratepayer dollars to fund the Hardship Fund, it would be prudent to permit Columbia to have sufficient time to plan for the removal of such funding from its USP Rider. As such, the OCA recommended that Columbia be permitted to temporarily continue recovering funding for the Hardship Fund via its USP Rider until Columbia files its next base rate case, at which time it should be directed to include a plan to address this issue. The OCA also recommended that Columbia be directed to, in the interim, increase its fundraising efforts by seeking sources of voluntary funding to replace the funding it currently recovers through the USP Rider. OCA M.B. at 6-8. According to the OCA, this recommendation is one that is consistent with the *USECP Order* because it would balance the interests of Columbia’s residential customers who pay the USP Rider with the interests of those who utilize the Hardship Fund. *Id.* at 9. Additionally, the OCA asserted that its recommendation would prepare Columbia to be able to remove the $375,000 contribution from its USP Rider and to transition to voluntary funding without the Hardship Fund being jeopardized. Columbia R.B. at 4-5.

The OCA next pointed out the important role of the Hardship Fund in providing residential customers who are in dire financial condition with the ability to maintain natural gas service. In this regard, the OCA submitted that the *USECP Order* did not direct the immediate cessation of funding the Hardship Fund through the USP Rider. OCA M.B. at 9-10. The OCA further noted that although I&E, as outlined below, submitted that Columbia must immediately cease recovering funding for the Hardship Fund via its USP Rider, it did not provide any reference to where the Commission makes this direction in the *USECP Order*. According to the OCA, this is because the Commission made no such directive. The OCA opined that the *USECP Order* instead merely directed the Parties to address this issue in the instant case. OCA R.B. at 3.

**c. CAUSE-PA**

Similar to Columbia and the OCA, CAUSE-PA argued in favor of permitting Columbia to continue recovering $375,000 through its USP Rider, for the purpose of funding its Hardship Fund program, until the earlier of its next base rate case or its next USECP filing. CAUSE-PA M.B. at 8. According to CAUSE-PA, such a proposal is in the public interest because it ensures the continued availability of funds for necessary emergency assistance for vulnerable households, thereby preventing increased terminations and uncollectible expenses. *Id.* at 11.

CAUSE-PA also concurred with the positions of Columbia and the OCA that the Commission did not explicitly direct Columbia to immediately cease funding the Hardship Fund via the USP Rider, but instead directed the Parties to examine this issue in the instant case. CAUSE-PA M.B. at 12. CAUSE-PA submitted that directing the immediate cessation of funding, without also providing Columbia with sufficient time to secure alternative funding, would run contrary to the Commission’s Universal Service program requirements, and could have perilous consequences for low income customers in Columbia’s service territory that are dependent on the Hardship Fund. *Id.* at 8, 11.

CAUSE-PA pointed out that although the Commission expressed concern regarding Columbia’s use of its USP Rider to fund the Hardship Fund program in the *USECP Order*, it, nonetheless, found Columbia’s Hardship Fund program to be compliant with Commission regulations and explicitly approved this program for program years 2015-2018, including its anticipated participation level, funding structure, and administrative design. CAUSE-PA M.B. at 10-11. CAUSE-PA contended that I&E’s position that Columbia should not be permitted a reasonable amount of time to develop alternative fundraising programs, while temporarily maintaining its current cost recovery mechanism for its Hardship Fund program in the interim, is flawed. CAUSE-PA R.B. at 3. CAUSE-PA submitted that neither the text nor the ordering paragraphs of the *USECP Order* support I&E’s position, nor did the *USECP Order* contain any such directive. Further, CAUSE-PA asserted that I&E did not present any evidence to show how the OCA’s proposal to permit Columbia to temporally continue its current cost recovery mechanism would be unjust or unreasonable or that it would have any negative impact on Columbia’s non-CAP residential ratepayers. To the contrary, CAUSE-PA submitted that the OCA’s proposal, as endorsed by Columbia and CAUSE-PA, is the only just and reasonable solution. *Id.* at 8-9.

**d. I&E**

I&E opined that neither Columbia nor the OCA set forth recommendations that satisfy the Commission’s directive in its *USECP Order* that the Parties address the Hardship Fund issue in the matter before us. I&E M.B. at 4. Similarly, I&E argued that CAUSE-PA’s concern regarding the negative effect that immediate cessation of recovery of funds through the USP Rider could have on low-income residential customers is irrelevant. In I&E’s view, the real concern is that Columbia’s present recovery mechanism makes contributions to the Hardship Fund compulsory, and not voluntary. I&E R.B. at 12.

On the other hand, I&E contended that its own recommendation satisfies the directive the Commission expressed. Specifically, I&E took the position that the Commission, in its *USECP Order*, clearly directed Columbia to immediately abstain from utilizing its USP Rider to fund the Hardship Fund and to immediately begin funding the Hardship Fund solely through voluntary donations. According to I&E, this is the only way to interpret the plain language of the *USECP Order*. I&E M.B. at 4-7.

1. **ALJ’s Recommendation**

In her Recommended Decision, the ALJ accepted the position of the OCA, as endorsed by Columbia and CAUSE-PA, that the Commission did not mandate the immediate removal of the $375,000 funding of the Hardship Fund from the USP Rider, but instead instructed the Parties to “address” this issue in the instant case. R.D. at 56. The ALJ noted that in the *Tentative Order*, the Commission indicated that it was not presently seeking to amend Columbia‘s funding mechanism for its Hardship Fund. *Id.* (citing *Tentative Order* at 28). The ALJ ruled that when read in conjunction with the *USECP Order*, it is clear that the Commission was simply instructing the Parties to discuss other ways for Columbia to obtain funding for the Hardship Fund and to develop a plan for Columbia to cease recovery through its USP Rider in a timely manner. Additionally, the ALJ pointed out that although the Commission, via its *USECP Order*, directed Columbia to make several amendments to its USECP, it did not direct Columbia to remove the hardship funding from its USP Rider. R.D. at 56.

The ALJ also found merit in the arguments of the OCA and CAUSE-PA that directing the immediate removal of funding for the Hardship Fund from the USP Rider without permitting Columbia time to secure other sources of funding would have an adverse impact on customers who are reliant on the services provided by the Hardship Fund. The ALJ noted that beyond stating its belief that such concerns are irrelevant, I&E offered no evidence to rebut the testimony of the witnesses for the OCA and CAUSE-PA. Further, the ALJ found that I&E failed to proffer testimony to demonstrate that temporarily maintaining funding for the Hardship Fund through the USP Rider was not in the public interest or that it posed an undue burden to ratepayers. R.D. at 56-57.

In light of the above, the ALJ recommended that Columbia be permitted to temporarily continue funding its Hardship Fund through its USP Rider while it actively seeks additional sources of voluntary funding to replace its current funding mechanism. The ALJ further recommended that Columbia be directed to have a plan in place outlining how it will replace such funding and to address the alternative recovery of this funding in its next base rate case. R.D. at 58-59.

1. **Exceptions and Replies**

Both Columbia and I&E excepted to the ALJ’s ruling. Columbia’s Exceptions seek clarification regarding the ALJ’s recommendation, while I&E’s Exceptions seek reversal of this recommendation. Additionally, I&E filed Replies to Columbia’s Exceptions, while Columbia, the OCA, and Cause-PA filed Replies to I&E’s Exceptions. The Exceptions and the associated Replies to Exceptions are addressed below.

**a. I&E’s Exceptions and the Replies to Exceptions of Columbia, the OCA and CAUSE-PA**

I&E excepts to the ALJ’s recommendation that the Commission adopt the positions of Columbia, the OCA, and CAUSE-PA. I&E submits that none of these positions accomplish the Commission’s directive that the Parties “address” the issue of the Hardship Fund in the matter before us. I&E Exc. at 4-5, 8. I&E points out that, in its *USECP Order*, the Commission rejected Columbia’s argument that it could not fund its Hardship Fund through voluntary resources and noted that every other natural gas distribution company and electric distribution company has done so. *Id.* at 5 (citing *USECP Order* at 39-40). As a result, I&E reasons that it is logical to conclude that Columbia’s use of its USP Rider to collect $375,000 for its Hardship Fund, which is akin to mandatory funding, is inconsistent with the *USECP Order*. *Id.* at 5.

I&E posits that it is plausible that Columbia’s search for voluntary funding for the Hardship Fund could continue for an indefinite period. I&E points out that Columbia has been collecting mandatory funds through its USP Rider since the settlement of its 2012 base rate case and still has yet to find additional voluntary resources sufficient to replace this mandatory funding. I&E reasons that Columbia could simply state in its next base rate case that it has not had sufficient time to secure voluntary funding, thereby continuing to hold the ratepayers of Columbia’s USP Rider captive and forcing them to continue funding the Hardship Fund in perpetuity. I&E Exc. at 8.

Therefore, I&E remains of the opinion that the Commission should direct Columbia to immediately discontinue recovering funding for its Hardship Fund via mandatory collections obtained through its USP Rider. I&E suggests that Columbia could easily satisfy the concerns of the OCA and CAUSE-PA, that this immediate removal could adversely impact low-income customers dependent on the fund, by making a voluntary contribution of $375,000 to the Hardship Fund until it finds other voluntary funding to replace its own voluntary contribution. I&E points out that a contribution in this amount is a “relatively small sum.” I&E Exc. at 8.

Columbia retorts that I&E’s position that the Commission mandated that Columbia immediately remove the $375,000 Hardship Fund contribution from the USP Rider should be rejected because I&E fails to identify any error in the ALJ’s interpretation of the *USECP Order*. On the other hand, Columbia is of the opinion that the ALJ’s interpretation and resulting conclusions are well reasoned and are based on several facts set forth in the record. Specifically, Columbia notes the ALJ’s conclusion that when read in context with the *Tentative Order*, it is clear that the intention of the Commission in issuing its *USECP Order* was not to immediately remove the Hardship Fund contribution from the USP Rider, but was instead to direct the parties to consider ways to raise additional voluntary funding. Columbia also echoes the ALJ’s finding that the current hardship funding mechanism was not part of the list of amendments the Commission, in its *USECP Order*, instructed Columbia to make to its Universal Service Plan. Columbia R. Exc. 1-2.

Columbia emphasizes that beyond its assertion that the Commission directed the Parties to “address” the Hardship Fund issue in the present case, I&E fails to offer support for its own interpretation of the *USECP Order*. Namely, Columbia points out that I&E fails to explain why its interpretation of the word “address” necessarily means that Columbia must immediately abstain from its current hardship funding mechanism. Columbia reiterates that if the Commission had set forth its *USECP Order* as I&E interprets it, it would not have instructed the Parties to address the Hardship Fund issue in the matter before us. Columbia R. Exc. at 3.

Columbia next argues that although I&E depicts the $375,000 Hardship Fund contribution as a “relatively small amount,” it fails to consider the negative effects on low-income customers that would result if the present Hardship Fund contribution were removed from the USP Rider immediately with no alternative funding mechanism in place. According to Columbia, the ALJ correctly rejected I&E’s position because the record demonstrates that low-income customers could be harmed if I&E’s position were adopted. Citing its own Reply Briefs at 3-6, Columbia also points out that, contrary to I&E’s suggestion, it cannot be directed to provide $375,000 in Hardship Funding voluntarily in the interim while it seeks additional voluntary funding. Columbia submits that in accordance with existing case law, utilities are permitted to recover expenses that are prudently incurred for general policy reasons. Therefore, Columbia reasons that it must be permitted to recover any contribution to the Hardship Fund that it is required to provide. Columbia R. Exc. at 3-5.

Additionally, Columbia rebuts I&E’s assertion that its search for additional voluntary funding could continue for an indefinite period, to the detriment of ratepayers. Columbia acknowledges that beyond its use of voluntary funding used to supplement the $375,000 it receives for the Hardship Fund via its USP Rider, it has not yet replaced funding for the Hardship Fund with additional voluntary sources in the three years since the settlement of its 2012 base rate case. However, Columbia points out that it was under no previous obligation to do so. Columbia R. Exc. at 5-6. Columbia submits that the above reasoning by I&E cannot be used as a basis to conclude that it will not now commence such efforts going forward. Columbia argues that it has, in fact, already committed to embark on such efforts and to present a plan outlining its efforts when it files its next base rate case. Columbia notes that interested parties, including I&E, will be free to evaluate these efforts at that time. Columbia also restates that, as part of the Partial Settlement in the instant case, it has already agreed to establish a Universal Service Advisory Committee to aid it in its efforts to devise means to secure additional voluntary funding. Therefore, Columbia asserts that I&E’s arguments to the contrary should be rejected. *Id.* at 6-7.

In its Replies to I&E’s Exceptions, the OCA contends that, although I&E continues to argue that the Commission, through its *USECP Order*, directed that the present funding mechanism for Columbia’s Hardship Fund must end in the instant base rate proceeding, the ALJ correctly rejected I&E’s position. Specifically, the OCA submits that contrary to I&E’s assertion, the Commission’s instruction to the Parties to “address” the Hardship Fund issue in the instant case does not require an immediate end to the current Hardship Fund mechanism. Instead, similar to Columbia’s argument above, the OCA maintains that the *USECP Order* simply instructed the Parties to “address” whether Columbia should continue to recover funding for its Hardship Fund through its USP Rider, but did not specifically outline how the Parties are to address this issue. Therefore, the OCA agrees with the ALJ’s finding that the Commission would have specifically directed Columbia to end its present funding mechanism if it intended for Columbia to do so immediately. Moreover, the OCA points to the ALJ’s conclusion that when the *USECP Order* is read in context with the *Tentative Order*, it is clear that the Commission did not intend to mandate the immediate removal of hardship funding from the USP Rider. OCA R. Exc. at 3-4, 6.

In response to I&E’s assertion that Columbia’s search for voluntary funding could continue for an indefinite period, the OCA submits that I&E misconstrues the ALJ’s recommendation. According to the OCA, the ALJ’s recommendation does not hold the Hardship Fund issue in abeyance indefinitely. Instead, the OCA argues that the ALJ sets in motion the process by which Columbia will transition from funding the Hardship Fund primarily through the use of its USP Rider to funding the Hardship Fund entirely through voluntary funding. The OCA highlights the ALJ’s recommendation that Columbia should be directed to accelerate its fundraising efforts for the Hardship Fund and to address removing the funds from its USP Rider as part of its *next* base rate case. OCA R. Exc. at 5-6.

The OCA also maintains its position that the record indicates that immediately removing hardship funding from the USP Rider without simultaneously replacing these funds with an alternative funding mechanism would have a detrimental impact on residential low-income customers who rely on the Hardship Fund to maintain service. OCA R. Exc. at 6. The OCA points to Columbia’s testimony that the $375,000 it collects for the Hardship Fund via its USP Rider is still needed because it continues to experience an increase in fuel fund utilization. OCA R. Exc. at 7 (Citing Columba St. 112-RJ at 4). In the OCA’s view, the ALJ’s recommendation to allow Columbia to temporarily continue funding its Hardship Fund through the USP Rider properly considers this evidence. OCA R. Exc. at 7.

In its Replies to I&E’s Exceptions, CAUSE-PA contends that I&E’s Exceptions are not supported by either the law or the record evidence and should be rejected. According to CAUSE-PA, I&E continues to misinterpret the Commission’s intent as outlined in the *USECP Order*. In this regard, CAUSE-PA maintains that the ALJ correctly concluded that when the *USECP Order* is read in tandem with the *Tentative Order* in the same proceeding, it becomes clear that the Commission did not presently seek to amend Columbia’s funding mechanism for its Hardship Fund but instead simply directed the Parties to address the issue of Hardship Fund cost recovery. CAUSE-PA R. Exc. at 2.

CAUSE-PA also highlights the ALJ’s finding that both the OCA and CAUSE-PA provided unrebutted testimony that immediate removal of funding for the Hardship Fund via the USP Rider without having corresponding alternative voluntary funding in place would have a detrimental impact on customers who are dependent on the Hardship Fund. Similarly, CAUSE-PA points to the ALJ’s finding that I&E did not provide any evidence to indicate that temporarily continuing to fund the Hardship Fund through Columbia’s USP Rider would be burdensome to ratepayers or would run contrary to the public interest. CAUSE-PA R. Exc. at 3.

**b. Columbia’s Exceptions and I&E’s Replies to Exceptions**

In its Exceptions, Columbia notes that it agrees with the ALJ’s recommendation that the Commission adopt the OCA’s proposal to permit Columbia to temporarily continue to recover funding for the Hardship Fund through the USP Rider while Columbia actively seeks to raise additional voluntary funding. Columbia also avers that in its next base rate case, it will address the issue of the Hardship Fund and will outline a plan to seek out additional sources of voluntary funding. Nonetheless, Columbia requests that the Commission modify the ALJ’s recommendation by clarifying that the exact amount of funding Columbia secures from the additional fundraising efforts it will undertake should not be assumed. Columbia Exc. at 12-13.

Columbia points out that the ALJ’s recommendation is currently worded, in part, as follows: “Columbia should have a plan in place to replace the funding from voluntary sources and should address the alternative recovery of the hardship funding in its next base rate proceeding.” Columbia Exc. at 12 (citing R.D. at 59). Columbia submits that the ALJ’s use of the word “replace” could be interpreted as an expectation that Columbia’s elevated fundraising efforts will result in an amount equal to the present $375,000 that it currently recovers for the Hardship Fund via its USP Rider. Columbia reasons that although it will strive to implement a plan which will generate the maximum possible level of voluntary funding, it has only recently initiated such efforts. As such, Columbia argues that it has no control over the amount that others are willing to contribute and asserts that it will not know that the exact amount of funding until it develops its accelerated fundraising efforts and reaches out to entities to determine the availability of additional funds. Columbia Exc. at 14. Columbia further notes that the OCA’s recommendation to permit Columbia to have additional time to raise additional voluntary funds was based on its concern that because Columbia does not yet have a plan in place for additional voluntary fundraising, the immediate removal of the $375,000 contribution from the USP Rider could adversely impact low-income customers. Columbia Exc. at 14, n.5.

In response to the above, I&E submits that Columbia’s request for clarification, as outlined in its Exceptions, is inapposite. According to I&E, the amount of funding that should be “replaced” was never an issue in either the instant case or in Columbia’s USECP Proceeding because Columbia has always had complete control over the amount of voluntary funding that it provides for the Hardship Fund. Instead, I&E restates that, with respect to the Hardship Fund, the USECP Proceeding was focused narrowly on the fact that this fund is financed primarily through mandatory contributions obtained via Columbia’s USP Rider. Therefore, I&E characterizes Columbia’s Exceptions as nothing more than an attempt to prolong these mandatory contributions. In I&E’s view, this strengthens the argument I&E makes in its own Exceptions that it is plausible that Columbia’s search for voluntary funding could continue indefinitely, to the detriment of Columbia’s ratepayers. I&E posits that the Commission can remedy this by granting its own Exceptions and directing Columbia to immediately cease recovering funding for its Hardship Fund through its USP Rider. I&E contends that immediately ending this compulsory funding will satisfy any confusion on Columbia’s part regarding the presupposition of the amount of fundraising that Columbia is able to obtain through its accelerated fundraising efforts. I&E R. Exc. at 7-8.

1. **Disposition**

On consideration of the positions of the Parties and the record evidence, we shall deny I&E’s Exceptions, grant Columbia’s Exceptions, and adopt the recommendation of ALJ Long, except as modified below, consistent with the following discussion.

As an initial matter, we concur with the ALJ, Columbia, the OCA, and CAUSE-PA that when the *Tentative Order* and the *USECP Order* are read in tandem, it is clear that the Commission did not instruct Columbia to immediately refrain from recovering funding for its Hardship Fund through its USP Rider. As the ALJ observed, in our *Tentative Order,* we stated as follows:

Although **we are not seeking to amend Columbia’s funding mechanism for its Hardship Fund program at this time and would not do so in this proceeding**, the Commission invites comments from interested parties on whether monies for Hardship Fund grants should be recovered, and if so, how.

*Tentative Order* at 28 (emphasis added). In our *USECP Order,* we reiterated that “[a]lthough we did not propose to amend Columbia’s funding mechanism for its Hardship Fund program in the Tentative Order, we invited comments from interested parties on whether monies for Hardship Fund grants should be recovered, and if so, how.” *USECP Order* at 39. Although we noted that we were not persuaded that Columbia cannot fund its Hardship Fund program using only voluntary resources, we did not specifically instruct Columbia to immediately cease using its present funding mechanism. Instead, upon consideration of the comments received from the OCA, we stated that “relevant parties should address this issue through Columbia’s current rate proceeding.” *Id.* at 40.

As the ALJ also observed, although we directed Columbia to make thirteen revisions to its USECP, we did not instruct Columbia to revise the funding mechanism for its Hardship Fund. *See USECP Order* at 53-54. Instead, as CAUSE-PA points out, in the section of our *USECP Order* discussing the Hardship Fund Program, including our acknowledgment that Columbia uses funding obtained via the USP Rider, we stated that “[w]e continue to find that Columbia’s Hardship Fund program complies with Commission regulations, therefore we require no changes regarding this program in Columbia’s Revised 2015-2018 Plan at this time.” *Id.* at 36-37.

Additionally, we find that the OCA’s proposal, as endorsed by Columbia and CAUSE-PA, is the most reasonable one on the record. As noted above, approximately ninety-two percent of the money allotted for the Hardship Fund, $375,000 of the total $409,000 projected program budget, is currently funded through Columbia’s USP Rider. CAUSE-PA and the OCA have demonstrated on the record the crucial role that the Hardship Fund plays as a fund of last resort for low-income customers in need of temporary assistance in paying their natural gas bills and maintaining their service. The record also indicates that Columbia has experienced an increase in the amount of its customers who utilize the Hardship Fund. Therefore, we are not persuaded by I&E’s argument that the negative effect that immediate cessation of recovery of funds through the USP Rider could have on low-income customers is irrelevant or that the real concern regarding the present funding mechanism is that it requires mandatory contributions.

To the contrary, we find that such immediate cessation of the present funding mechanism, without there being an alternative funding mechanism in place, could negatively impact Columbia’s entire customer base. As CAUSE-PA points out, the Hardship Fund program aids in decreasing terminations and the corresponding uncollectible expenses associated with those terminations. When a utility experiences uncollectible expenses, such costs are ultimately borne by all of the utility’s ratepayers. *Bolt v. Duquesne Light Co.,* Docket No. Z‑8712758 (Order entered April 8, 1988). Accordingly, we agree with the OCA, Columbia, and CAUSE-PA that it would be in the public interest for Columbia to be given time to raise voluntary funds for its Hardship Fund rather than immediately directing Columbia to cease recovering funding through its USP Rider. The record evidence shows that the OCA’s proposal would permit Columbia to seek out and secure additional voluntary funding for the Hardship Fund while not adversely impacting those dependent on the Hardship Fund in the interim. As several parties note, I&E has offered no evidence either to refute the negative impact that immediately removing the hardship funding from the USP Rider would have on low-income customers or to show that ratepayers continuing to temporarily fund the Hardship Fund through the USP Rider would be harmed.

In a similar fashion, we find I&E’s argument that Columbia’s additional fundraising efforts could continue indefinitely without resolution, thereby requiring that hardship funding through the USP Rider continue in perpetuity, to be without merit. We agree with Columbia that the fact that beyond the voluntary funding it currently receives, it did not previously substitute funding from additional voluntary sources for funding obtained via its USP Rider cannot be used as a predisposition that it will not now undertake such efforts. As Columbia notes, although it was not previously under the obligation to seek additional voluntary fundraising efforts, it has recently commenced doing so. For example, the Partial Settlement in this proceeding corroborates Columbia’s assertion that it has committed to establishing a Universal Service Advisory Committee and will consult this committee as it seeks out low income customer outreach efforts. Partial Settlement at 13-14, ¶¶ 66-69. Moreover, as the OCA points out, the ALJ’s recommendation in this proceeding is that Columbia be directed to accelerate its voluntary fundraising efforts for the Hardship Fund and to address removing the hardship funding from its USP Rider as part of its *next* base rate case. We are of the opinion that the ALJ’s recommendation provides clear instruction for Columbia to transition to voluntary funding within a definite time period.

For the above reasons, we disagree with I&E that the Commission’s use of the word “address” was intended to instruct Columbia to immediately abandon the use its current hardship funding mechanism. The credible record evidence indicates that by instructing the Parties to “address” the Hardship Fund issue, the Commission simply intended to instruct Columbia to devise a plan by which it will transition toward funding its Hardship Fund entirely through voluntary means and to instruct the Parties to consider ways for Columbia to raise additional voluntary funding. Therefore, we shall reject I&E’s position and deny I&E’s Exceptions.

Notwithstanding our finding that the ALJ’s above recommendation should be adopted, we also find it prudent to grant Columbia’s request for clarification that it seeks in its Exceptions. As Columbia points out, the Recommended Decision, as presently written, could be interpreted to require Columbia to make a funding commitment over which it has no control. Therefore, in order to eliminate any ambiguity, we shall grant Columbia’s Exceptions and hereby clarify that with regard to the plan that Columbia is required to place into effect in its next base rate proceeding for the alternative recovery of the funding of its Hardship Fund, it is our intent that the exact amount of money that will be raised through the plan from voluntary sources and additional fundraising efforts shall not be assumed.

# Conclusion

It is the Commission’s policy to promote settlements. 52 Pa. Code § 5.231. The Parties herein have provided the Commission with sufficient information upon which to thoroughly consider the terms of the proposed Joint Petition for Partial Settlement, as well as the Snowshoe Settlement. Based on our review of the record in this case, including the Joint Petition for Partial Settlement and the Statements in Support thereof, we find that the proposed Joint Petition for Partial Settlement between Columbia, I&E, the OCA, the OSBA, CII, the NGS Parties, CAUSE-PA and RESA, in addition to the amended Snowshoe Settlement between Columbia and PSU, are in the public interest. Accordingly, we shall adopt the Recommended Decision, as modified, consistent with this Opinion and Order, and grant the Joint Petition for Partial Settlement and the amended Snowshoe Settlement. Additionally, we shall deny the Exceptions of I&E and grant the Exceptions of Columbia. The Exceptions of PSU are rendered moot; **THEREFORE:**

**IT IS ORDERED:**

1. That the Exceptions filed by the Commission’s Bureau of Investigation and Enforcement to the Recommended Decision of Administrative Law Judge Mary D. Long are denied.
2. That the Exceptions filed by Columbia Gas of Pennsylvania, Inc. to the Recommended Decision of Administrative Law Judge Mary D. Long are granted.
3. That the Exceptions filed by The Pennsylvania State University to the Recommended Decision of Administrative Law Judge Mary D. Long are granted, in part, and denied, in part.
4. That the Recommended Decision of Administrative Law Judge Mary D. Long, issued on October 13, 2015, is adopted, as modified by this Opinion and Order.
5. That the Joint Petition for Partial Settlement filed August 27, 2015, by Columbia Gas of Pennsylvania, Inc., the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, Columbia Industrial Intervenors, the NGS Parties, The Pennsylvania State University, and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, is approved.

6. That Columbia Gas of Pennsylvania, Inc. temporarily shall be allowed to continue to recover $375,000 in Hardship Fund funding through Rider USP while Columbia Gas of Pennsylvania, Inc. undertakes enhanced efforts to seek out additional sources of voluntary funding for its Hardship Fund.

7. That Columbia Gas of Pennsylvania, Inc. shall have a plan in place to seek out the funding from voluntary sources and should address the alternative recovery of the hardship funding in its next base rate proceeding. The exact amount of money that will be raised through the plan from voluntary sources and additional fundraising efforts shall not be assumed.

8. That Columbia Gas of Pennsylvania, Inc. shall be permitted to file a tariff supplement incorporating the terms of the Joint Petition for Partial Settlement and changes to rates, rules and regulations as set forth in Appendix C of the Joint Petition for Partial Settlement, to become effective upon at least one (1) day’s notice after the date of entry of this Opinion and Order, for service rendered on and after December 18, 2015, which tariff supplement increases Columbia Gas of Pennsylvania, Inc.’s rates so as to produce an annual increase in base rate operating revenues of not more than $28 million.

9. That the Formal Complaint filed by the Office of Consumer Advocate at Docket No. C-2015-2473682, is sustained as it relates to the disposition of the Hardship Fund. The Formal Complaint is otherwise satisfied as it relates to all other issues and shall be marked closed.

10. That the Formal Complaint filed by the Office of Small Business Advocate at Docket No. C-2015-2477816, be marked satisfied and closed.

11. That the Formal Complaint filed by Columbia Industrial Intervenors at Docket No. C-2015-2477120, be marked satisfied and closed.

12. That the Formal Complaint filed by G. Thomas Smeltzer at Docket No. C-2015-2484454, is dismissed.

13. That the Joint Petition for Settlement Removing PSU Amended Complaint Issues from Base Rate Proceeding to a Separate proceeding to be Consolidated with a Future Columbia Application to Abandon the Snowshoe Lateral in Part and Service to Certain Customers, as amended, is approved.

14. That the issues related to the Snowshoe Lateral raised in the Amended Formal Complaint of the Pennsylvania State University filed on July 31, 2015, are severed from Docket No. C-2015-2476623.

15. That the Formal Complaint of the Pennsylvania State University at Docket No. C-2015-2476623 be marked closed.

16. That the Secretary’s Bureau shall assign a new complaint docket number to the Amended Formal Complaint of the Pennsylvania State University filed at Docket No. C-2015-2476623 on July 31, 2015. Columbia Gas of Pennsylvania, Inc.’s answer to the Amended Formal Complaint filed on August 7, 2015, shall be posted to the new docket.

17. That the new Amended Formal Complaint docket referenced in Ordering Paragraph No. 16 above shall be consolidated with the Application for Approval of Abandonment of Service by Columbia Gas of Pennsylvania, Inc. of Natural Gas Service to Six (6) Customers Located in Centre County, Pennsylvania, which was filed on October 30, 2015, at Docket No. A-2015-2513395.

18. That upon Commission approval of the tariff supplement filed by Columbia Gas of Pennsylvania, Inc. in compliance with the Commission’s Order, the investigation at Docket No. R-2014-2468056, be marked closed.

**BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: December 3, 2015

ORDER ENTERED: December 3, 2015

1. CII is comprised of Glen-Gery Corporation and Knouse Foods Cooperative, Inc.), while Dominion, Shipley and IGS are referred to collectively as the Natural Gas Supplier Parties (NGS Parties). [↑](#footnote-ref-1)
2. As discussed, *infra*, we will decline to address the Exceptions of PSU. [↑](#footnote-ref-2)
3. *See*  *Schneider v. Pa. PUC*, 479 A.2d 10 (Pa. Cmwlth. 1984) (Commission is required to provide due process to the parties; when parties are afforded notice and an opportunity to be heard, Commission requirement to provide due process is satisfied). [↑](#footnote-ref-3)
4. These include: (1) a footage allowance of 150 feet of main line per applicant without the need for a NPV analysis; (2) an allowance of 150 feet of service line in normal situations for customers served in those portions of Columbia’s service territory where the Company owns the service line; and (3) reimbursement of up to $1,000 for the installation of house piping on projects when projected revenues exceed projected costs by a certain threshold. [↑](#footnote-ref-4)
5. We note that our approval of the Partial Settlement does not preclude any further tariff changes that may be necessary as a result of the Natural Gas Retail Markets Investigation at Docket No. I-2013-2381742. [↑](#footnote-ref-5)
6. According to PSU, the permanent removal of a portion of the distribution line from the Snowshoe POD, also known as the Snowshoe Lateral, would reduce the number of PODs available to serve the State College area from three to two. PSU contended that this action would deprive Penn State and other customers in the area of the ability to purchase gas received at the Snowshoe POD. PSU averred that it did not know about the Company’s decision to remove the Snowshoe Lateral from service and to buy up DTI capacity before filing its original Complaint because those events had not yet occurred. Motion at 3-7. [↑](#footnote-ref-6)
7. The Amended Snowshoe Settlement clarifies that Columbia will file an application for abandonment no later than October 30, 2015. Previously, the original Snowshoe Settlement indicated that Columbia would file the abandonment application by September 30, 2015. Our references to the Snowshoe Settlement, herein, include the changes indicated in the Amended Snowshoe Settlement. [↑](#footnote-ref-7)
8. Pursuant to the Snowshoe Settlement, on October 30, 2015, Columbia filed an Application for Approval of Abandonment of Service by Columbia Gas of Pennsylvania, Inc. of Natural Gas Service to Six (6) Customers Located in Centre County, Pennsylvania (Abandonment Application) at Docket No. A-2015-2513395. [↑](#footnote-ref-8)
9. Specifically, Columbia avers that the Recommended Decision would remove and defer for later action paragraphs 35-37 of the Snowshoe Settlement, *supra.* [↑](#footnote-ref-9)
10. 66 Pa. C.S. § 523(a) provides:

    The commission shall consider, in addition to all other relevant evidence of record, the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates under this title. On the basis of the commission's consideration of such evidence, it shall give effect to this section by making such adjustments to specific components of the utility's claimed cost of service as it may determine to be proper and appropriate. Any adjustment made under this section shall be made on the basis of specific findings upon evidence of record, which findings shall be set forth explicitly, together with their underlying rationale, in the final order of the commission.

    66 Pa. C.S. § 526(a) provides:

    The commission may reject, in whole or in part, a public utility's request to increase its rates where the commission concludes, after hearing, that the service rendered by the public utility is inadequate in that it fails to meet quantity or quality for the type of service provided.

    [↑](#footnote-ref-10)
11. Based on the foregoing reasons, we need not address the remaining Exceptions in this matter as they are rendered moot. [↑](#footnote-ref-11)
12. DEF handles intake and recertification for Columbia’s CAP. [↑](#footnote-ref-12)
13. Columbia matches voluntary ratepayer donations dollar for dollar. [↑](#footnote-ref-13)
14. *See* *Columbia Gas of Pennsylvania Inc. Universal Service and Energy Conservation Plan for 2015-2018 Submitted in Compliance with 52 Pa. Code § 62.4.* Docket No. M-2014-2424462 (Final Order entered July 8, 2015). [↑](#footnote-ref-14)