BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission : R-2016-2529660

Office of Consumer Advocate : C-2016-2535301

Office of Small Business Advocate : C-2016-2538051

Pennsylvania State University : C-2016-2541623

Columbia Industrial Intervenors : C-2016-2541753

Ralph Miller : C-2016-2538611

Michael Pikus: C-2016-2538843

Richard Collins : C-2016-2547479

James Testrake: C-2016-2555931

:

v. :

:

Columbia Gas of Pennsylvania, Inc. :

**RECOMMENDED DECISION**

Before

Katrina L. Dunderdale

Administrative Law Judge

**TABLE OF CONTENTS**

I. History of the Proceeding 1

A. Introduction 1

B. Public Input Hearings 4

II. TERMS AND CONDITIONS OF SETTLEMENT 4

III. DESCRIPTION OF JOINT SETTLEMENT 5

1. Terms of the Settlement 6
2. Additional Settlement Provisions 13

IV. DISCUSSION OF JOINT SETTLEMENT BY SIGNATORIES 14

A. Columbia’s Statement in Support 15

1. Revenue Requirement 15

a. Distribution Improvement Service Charge (DSIC) 18

b. Tax Repair Allowance Treatment 19

c. Amortizations 20

d. Other Post Employment Benefits (OPEB) Expense 21

e. Future Debt Issuances 22

2. Revenue Allocation 22

3. Rate Design 24

a. Residential Rate Design 24

b. Commercial and Industrial Rate Design 24

c. Other Charges and Riders 25

d. Conclusions as to Rate Design 26

4. Universal Service and Conservation 26

5. Programs to Expand Availability of Gas Service 31

6. Natural Gas Supplier (NGS) Issues 34

7. Restoration Costs 40

8. Transaction Fees Proposal 41

C. BIE’s Statement in Support 41

1. Revenue Requirement 43

2. Transaction Fees 44

3. Revenue Allocation and Rate Design 45

4. Universal Service and Conservation 46

5. Programs to Expand Availability of Gas Service 47

6. Natural Gas Supplier Issues 48

7. Other Issues 48

D. OCA’s Statement in Support 50

1. Revenue Requirement 50

2. Revenue Allocation and Rate Design 51

3. Universal Service and Conservation 52

4. Programs to Expand Availability of Gas Service 54

E. OSBA’s Statement in Support 55

F. Columbia Industrial Intervenors’ Statement in Support 58

1. Revenue Requirement 58

2. Revenue Allocation 58

3. Universal Service and Conservation 59

4. Programs to Expand Availability of Gas Service 59

5. Natural Gas Supplier Issues 59

6. Other 59

7. Public Interest 59

G. Natural Gas Suppliers’ Statement in Support 61

H. CAUSE-PA’s Statement in Support 64

I. CAAP’s Statement in Support 67

J. Pennsylvania State University’s Statement in Support 68

K. Direct Energy’s Statement in Support 69

V. DISCUSSION OF JOINT SETTLEMENT BY ADMINISTRATIVE LAW JUDGE 72

A. Burden of Proof 72

B. Description of the Company 73

C. Rate Requests 74

D. ALJ’s Recommendation 74

VI. CONCLUSIONS OF LAW 76

VII. ORDER 77

I*.* HISTORY OF THE PROCEEDING

This Recommended Decision recommends the Commission approve the Joint Petition for Settlement filed on September 2, 2016 which will increase rates to produce $35.0 million in additional annual operating revenues, or 7.12% increase, over present rates, because it is in the public interest.

A. Introduction

On March 18, 2016, Columbia Gas of Pennsylvania, Inc. (Columbia or the Company) filed Supplement No. 241 to Tariff Gas - Pa. P.U.C. No. 9 at Docket No. R-2016-2529660 (Supplement No. 241), with an effective date of May 17, 2016. Columbia proposed to increase rates to produce additional annual operating revenues of $55.3 million, or 11.23%, over present revenues based upon a pro forma fully projected future test year (FPFTY) ending December 31, 2017. The Company also proposed to increase the residential fixed charge by $2.76 from $16.75 to $19.51 per month.

On March 22, 2016, the Office of Consumer Advocate (OCA) filed a public statement and formal complaint at Docket No. C-2016-2535301. On March 24, 2016, the Bureau of Investigation & Enforcement (BI&E) filed a Notice of Appearance. On April 4, 2016, the Office of Small Business Advocate (OSBA) filed a public statement and formal complaint at Docket No. C-2016-2538051.

By Order entered April 21, 2016, the Commission suspended the implementation of Supplement No. 241 by operation of law, pursuant to 66 Pa.C.S.A. § 1308(d), until December 19, 2016, unless permitted by Commission Order to become effective at an earlier date, and instituted an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations proposed in Supplement No. 241. On April 22, 2016, the Office of Administrative Law Judge (OALJ) scheduled a prehearing conference to be conducted telephonically on April 28, 2016.

On April 5, 2016, Community Action Association of Pennsylvania (CAAP) filed a Petition to Intervene on behalf of nine member community action agencies which are customers of Columbia.

On April 6, 2016, Shipley Choice, LLC; AMERIGreen Energy; Interstate Gas Supply; and Dominion Retail (NGS Parties) filed a Petition to Intervene. On April 12, 2016, the Coalition for Affordable Utility Services and Energy-Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene.

On April 25, 2016, the Pennsylvania State University (PSU) and the Columbia Industrial Intervenors (CII) filed formal complaints at C-2016-2541623 and C-2016-2541753, respectively. Also on April 25, 2016, Direct Energy Business, LLC; Direct Energy Services, LLC; and Direct Energy Business Marketing, LLC (collectively, Direct Energy) filed a Petition to Intervene.

In addition, four individual Complainants filed formal complaints in this proceeding, which formal complaints were consolidated previously with this proceeding. Those individuals and corresponding Docket Numbers are: Ralph Miller at C-2016-2538611; Michael Pikus at C‑2016-2538843; Richard Collins at C-2016-2547479; and James Testrake at C-2016-2555931.

On April 28, 2016, the assigned Administrative Law Judge conducted a prehearing conference, at which time the parties considered issues raised by the filing and established a litigation schedule. Specifically, the parties agreed the evidentiary hearing would be scheduled for three days, from August 2, 2016 through August 4, 2016.

On April 29, 2016, the presiding officer issued the Prehearing Order which, *inter alia*, indicated the start time for the evidentiary hearing would be at 9:00 a.m. on August 2, 2016. In the same Order, the presiding officer granted the Petitions to Intervene filed by CAAP, CAUSE-PA, NGS Parties, and Direct Energy.

On May 11, 2016, Columbia filed Supplement No. 245 to Tariff Gas Pa. P.U.C. No. 9 (Supplement No. 245), which suspended Columbia’s Supplement No. 241 until December 19, 2016. Also, on July 27, 2016, Columbia filed a Motion for Protective Order, which Motion was granted by the presiding officer on August 2, 2016.

On July 28, 2016, the active parties informed the presiding officer that a partial settlement had been reached, and the active parties requested that the first day of evidentiary hearing be cancelled. In addition, the active parties requested that the litigation schedule be adjusted to permit the filing of the rejoinder outlines and the cross-examination matrix on Monday, August 1, 2016 instead of Friday, July 29, 2016.

On August 3, 2016, the parties informed the presiding officer that a complete settlement was reached. The parties requested, and received permission, to have until September 2, 2016 in which to file the settlement, along with substantive statements in support.

On September 2, 2016, Columbia filed the Joint Petition for Settlement (Settlement), with Statements in Support filed by Columbia, BIE, OCA, OSBA, CII, NGS Parties, CAUSE-PA, CAAP, PSU and Direct Energy, in addition to four Appendices. Columbia filed a copy of the Settlement, with all Appendices attached, to all parties, including the four individual formal Complainants.

Also on September 2, 2016, the presiding officer mailed a letter to the four individual formal Complainants which outlined how the four individuals could avail themselves of the opportunity to submit comments or responses to the Settlement, provided those comments were received by the presiding officer no later than September 13, 2016.

By September 13, 2016, the presiding officer received consents to the Settlement from two of the four individual Complainants: Ralph Miller and James R. Testrake. No communication was received from the remaining two individual Complainants.

On September 16, 2016, the presiding officer issued the Interim Order Closing the Record.

B. Public Input Hearings

At the request of a legislator and OCA, the ALJ scheduled a public input hearing within the Company’s service territory in order to provide customers with an opportunity to comment and testify concerning this proceeding. The public input hearing was scheduled to be conducted at the Court House Square of Washington County, Washington, Pennsylvania on May 25, 2016. The Company was directed to provide notice to the public through advertisements in newspapers of general circulation within the service area. Inadvertently, a notice about the public input hearing did not appear in a publication of general circulation prior to May 25, 2016. The parties were not aware of the error until May 25, 2016, so the public input hearing was conducted as scheduled. No one appeared to testify at the public input hearing.

A second public input hearing was scheduled to be conducted at the Court House Square of Washington County, Washington, Pennsylvania on June 29, 2016, because the public and Columbia’s customers were not publicly informed about the opportunity to testify. Notice appeared in five local publications of general circulation on June 14, 2016. On June 29, 2016, no one appeared to testify at the public input hearing.

II. TERMS AND CONDITIONS OF SETTLEMENT

The Joint Petitioners agreed to a settlement covering all issues in the proceeding. The Joint Petitioners are in full agreement that the Settlement is in the best interests of Columbia and its customers.

The terms and conditions of the Settlement are set forth fully below *in verbatim*, beginning at numbered paragraph 23 through and including numbered paragraph 59 of the Settlement filed on September 2, 2016, incorporated herein by reference.

III. DESCRIPTION OF JOINT SETTLEMENT

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 would otherwise have been used in litigating the proceeding. A settlement benefits not only the named parties directly, but, indirectly, all customers of the public utility involved in the case.

The benchmark for determining the acceptability of a settlement or partial settlement is whether the proposed terms and conditions are in the public interest. Warner v. GTE North, Inc*.,* Docket No. C-00902815, Opinion and Order entered April 1, 1996; Pa. Pub. Util. Comm’n v. CS Water and Sewer Associates*,* 74 Pa. PUC 767 (1991). For the following reasons, I find that the proposed settlement embodied in the Settlement Petition is in the public interest and recommend that it be approved without modification.

The Joint Settlement consists of the 22-page Joint Petition containing the terms and conditions of the Joint Settlement. In addition, there are fourteen (14) appendices attached to the Settlement. Appendix A to the Settlement sets out the Revenue Allocation (as agreed-to by the parties in Paragraph 40 of the Settlement) and identifies the target revenue amounts applicable to each rate class. Appendix B to the Settlement sets out the Rate Design and Proof of Revenues, and shows the actual present and proposed rates for every rate class designed to produce the agreed-upon revenue increase (as agreed-to by the parties in Paragraph 40 of the Settlement). Appendix C to the Settlement is the Chart of Indices for Penalty Purposes, which is also included as a part of Appendix D. Appendix D to the Settlement is the Unnumbered Compliance Tariff Supplement, to be filed upon approval of the Settlement by the Commission, containing all of the tariff changes agreed-upon by the parties (as specified in Settlement Paragraph 23 and in “Wherefore” Paragraph 4). Appendices E through N to the Settlement are the Statements in Support of the Settlement by Columbia, BIE, OCA, OSBA, CII, NGS Parties, CAUSE-PA, CAAP, PSU, and Direct Energy, respectively.

A. Terms of the Settlement

The essential terms of the Settlement are contained in paragraph nos. 23 through and including 59, which provides *in verbatim*:

23. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. The Joint Petitioners unanimously agree that the Settlement, which resolves all issues previously identified, is in the public interest. The Joint Petitioners respectfully request that 2016 Base Rate Filing, including those tariff changes included in Supplement No. 241 and specifically identified in Appendix “D” attached hereto, be approved subject to the terms and conditions of this Settlement specified below:

### A. Revenue Requirement

24. Rates will be designed to produce an increase in operating revenues of $35.0 million based upon the pro forma level of operations for the twelve months ended December 31, 2017.

25. 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, 2017. 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.

26. 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).

27. Columbia will continue to use normalization accounting with respect to the benefits of the tax repairs deduction. It is agreed that Columbia has completed the amortization of the $37.4 million tax refund previously received by Columbia, which is attributable to the change in method for the repairs deduction. 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.

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

29. Columbia will be permitted to recover the amortization of costs related to the following:

(i) NIFIT[[1]](#footnote-1) – Continued amortization of non-Company labor start-up costs of the new financial software of $1,260,764, over a three-year period that began on December 18, 2015.

(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) Corporate Services OPEB[[2]](#footnote-2)-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.

30. 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.

31. 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.

32. On or before April 1, 2017, Columbia will provide the Commission’s Bureau of Technical Utility Services (TUS), BIE, 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, 2016. On or before April 1, 2018, Columbia will update Exhibit No. 108, Schedule 1 filed in this proceeding for the twelve months ending December 31, 2017. 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, 2017. 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.

33. For all future debt issuances during the twelve month periods ending December 31, 2016 and December 31, 2017, Columbia will provide to TUS, BIE, 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 BIE, 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) for each issuance the prevailing yield on U.S. utility bonds as reported by Bloomberg Finance L.P. for companies with a credit risk profile equivalent to that of NiSource Finance Corporation.

34. The Company’s Gas Procurement Charge (GPC) shall continue at the current rate of $0.00695/therm.

35. The Merchant Function Charge (MFC) shall be 1.52% for residential customers and 0.37% for non-residential customers. These are the charges as filed by Columbia. The revised MFC rates shall be reflected in the Purchase of Receivables (POR) discount rates.

36. Tariff rates will go into effect on December 19, 2016.

37. Customers will not be charged separate processing fees for bill payments using third party debit card, credit card, Automated Clearinghouse (ACH) or walk-in locations. All processing fees will be considered “above-the-line” for ratemaking purposes. Parties reserve their rights to challenge in a future base rate proceeding the recovery of processing fees through rates, and Columbia reserves the right in response to cease payment of such third-party costs.

B. Revenue Allocation and Rate Design

38. The Residential customer charge will remain at the current $16.75 per month.

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

40. Revenue allocation to the classes is set forth in Appendix “A.” Rate design for all classes shall be as set forth in Appendix “B.”[[3]](#footnote-3) Revenue allocation and rate design reflect a compromise and do not endorse any particular cost of service study.

## C. Universal Service and Conservation

41. Columbia may use the residential portion of pipeline penalty credits and refunds received through February 28, 2018, as a funding source for the Hardship Fund. Prior to February 28, 2018, Columbia may file a request with the Commission to continue to use the residential portion of pipeline credits and refunds to fund the Hardship Fund. Columbia agrees to continue to develop plans, in consultation with its Universal Service Advisory Council, to seek out additional funding from voluntary sources. Columbia will provide a report on ideas developed and implemented to increase voluntary contributions to the Hardship Fund as part of any request to continue applying pipeline credits and refunds to the Hardship Fund, as well as in its next base rate proceeding and Universal Service Plan proceeding. Further, Columbia commits to continue to explore joint outreach efforts with other regional public utilities and community agencies for funding of its Hardship Fund. Columbia will remove Hardship Fund recovery from the Rider USP.

42. Columbia’s Low Income Usage Reduction Program (LIURP) funding will continue at the level of $4.75 million per year as agreed to in the Commission-approved settlement of Columbia’s base-rate proceeding at Docket No. R-2014-2406274, which provides that parties agreed not to propose any further change to LIURP funding for a period of three years commencing with the effective date of rates in that proceeding. Any unspent funds will be carried over and added to the following year’s funding.

43. Columbia agrees to continue to partner with Community Based Organizations (CBOs), including member agencies of CAAP and Pennsylvania Weatherization Providers in the development, implementation and administration of its LIURP program.

44. Columbia agrees to extend its Third Party Notification Program to include all Customer Assistance Program (CAP) reminder notices, including notices of potential CAP removal such as income verification requests. Additionally, Columbia agrees to make Third Party Notification forms available at local CBOs, and will encourage CBOs to include Third Party Notification forms in processing other assistance. Customers should be informed that completion of a Third Party Notification form is completely voluntary.

45. Columbia agrees to provide brochures on all programs to non-utility access points, such as CBOs. Columbia shall authorize and encourage CBOs to disseminate brochures to applicants for other assistance.

46. Columbia agrees to reduce the base participation level for its CAP from 25,300 to 23,000. Further, the universal service cost offset will remain at 7.5%.

47. Columbia agrees to review the list of customers with high CAP credits (over $1,000) from the prior year and prioritize those customers for weatherization when possible. Once this list has been exhausted, Columbia will use the high usage CAP customer list as well as eligible customers requesting weatherization.

D. Programs to Expand the Availability of Gas Service

48. Columbia’s Large Customer Incentive (LCI) proposal is approved with the following modification: customers participating in the program will be required to pay 30% of the uneconomic portion upfront or have a repayment period that does not exceed ten (10) years. Columbia agrees to provide the following information related to Columbia’s LCI proposal, as applicable:

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 LCI deposit by project;

d) Number of customers connected by each project and number of

subsequent connections;

e) Annual non-gas revenues received by project, separated into base rate and LCI repayment revenues (principal and interest stated separately);

f) Annual usage by project;

g) Average investment cost per customer by project; and

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

49. Columbia agrees to withdraw its proposed multi-unit incentive proposal. Columbia reserves the right to present this proposal in a future proceeding and all parties reserve their rights to support or oppose such proposal if filed.

E. Natural Gas Supplier Issues

50. Effective upon approval of the Settlement, Columbia agrees to remove the designation of enrollment type from its NGS customer submission procedure.

51. Columbia agrees to utilize pages 4 and 5 of the existing customer application, plus an additional page requiring updated contact information (emergency, billing and mailing), as a shortened version of the agency form for GDS[[4]](#footnote-4) customers who seek to change their NGS supplier (as further modified per paragraph 52, below). This shortened agency form shall be effective for contracts rendered on or after thirty (30) days after the entry of the Commission Order approving this Settlement.

52. As soon as possible, but in no event no later than six months following the entry of a Commission Order approving the Settlement, Columbia agrees to modify its supplier agency form (pages 4-5) and its Aviator Agreement to include authorization for the supplier to have access to all of the customer’s usage information on the Aviator system, or a comparable current or future system and to obtain revised authorization forms from all current customers. Columbia shall insure that a customer’s Aviator data shall be available to the customer’s current supplier.

53. With respect to the calculation of penalties for over and under deliveries during an operational order, Columbia shall adopt an index-based penalty structure. The revised penalty structure, for non-compliance with Operational Flow Orders (OFOs) and Operational Matching Orders (OMOs), as well as the non-compliance charges related to Choice deliveries, shall be 3 times the highest of the midpoint prices reflected in Platts Gas Daily for the day of the OMO or OFO non-compliance, from the applicable indices, depending upon the market area utilized, as set forth on Appendix “C”. In the event no midpoint prices are published in Platts Gas Daily on a particular day, the highest price paid by Columbia on that day shall be used as the index price. Columbia shall update the applicable indices on 60 days’ notice to Customer Proxies in the event of a change in applicable indices.

54. Within ninety (90) days of the entry of an Order by the Commission approving this Settlement:

#### a) Columbia agrees to propose in a non-general tariff filing that all customers eligible to be served on Rate Schedules SDS, LDS and MLDS [Small Distribution Service, Large Distribution Service, and Main Line Distribution Service] must have installed Electronic Flow Correctors (EFC) and telephonic equipment to transmit daily usage information to Columbia. Columbia further agrees to propose that it install, own, operate and maintain all equipment, including telephonic or similar technology, provided that Columbia is granted rate recovery of reasonable and prudent capital and operating and maintenance costs to own, operate and maintain the capability to obtain daily information from such customers. To the extent that any associated costs will not be rate based, Columbia shall be permitted to seek to create a regulatory asset for such costs and propose to recover them in its next base rate case. All Parties retain their rights to support or oppose such proposal in the non-general rate filing. Issues related to cost allocation and rate recovery of the costs associated with this

#### equipment will be addressed in the Company’s next base rate proceeding.

b) For customers who have EFC and operating telephonic equipment to transmit daily usage information installed, Columbia agrees on a commercially reasonable basis to provide customer usage data in the GTS0005 Reports and in the Aviator-EMDCS data base by 1 PM following the day for which the data is being provided.

55. Subsequent to the Commission’s approval of the non-general tariff filing and Columbia’s installation of equipment to obtain daily information, as addressed in Paragraph 54, above, in addition to any other remedy a supplier may have, a supplier shall be subject to Modified OMO Penalties with respect to any OMO customer with an EFC and operating telephone equipment for which Columbia does not have daily usage data available, by the end of an OMO Period. An OMO Period is defined as one or more OMO days issued within a calendar month. Modified OMO penalties shall mean the penalty that would otherwise be applicable pursuant to paragraph 53 except that the penalty multiplier shall be 1.5 times rather than 3 times.

56. Proposed Rules Applicable to Distribution Service (RADS) 2.7.2 shall be withdrawn, to be discussed as part of the collaborative to be held pursuant to Paragraph 57.[[5]](#footnote-5)

57. Within sixty (60) days of the entry of a Commission order approving this Settlement, Columbia shall convene a collaborative with the parties to this proceeding and all interested Suppliers on its system to discuss new approaches to deal with ongoing pipeline delivery constraints, including the creation of new market “orders”. The Collaborative shall conclude within 120 days of its initiation, unless extended by consensus of the parties participating. Any resolutions requiring tariff changes shall be reflected in a proposed non-general tariff filing by Columbia at the conclusion of the collaborative. Without limitation to other issues that may be addressed in the collaborative, the parties will address how transparency may be achieved as to Columbia’s nominations to alternate delivery points under RADS 4.9.5, including information that Columbia could share with suppliers regarding actual nominations. At the conclusion of the collaborative, Columbia will file a letter report with the Commission summarizing the results and consensus recommendations of the collaborative.

## F. Other

58. Columbia will continue its efforts to reduce restoration costs, through efforts including, but not limited to, coordinating pipe replacement projects with other street projects, using private rights-of-way, avoiding temporary restoration, and replacing pipe using trenchless construction techniques, all where technically, operationally and economically feasible.

59. Except as otherwise modified by this Settlement, the Company’s proposed tariff revisions are approved.

B. Additional Settlement Provisions

In addition to the specific terms which the parties agree settle the rate proceeding, there are certain general, miscellaneous terms which should be mentioned. Paragraph No. 63 of the Settlement establishes the procedure by which any of the parties may withdraw from the Settlement and proceed to litigate this case, if the Commission modifies the Settlement. In addition, paragraph nos. 63 through 70 of the Settlement provides the Settlement does not constitute an admission against or prejudice to any position which any of the parties might adopt during subsequent litigation, or further litigation of this case, in the event the Settlement is rejected by the Commission, or any of the parties withdraw under Paragraph No. 63.

On the basis of these and other provisions of the Settlement, the parties request: (a) approval of the Settlement, to become effective on December 17, 2016, or as soon thereafter as practical; (b) Columbia Gas of Pennsylvania, Inc. be permitted to file a tariff or tariff supplement containing the rates and rules in Appendix “D” to the Settlement; (c) the closing and termination of the rate investigation at Dockets R-2016-2529660, and the dismissal of the complaints of OCA, OSBA, PSU, and CII, at Docket Nos. C-2016-2535301, C-2016-2538051, C-2016-2541623, and C-2016-2541753, respectively; and (d) the dismissal of all customer complaints associated with this proceeding, including the complaints of Ralph Miller, Michael Pikus, Richard Collins and James Testrake, at Docket Nos. C-2016-2538611, C-2016-2538843, C‑2016-2547479, and C-2016-2555931, respectively.

IV. DISCUSSION OF JOINT SETTLEMENT BY SIGNATORIES

It is the policy of the Commission to encourage parties to contested on-the-record proceedings to settle the dispute. *See*, 52 Pa.Code § 5.231. Settlements eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion, which may include review of the Commission’s decision by the appellate courts of Pennsylvania. Such savings not only benefit the individual parties to the proceeding, but also the Commission and all ratepayers of the respondent utility.

The Joint Settlement submitted in this case represents a complete and full settlement of all issues.

As originally filed, Columbia’s Supplement No. 241 to its Tariff Gas – Pa. P.U.C. No. 9 sought an increase in rates of $55.3 million per year, or an approximate 11.23% increase over its present rates. Under the terms of the Settlement, the amount of the increase has been reduced to $35.0 million per year, or approximately 7.12%, over present rates.

As specified in Appendices B and D to the Settlement, and also on page 13 of Columbia’s Statement in Support, the proposed impact and the settled-upon impact upon the

average customer in each customer class is listed below.[[6]](#footnote-6)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Customer Class | Average therms Used, per month | Current Average Bill, per month | Proposed Average Bill, per month | Proposed Percentage Increase, per month | Agreed-upon Average Bill, per month | Settled Percentage Increase, per month |
| Residential | 70 | $77.33 | $86.97 | 12.47% | $83.05 | 7.34% |
| Small General 1 | 158 | $128.29 | $139.74 | 8.93% | $136.07 | 6.06% |
| Small General 2 | 1,328 | $898.48 | $958.62 | 6.69% | $952.17 | 5.98% |
| Small Distribution | 16,005 | $8,865.28 | $9,283.93 | 4.72% | $9,278.24 | 4.66% |
| Large Distribution | 142,976 | $63,327.47 | $66,290.44 | 4.68% | $64,821.55 | 2.36% |
| Mainline Distribution | 186,417 | $3,797.00 | $3,797.00 | 0.0% | $3,797.00 | 0.0% |

A. Columbia’s Statement in Support

Columbia asserts the Settlement is the result of a detailed examination of its proposals, multiple rounds of discovery, direct, rebuttal, surrebuttal and rejoinder testimony, and compromise by all parties. Columbia believes fair and reasonable compromises were achieved on the settled issues, as is evident by the fact that all parties reached an agreement on all issues in this proceeding. The Company fully supports this Settlement and respectfully requests the Commission review and approve the Settlement in its entirety without modification.

1. Revenue Requirement

Columbia notes the Settlement provides for rates designed to produce an annual increase in operating revenues of $35 million based upon the pro forma level of operations for the twelve months ended December 31, 2017. (Settlement ¶ 24.) The $35 million annual increase in tariff rates will go into effect on December 19, 2016, which is the effective date of rates under the Commission’s April 21, 2016 suspension order. (Settlement ¶ 36.) The Settlement increase is approximately 63% of Columbia’s original request of $55.3 million. (Columbia Exhibit 102, Sch. 3, p. 3.) The $35 million annual increase, although less than that requested by the Company, will enable the Company to continue to provide safe and reliable service to its customers.

As explained by Mark Kempic, President of Columbia, one primary reason in support of the revenue increase is to provide the Company with an opportunity to earn a return on the significant capital investments made to its distribution system. (Columbia Statement No. 1, pp. 6-9.) Columbia has made, and continues to make, substantial capital investments in its system as part of the Company’s accelerated pipeline replacement program. (Columbia Statement No. 1, pp. 6-9.) Since Columbia started its accelerated pipeline replacement program in 2007, Columbia has replaced over 744 miles of cast iron and bare steel (CIBS) pipe. (Columbia Statement No. 1, p. 8.) In 2015 alone, Columbia replaced over 97 miles of CIBS pipe. (Columbia Statement No. 1, p. 8.)

Columbia’s actual investment in replacement pipe has exceeded the Company’s projections. Columbia forecasted that its 2015 capital budget for the replacement of CIBS pipe would be $145 million. Columbia’s 2015 actual investment for replacement pipe was $152 million. Columbia intends to continue its accelerated level of investment in replacement pipe. In Columbia’s 2015 rate case at Docket No. R-2015-2468056, Columbia projected that its 2016 capital budget for the replacement of CIBS pipe would be $147 million. The Company’s “age and condition” capital budget for 2016 is now $162 million. (Columbia Statement No. 1, p. 9.) Columbia plans to continue to increase its capital expenditures in the 2016 to 2020 timeframe, with a planned spending program ranging between $157 and $210 million budgeted annually for pipeline replacement over the 5-year period. (Standard Data request GAS-ROR-014.)

In addition to capital costs associated with Columbia’s accelerated pipeline replacement effort, the Company is incurring operating and maintenance (O&M) costs associated with enhancing pipeline safety on its system, which costs further contribute to the level of the revenue increase agreed upon in the Settlement. (Columbia Statement No. 7, pp. 35-40.) The Company’s pipeline safety initiatives include: a formal employee training and qualification program to address the DIMP[[7]](#footnote-7) and system risks associated with human error in the field; construction and operation of a new training center that will provide the facilities needed to conduct classroom and enhanced hands on employee training; the addition of frontline leader positions to manage the current and anticipated entry of new employees to the Company’s workforce; the addition of four damage prevention coordinators; and a program to address the risk of field-assembled riser failures. (Columbia Statement No. 7, pp. 37-40.)

In order to provide ongoing information concerning Columbia’s capital investments, Columbia has agreed that, on or before April 1, 2017, Columbia will provide TUS, BIE, 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, 2016. (Settlement ¶ 32.) On or before April 1, 2018, Columbia will update Exhibit No. 108, Schedule 1 filed in this proceeding for the twelve months ending December 31, 2017. (Settlement ¶ 32.) Also, as part of the Company’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, 2017. (Settlement ¶ 32.)

In this proceeding, Columbia, BIE and OCA presented testimony on Columbia’s overall revenue requirement and related issues. BIE suggested several adjustments to the Company’s O&M expenses. While OCA offered no individual adjustments to Columbia’s O&M expenses, OCA did take issue with the Company’s use of fully forecasted rate year (FFRY) year-end balances in order to determine its rate base and the Company’s calculation of depreciation expense. The Settlement revenue increase of $35 million annually reflects a reasonable compromise of Joint Petitioners’ positions in this proceeding. The amount of the increase falls within the range of outcomes bounded by Columbia’s proposed increase and the revenue requirements contained in the direct testimonies of BIE and OCA. Columbia notes that in its rebuttal testimony, it took issue with virtually all of the recommendations presented by BIE and OCA. The Joint Petitioners, while supporting their revenue requirement positions for litigation purposes, recognized that the Commission likely would have accepted certain adjustments proposed by Joint Petitioners, but would not have accepted all of the adjustments.

Under the Settlement, with only a few select exceptions further explained herein, the settlement revenue requirement is a “black box” amount. Under a “black box” settlement, parties do not specifically identify revenues, expenses and return that are allowed or disallowed. Columbia believes that “black box” settlements facilitate agreements, as parties are not required to identify a specific return on equity or identify specific revenues and/or expenses that are allowed or disallowed.

Considering the Settlement as a whole, Columbia believes that the revenue requirement is reasonable and will provide the Company with the additional revenues that are necessary to provide reliable service to customers. In addition, Columbia believes that the Settlement appropriately balances the need of the Company to have an opportunity to earn a reasonable rate of return with its customers’ need for reasonable rates. Columbia submits these provisions are an acceptable compromise of the competing litigation positions and should be approved by the Commission.

a. Distribution Service Improvement Charge (DSIC)

Columbia noted the Commission approved Columbia’s DSIC by Order entered May 22, 2014, at Docket No. P-2012-2338282. With the DSIC, plant additions not included in base rates may be reflected in the DSIC calculation. Therefore, for future DSIC purposes, it is necessary to establish relevant plant balances for the Company in this proceeding.

The Settlement provides that, following 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, 2017. (Settlement ¶ 25.) The Joint Petitioners agree that this 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 base rate in a fully-projected future test year filing. (Settlement ¶ 25.)

The Settlement also provides that, 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 Columbia 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.A. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa.C.S.A. § 1358(b)(1). (Settlement ¶ 26.)[[8]](#footnote-8)

b. Tax Repair Allowance Treatment

In 2008, Columbia sought and obtained permission from the Internal Revenue Service to change its definition of “unit of property” for tax purposes. This change enabled Columbia to deduct certain expenditures on its tax return rather than capitalize them and resulted in a tax refund of $37,487,634 for Columbia’s customers. As agreed in the settlement of Columbia’s 2010 rate case at Docket No. R-2009-2149262, a refund of the $37,487,634 is being made to customers, which reflects the cash benefit received in 2009 for the tax year 2008 method change. (Columbia Statement No. 10, p. 4.) As of December 31, 2014, a total of $35,442,920 was amortized, as agreed to in Columbia’s 2012 rate case at Docket No. R-2012-2321748, and an additional $2,044,714 is being amortized through the period ended December 31, 2016, as agreed to in Columbia’s 2014 rate case at Docket No. R-2014-2406274. The Settlement in Columbia’s 2015 base rate case specified that there would be a one year amortization of the remaining $681,571 balance in 2016. Pa. Pub. Util. Comm’n, et al. v. Columbia Gas of Pennsylvania, Inc., Docket No. R-2015-2468056 (Opinion and Order entered December 3, 2015). This case reflects the remaining $681,571 as of December 31, 2015 being amortized over 12 months in the Future Test Year (FTY), which represents a full amortization of the refund by the beginning of the FFRY. (Columbia Statement No. 10, p. 4.)

Under the Settlement, Columbia will continue to use normalization accounting with respect to the benefits of the tax repairs deduction. The Settlement acknowledges that Columbia has completed the amortization of the $37.4 million tax refund previously received by Columbia. (Settlement ¶ 27.) The Settlement also continues prior agreements that subsequent 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. (Settlement ¶ 27.) Because this provision continues the previously-approved rate treatment of this refund, it is in the public interest and should be approved.

Also, the Joint Petitioners agreed Columbia will continue to use normalization accounting with respect to the tax treatment of Internal Revenue Code Section 263A mixed service costs (MSC). (Settlement ¶ 28.) This usage is similar to the treatment of book versus tax timing differences for the repairs deduction. (Columbia Statement No. 10, p. 4.) This treatment was established in the settlement of Columbia’s 2012 rate case at Docket No. R-2012-2321748, and was unopposed in this proceeding. The parties have agreed that such treatment should continue.

c. Amortizations

The Settlement in Columbia’s 2012 rate case established an amortization for non-labor costs associated with the NiSource NiFiT project.[[9]](#footnote-9) Per the settlement approved at Docket No. R-2012-2321748, Columbia was allowed amortization recovery of the then-estimated non-labor NiFit expenses over a four-year period. (Columbia Statement No. 4, p. 23.) Columbia’s 2015 base rate case settlement provided for a three-year amortization of the remaining unamortized balance of $1,260,764, beginning on December 18, 2015. The Settlement in this case continues amortization of the $1,260,764 for NiFit costs over the three-year period. (Settlement ¶ 29(i).)

The Settlement herein specifies the continued amortization of costs related to Blackhawk Storage. This amortization was established in Columbia’s 2008 rate case settlement at Docket No. R-2008-2011621 and will continue. (Settlement ¶ 29(ii).) No party objected to the Company’s inclusion of this amortization amount in its rate filing. These amortizations are continuations of previously-approved amortizations, and were unopposed by any party. The amortizations are in the public interest and should be approved.

d. Other Post Employment Benefits (OPEB) Expense

The Settlement includes provisions concerning accounting for Columbia’s ongoing contributions to trusts for OPEBs which were established in the settlement of Columbia’s 2012 base rate case at Docket No. R-2012-2321748. (Columbia Statement No. 4, pp. 37-38.) These provisions were unopposed by any party, and are in the public interest, because they confirm the ongoing treatment of OPEB expense. Columbia will 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 O&M would be deferred and recognized as a regulatory asset or liability.

To the extent the cumulative balance recorded commencing with the effective date of rates 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.

In addition, to the extent the cumulative balance recorded commencing with the effective date of rates reflects a regulatory liability, there will be no amortization of the (non-cash) negative expense, and the cumulative balance will continue to be maintained. (Settlement ¶ 30.) The Settlement provides that 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 base rate in future proceedings. (Settlement ¶ 31.)

Pursuant to the Opinion and Order entered on May 24, 2012, at Docket No. P‑2011-2275383, Columbia deferred, for accounting and financial reporting purposes, the one-time expense of $903,131 associated with its allocated share of NiSource Corporate Services Company’s (NCSC) OPEB regulatory asset resulting from NCSC’s transition from cash basis to accrual. In the settlement of the 2012 Columbia base rate case at Docket No. R-2012-2321748, Columbia was allowed to recover the total deferred amount of $903,131 over a ten-year period that began on July 1, 2013. This Settlement continues the ten-year amortization established in the 2012 rate proceeding. (Settlement ¶ 29(iii).)

e. Future Debt Issuances

BIE proposed that certain information be provided to the statutory parties following the actual issuances of debt projected for the FTY and Fully Projected Future Test Year (FPFTY). Under the Settlement, Columbia agrees that, for all future debt issuances during the twelve-month periods ending December 31, 2016 and December 31, 2017, Columbia will provide to TUS, BIE, 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 Public Utility Code. In addition, Columbia will preserve and provide to BIE, 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) for each issuance, the prevailing yield on U.S. utility bonds as reported by Bloomberg Finance L.P. for companies with a credit risk profile equivalent to that of NiSource Finance Corp. (Settlement ¶ 33.)

2. Revenue Allocation

Columbia notes the revenue allocation issues were among the most contentious issues in this proceeding. The Joint Petitioners proposed a variety of class cost of service studies and cost allocation methodologies. Moreover, even to the extent certain Joint Petitioners agreed on the basic overall methodology, *i.e.* the Design Day demand allocation versus the Peak & Average methodology, these Joint Petitioners still disagreed on how to allocate certain other costs to the different rate classes, as well as how much movement toward cost of service was appropriate. In the Settlement, they were able to agree to a revenue allocation that is within the range of revenue allocations proposed by the Joint Petitioners, and Columbia believes this revenue allocation meets the “cost of service” standards adopted by the Courts and the Commission.

All parties supported their respective cost of service studies for litigation purposes. However, the parties were willing to compromise in order to achieve a settlement of the revenue allocation issues. The revenue allocation set forth in the Settlement is not based upon a specific agreed-to formulaic approach. The Settlement rates are not based upon any specific cost of service study results and it reflects a compromise of the parties’ revenue allocation and rate design proposals. (Settlement Appendices “A” and “B”.) The resulting class increases, as compared to the Company’s as-filed increases, are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Customer Group[[10]](#footnote-10)** | **As Filed** | **Percentage of Proposed Increase[[11]](#footnote-11)** | **As Settled** | **Percentage of Settled Increase** |
| Residential (RS/RDS) | $43,083,078 | 78.15% | $25,900,000 | 74.01% |
| Small General Service1  (SGSS1/SGDS1/SCD1) | $4,269,365 | 7.75% | $2,915,774 | 8.33%[[12]](#footnote-12) |
| Small General Service2 (SGSS2/SGD2/SCD2) | $3,750,418 | 6.80% | $3,284,226 | 9.38% |
| Small Distribution Service (SDS/LGSS) | $1,845,302 | 3.35% | $1,800,000 | 5.14% |
| Large Distribution Service (LDS/LGSS) | $2,174,669 | 3.95% | $1,100,000 | 3.14% |
| Mainline Distribution Service (MLDS/NSS) | $0 | 0.00% | $0 | 0.00% |
| Total | $55,122,832 | 100.00% | $35,000,000 | 100.00% |

The revenue allocation represents a compromise and falls within the range of litigation positions. Columbia notes that, because of the disagreement over cost allocation studies and the “black box” nature of the Settlement, it is not possible to precisely calculate the extent to which the Settlement moves rates closer to cost of service for all Joint Petitioners. However, Columbia believes that the Settlement achieves progress in the movement toward cost-based rates for all customer classes.

3. Rate Design

a. Residential Rate Design

Columbia proposed to increase the customer charge for residential customers from $16.75 to $19.51. (Columbia Statement No. 3, p. 25.) This increase was opposed by OCA, BIE and CAAP. (OCA Statement No. 3, p. 34; BIE Statement No. 3, p. 20; CAAP Statement No. 1, p. 3.) As part of the Settlement, the Joint Petitioners agreed the residential customer charge will remain at the current rate of $16.75 per month. (Settlement ¶ 38.)

b. Commercial and Industrial Rate Design

Columbia proposed to keep the customer charge for small commercial and industrial customers under Rates Small General Sales Service (SGSS), Small Commercial Distribution (SCD), and Small General Distribution Service (SGDS) using less than 6,440 therms annually at the current $21.25. (Columbia Statement No. 3, p. 32.) In addition, the Company proposed that the customer charge for customers under these rate schedules that use more than 6,440 therms annually be increased to $57.46. (Columbia Statement No. 3, p. 26.)

OSBA and BIE objected to the proposed increase to the customer charge for customers under Rates SGSS, SCD, and SGDS using more than 6,440 therms annually. Instead, OSBA recommended that the customer charge for these customers remain at the current $48.00.[[13]](#footnote-13) (OSBA Statement No. 1, p. 29.) BIE recommended that the customer charge for these customers be increased to $56.04. (BIE Statement No. 3, p. 22.)

Under the Settlement, the Joint Petitioners agreed the customer charge shall remain at the current $21.25 per month for customers under Rates SGSS, SCD, and SGDS using up to 6,440 therms annually, and the customer charge shall remain at the current $48.00 per month for customers under Rates SGSS, SCD, and SGDS using more than 6,440 therms annually. (Settlement ¶ 39.) This stasis is consistent with Columbia’s proposal for customers using less than 6,440 therms annually and OSBA’s proposal for customers using more than 6,440 therms annually, and should be approved. (Columbia Statement No. 3, p. 26; OSBA Statement No. 1, p. 29.)

In this proceeding, Columbia initially proposed a 3.95% rate increase for the Large Distribution Service (LDS)/Large General Sales Service (LGSS) class. (Columbia Statement No. 3, p. 20.) Witnesses for CII and PSU testified the LDS rate increase, as proposed, was burdensome, in part because the LDS rate class includes customers who are on flex rates, and therefore are not subject to the increase. (CII Statement No. 1, pp. 7-8; PSU Statement No. 1-R, pp. 6-10.) As a result of negotiations, the parties agreed to reduce the total increase to the LDS/LGSS class from the Company’s proposal of $1,845,302 to $1,100,000, which represents a slightly lower percentage (3%) of the total Settlement increase than originally proposed by Columbia. (Settlement Appendix “A”.)

c. Other Charges and Riders

Consistent with the Commission’s June 23, 2011 Final Rulemaking Order at Docket No. L-2008-2069114, Columbia designed a gas procurement charge (GPC) in order to remove natural gas procurement costs from base rates and to recover those fuel acquisition costs as part of the “price to compare,” on a revenue neutral basis via an automatic adjustment charge only to be recalculated in a base rate case. In the settlement of Columbia’s 2015 base rate case at Docket No. R-2015-2468056, parties to the settlement agreed not to propose a change to the Company’s GPC for a period of two base rate cases, or five years, whichever occurred first. No party proposed a change to Columbia’s GPC in this proceeding. The Settlement in this proceeding provides that the GPC will continue at the current rate of $0.00695/therm. (Settlement ¶ 34.) Continuation of the GPC at the current rate honors the Commission-approved agreement of the parties in Columbia’s prior base rate proceeding and should be approved.

The Merchant Function Charge (MFC) is a component of the “price to compare”. Columbia proposed a MFC of 1.52% for residential customers and 0.37% for non-residential customers, which represent a decrease from the currently-effective MFC rates. No party opposed the MFC as filed by Columbia. The Settlement provides that the MFC shall be 1.52% for residential customers and 0.37% for non-residential customers. The revised MFC rates shall be reflected in the Purchase of Receivables (POR) discount rates. (Settlement ¶ 35.) No party opposed Columbia’s MFC as filed, and Columbia submits this settlement provision is in the public interest and should be approved.

d. Conclusions as to Rate Design

The proposed changes to the rate design for all customer classes, as set forth in Appendix “B” to the Settlement, reflect an accord reached between the Joint Petitioners as to the rate design to be used to recover the rate increases allocated under the Settlement to the Company’s customers. Columbia submits that the Settlement reflects an acceptable compromise of the competing litigation positions of the Joint Petitioners relative to rate design.

4. Universal Service and Conservation

Columbia notes the Settlement includes several provisions related to Columbia’s Universal Service Programs.

First, the Settlement resolves the issue of funding sources for Columbia’s Hardship Fund. The Hardship Fund is an intermediate level of assistance between the Low-Income Home Energy Assistance Program (LIHEAP) and Columbia’s Customer Assistance Program (CAP), and provides up to $500 of additional assistance to low-income customers. (Columbia Statement No. 14-R.) As such, Columbia’s Hardship Fund is critically important to the Company’s portfolio of low-income programs. (Columbia Statement No. 14-R.)

Columbia proposed to use the residential portion of pipeline penalty credits and refunds as a funding source for the Hardship Fund while the Company continues to develop plans to seek funding from voluntary sources. (Columbia Statement No. 14, p. 8.) OCA and CAUSE-PA supported the Company’s proposed treatment of pipeline penalty credits and refunds, while BIE opposed the Company’s proposal. (OCA Statement No. 4, p. 43; CAUSE-PA Statement No. 1, pp. 4-10; BIE Statement No. 6, pp. 5-9.)

The Settlement adopts Columbia’s proposal with certain conditions. Specifically, the Settlement provides that Columbia may use the residential portion of pipeline penalty credits and refunds received through February 28, 2018, as a funding source for the Hardship Fund. Prior to February 28, 2018, Columbia may file a request with the Commission to continue to use the residential portion of pipeline penalty credits and refunds to fund the Hardship Fund. (Settlement ¶ 41.) Columbia also agrees to remove the current $375,000 Hardship Fund recovery from Rider USP. (Settlement ¶ 41.)

In accordance with the Commission’s Order in Columbia’s 2015 base rate proceeding at Docket No. R-2015-2468056, Columbia has engaged in efforts to examine additional fundraising opportunities for its Hardship Fund. (Columbia Statement No. 14, pp. 2-2-3.) As part of the Settlement, Columbia agrees to continue to develop plans, in consultation with its Universal Service Advisory Council, to seek out additional funding from voluntary sources. Columbia will provide a report on ideas developed and implemented to increase voluntary contributions to the Hardship Fund as part of any request to continue applying pipeline penalty credits and refunds to the Hardship Fund, as well as in its next base rate proceeding and its next Universal Service Plan proceeding. Further, Columbia commits to continue to explore joint outreach efforts with other regional public utilities and community agencies for funding of its Hardship Fund. (Settlement ¶ 41.)

This Settlement term is in the public interest because it establishes an appropriate funding source for the Company’s Hardship Fund while the Company continues to undertake efforts to seek additional sources of voluntary funding. Columbia has proposed and the Commission has approved similar treatment of pipeline penalty credits and refunds in the past, and a petition seeking approval to use Columbia Gas Transmission (TCO) penalty credit proceeds that Columbia received in 2014 for the Hardship Fund is currently pending before the Commission. (Columbia Statement No. 14, pp. 6-8.) Because Columbia plans to retain any funds over $375,000 received in a single year to fund future program years, Columbia estimates that the amount of pipeline penalty credits and refunds that is the subject of Columbia’s currently pending petition, if approved, will adequately fund the Hardship Fund for nearly three years. (Columbia Statement No. 14, p. 8.) The Settlement also allows Columbia, interested parties and the Commission to examine the use of pipeline penalty credits and refunds as a source of funding for the Hardship Fund in a future proceeding. Finally, the Settlement complies with the Commission’s directive in Columbia’s 2015 base rate proceeding that the Company remove Hardship Fund recovery from its Rider USP. For all of these reasons, the Hardship Fund provisions of this Settlement should be approved.

Second, CAAP and OCA expressed concern with the effect of a rate increase on low-income customers and suggested a number of actions Columbia could undertake to mitigate the effects of a rate increase upon low income customers.[[14]](#footnote-14) (CAAP Statement No. 1, pp. 4-7; OCA Statement No. 4, pp. 7-39.) In the Settlement, Columbia agreed to undertake several initiatives to address CAAP’s and OCA’s concerns.

Columbia agrees to review the list of customers with high CAP credits (over $1,000) from the prior year and prioritize those customers for weatherization under Columbia’s Low Income Usage Reduction Program (LIURP), when possible. Once this list has been exhausted, Columbia will use the high usage CAP customer list as well as eligible customers requesting weatherization. (Settlement ¶ 47.) This progression will focus Columbia’s LIURP efforts on high usage low-income customers.

Columbia currently works with Community Based Organizations (CBOs) to meet the needs of its low-income customers. (Columbia Statement No. 14-R, pp. 12-13.) The Settlement reaffirms that Columbia will continue to engage CBOs to complement its low-income program, and Columbia will continue to partner with CBOs, including member agencies of CAAP and the Pennsylvania Weatherization Providers, in the development, implementation and administration of its LIURP program. (Settlement ¶ 43.)

Third, OCA raised concerns regarding Third Party Notifications, and notices of available programs for low-income customers. Under the Settlement, Columbia agrees to extend its Third Party Notification Program to include all CAP reminder notices, including notices of potential CAP removal such as income verification requests. Additionally, Columbia agrees to make Third Party Notification forms available at local CBOs, and will encourage CBOs to include Third Party Notification forms in processing other assistance, recognizing that customers should be informed that completion of a Third Party Notification form is completely voluntary. (Settlement ¶ 44.) Columbia agrees to provide brochures on all programs to non-utility access points, such as CBOs, and Columbia will authorize and encourage CBOs to disseminate brochures to applicants for other assistance. (Settlement ¶ 45.) Columbia asserts it is an industry leader in programs to assist low income customers. The commitments to Universal Service and Energy Conservation contained in the Settlement reflect the Company’s continued support for these programs, are in the public interest, and should be approved.

Fourth, CAAP proposed a $700,000 increase in LIURP funding, from $4,750,000 to $5,450,000 annually. The Settlement does not adopt this proposal. Instead, the Settlement provides that Columbia’s LIURP funding will continue at the level of $4.75 million per year, as agreed to in the Commission-approved settlement of Columbia’s base rate proceeding at Docket No. R-2014-2406274. The 2014 base rate case settlement provided that the parties agreed not to propose any further change to LIURP funding for a period of three years, commencing with the effective date of rates in that proceeding. Any unspent funds will be carried over and added to the following year’s funding. (Settlement ¶ 42.)

This Settlement term is in the public interest because the current level of annual LIURP funding is sufficient to address the needs of low-income customers, and it appropriately balances the benefits of LIURP spending with the cost paid by other customers. (Columbia Statement No. 14-R, pp. 2-3.) Further, in the settlement of Columbia’s 2014 base rate proceeding at Docket No. R-2014-2406274, to which CAAP was not a party, the Joint Petitioners agreed that Columbia’s LIURP funding would be increased to $4.75 million annually and that the parties would not propose any further change to LIURP funding for three years. (Columbia Statement No. 14-R, p. 4.)

The Settlement in this proceeding acknowledges that agreement. Good reason exists for upholding the prior settlement terms, which not only were agreed to by all parties in the 2014 proceeding after examining the issue of LIURP funding, but subsequently approved by the Commission. No new circumstances exist that justify changing the agreement that was reached by the active parties in the 2014 case, most of whom are also parties in the current proceeding. For these reasons, the Settlement term should be approved.

Fifth, OCA recommended the base participation level of the existing offset to the Universal Service Rider be reduced from 25,300 participants to 20,500 participants to reflect a purported reduction in CAP participation. (OCA Statement No. 4, p. 5.) The offset is based on the premise that the Company receives reductions in bad debt, and credit and collection costs, including cash working capital reductions, when low-income customers are moved from regular rates to Columbia’s CAP. (Columbia Statement No. 14-R, p. 6.)

In the settlement of Columbia’s 2009 base rate proceeding, the parties agreed to a 7.5% offset to CAP credit amounts and pre-program arrearage forgiveness for CAP participation over 25,300 on an annual average basis. Columbia has not challenged the offset in recent cases even though the Company has not made a working capital claim in recent cases. (Columbia Statement No. 14-R, p. 7.) Columbia opposed OCA’s proposal to reduce the base participation level of the existing offset to the Universal Service Rider because non-CAP low-income customers and associated net write-offs and collection costs have not decreased. (Columbia Statement No. 14-R, p. 7.)

As part of a global compromise, the Settlement provides that the base participation level for Columbia’s CAP will be reduced from 25,300 to 23,000.[[15]](#footnote-15) The universal service cost offset will remain at 7.5%. (Settlement ¶ 46.) Reducing the base participation level to 23,000 represents a compromise of Columbia’s and OCA’s positions on this issue, is in the public interest, and should be approved.

5. Programs to Expand Availability of Gas Service

Columbia notes it presented two new proposals designed to expand the availability of natural gas service in Columbia’s service territory: (1) reimbursement up $1,000 per unit to builders/developers for the installation of house piping and/or venting in multi-family homes when projected revenues exceed projected costs by a certain threshold, and (2) the ability to charge rates for large commercial and industrial (C&I) customers above current tariff rates in lieu of the C&I customer paying the entire cost of enabling the C&I customer to receive natural gas service as an up-front deposit. (Columbia Statement No. 13, pp. 4-10.)

Columbia presented these proposals to expand the availability of natural gas service in response to encouragement from the Commission to reduce obstacles that prevent individuals from converting to natural gas service. In Columbia’s 2015 base rate proceeding, the Commission approved Columbia’s proposal to provide an allowance of 150 feet of main per residential applicant, an allowance of 150 feet of service line in areas where the Company owns the service line, and a reimbursement of up to $1,000 for house piping costs per applicant on qualifying projects. (Columbia Statement No. 13, p. 2.) In her statement regarding Columbia’s New Business Proposals, then-Commissioner Witmer stated that Columbia’s programs “should enable more individuals to receive natural gas service and they serve as a positive step in removing barriers for customers that desire to convert to natural gas.” (Columbia Statement No. 13, p. 3.)

Columbia proposed its multi-family house line reimbursement program in the current proceeding to further expand residential customers’ ability to convert to natural gas service. Absent additional incentives, builders/developers of multi-family units can be dissuaded from equipping units with natural gas capabilities based on the increased costs of installing necessary piping and venting as compared to less expensive electric alternatives. (Columbia Statement No. 13, pp. 4-7.)

BIE questioned the need for the program and expressed concern that Columbia’s proposed multi-family house line reimbursement could benefit the builder/developer rather than the potential residential customer. (BIE Statement No. 2, pp. 17-20.) In the Settlement, Columbia agreed to not adopt its multi-unit proposal at this time, however, Columbia reserved the right to present this proposal in a future proceeding, at which time any party could support or oppose such proposal if filed. (Settlement ¶ 49.)

Columbia recognizes that the up-front deposit presents a significant challenge for not only residential customers, but also for large C&I customers seeking to convert to natural gas service. Columbia’s large customer incentive (LCI) proposal responds to the request of Commissioners who urged utilities to “promote the consideration of special natural gas rates for owners and operators of CHP facilities.” (Columbia Statement No. 13, pp. 3-4.) Under Columbia’s LCI Program, the Company would have the ability to receive the full deposit up front or to negotiate to receive some or all of the deposit over time, through an increase in charges to the customer, for new applicants projected to use more than 64,400 therms annually. This negotiated rate would be above the Company’s current applicable rate structure to recover from the customer the uneconomic costs of the main line extension to serve the customer. The rates portion of the deposit to be paid up front and terms of the agreement would be stipulated on an individual basis between each customer who elects this option and the Company. (Columbia Statement No. 13, pp. 9-10.)

OCA presented testimony regarding Columbia’s LCI proposal. OCA did not oppose Columbia’s proposal, but suggested a number of reporting requirements, many of which were adopted in the Settlement. OCA also expressed concern regarding the treatment of possible unpaid balances. (OCA Statement No. 3, pp. 38-40.) The Settlement approves Columbia’s LCI proposal with the following modification: customers participating in the program will be required to pay 30% of the uneconomic portion upfront or have a repayment period that does not exceed ten (10) years. These provisions mitigate against large deferred balances remaining unpaid for an extended period, and thus are responsive to OCA’s concerns. (Settlement ¶ 48.)

As part of the Settlement, Columbia also agrees to provide the following information related to Columbia’s LCI proposal, as applicable:

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 LCI deposit by project;

d) Number of customers connected by each project and number of subsequent connections;

e) Annual non-gas revenues received by project, separated into base rate and LCI repayment revenues (principal and interest stated separately);

f) Annual usage by project;

g) Average investment cost per customer by project; and

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

(Settlement ¶ 48.) These reporting requirements, as requested by OCA, will provide interested parties with plentiful information to evaluate the program. The information to be provided will assist other parties and the Commission in assessing the impact of Columbia’s new service initiatives, is in the public interest and should be approved.

Also, the LCI program will complement Columbia’s currently effective programs to expand the availability of gas service, including the proposals approved in Columbia’s 2015 base rate proceeding as well as the currently effective Pilot Rider New Area Service, which was established at Docket No. R-2014-2407345, by expanding conversion opportunities to C&I customers, not just residential customers. Efforts to increase the availability of low cost natural gas service throughout Columbia’s service territory are consistent with the Commission’s goals and are in the public interest.

6. Natural Gas Supplier (NGS) Issues

The Settlement contains several terms intended to address concerns raised by the NGS Parties and Direct Energy. The primary areas of concern for these suppliers focused on the calculation of penalties for noncompliance with operational orders, the availability and transmission of customer usage data, and the process by which customers can elect to change suppliers. The Settlement contains various provisions to address these issues.

Columbia issues operational orders, when necessary, based on several factors, including the need to manage nominations to its receipt points, avoid exposure to interstate pipeline penalties and/or operational issues, and ensure customers receive their required supplies. (Columbia Statement No. 16-R, pp. 6-7, 19.) Penalties seek to deter noncompliance with operational orders, which could threaten the operational integrity of Columbia’s system. Suppliers on Columbia’s system incur penalties when they fail to meet their delivery obligations.

Under Columbia’s average day program, CHOICE suppliers incur a penalty for deviating from the required daily delivery requirements, which are 1/365th of customers’ average annual requirements.[[16]](#footnote-16) (Columbia Statement No. 16-R, pp. 7-8.) General Distribution Service (GDS) suppliers are not required to comply with a daily delivery requirement. However, GDS suppliers must comply with operational orders when they are in effect. The NGS Parties, Direct Energy and PSU (a GDS customer) all challenged the imposition and amount of penalties.

In response to these challenges, the Settlement revises how penalties are calculated. Specifically, with respect to the calculation of penalties for over- and under-deliveries during an operational order, Columbia agrees to adopt an index-based penalty structure. The revised penalty structure, for non-compliance with Operational Flow Orders (OFOs) and Operational Matching Orders (OMOs), as well as the non-compliance charges related to Choice deliveries, shall be three (3) times the highest of the midpoint prices reflected in Platts Gas Daily for the day of the OMO or OFO non-compliance, from the applicable indices, depending upon the market area utilized. Appendix “C” to the Settlement sets forth the applicable areas. In the event no midpoint prices are published in Platts Gas Daily on a particular day, the highest price paid by Columbia on that day shall be used as the index price. Columbia shall update the applicable indices on 60 days’ notice to Customer Proxies in the event of a change in applicable indices. (Settlement ¶ 53.) The modifications to Columbia’s penalty structure will continue to encourage compliance with suppliers’ delivery requirements and should be approved. By linking the amount of penalties to market prices, the Settlement avoids the imposition of unreasonable penalties. However, by applying a multiplier to the index price, the penalties continue to provide a strong incentive to comply with operational orders and CHOICE delivery requirements.

Another issue raised by suppliers concerned Columbia’s current requirement that customers complete a new customer application form each time a customer changed suppliers. Columbia’s process has been to have customers execute the entire form in order to ensure Columbia has current customer contact information. (Columbia Statement No. 15-R, pp. 5-6.) As a compromise, and to resolve supplier issues, Columbia agreed to utilize pages 4 and 5 of the existing customer application, plus an additional page requiring updated contact information (emergency, billing and mailing), as a shortened version of the agency form for GDS customers who seek to change their NGS supplier. This shortened agency form shall be effective for contracts rendered on or after thirty (30) days after the entry of the Commission Order approving this Settlement. (Settlement ¶ 51.) This provision will make it more convenient for GDS customers to switch suppliers and should be approved.

Suppliers complained they could only obtain access to Columbia’s Aviator information system if their customer gave them access to the system. Columbia explained that its Aviator system is currently designed to allow only customers to change the designation of who has access to their information in Aviator. Recognizing that some customers apparently fail to make designations or update their designations, Columbia agreed to make changes to supplier designations with the consent of the customer. Specifically, Columbia agrees that, as soon as possible, but in no event no later than six months following the entry of a Commission Order approving the Settlement, Columbia will modify its supplier agency form (pages 4-5) and its Aviator agreement to include authorization for the supplier to have access to all of the customer’s usage information on the Aviator system, or a comparable current or future system and to obtain revised authorization forms from all current customers.

With these consents, Columbia shall insure that a customer’s Aviator data shall be available to the customer’s current supplier. (Settlement ¶ 52.) Because this change requires system IT modifications, the change will not become effective immediately. Making customer usage data available timely to a customer’s current supplier will facilitate suppliers’ ability to serve their customers in accordance with any delivery requirements Columbia imposes. Therefore, this provision is in the public interest and should be approved.

The NGS Parties also opposed the requirement that suppliers provide “enrollment type”[[17]](#footnote-17) information as part of the NGS customer submission procedure. (NGS Parties Statement No. 1, p. 5.) The NGS Parties view this as “marketing” information that should not be shared with the Company. (NGS Parties Statement No. 1, p. 6.) To address the NGS Parties’ concern, Columbia agreed to remove the designation of enrollment type from its NGS customer submission procedure. (Settlement ¶ 50.)

Columbia also proposed modifications to its Rules Applicable to Distribution Services (RADS). Specifically, Columbia proposed new section 2.7.2 should be applicable to GDS customers, and which provided, “in order to facilitate compliance with upstream pipeline restrictions and to maintain operational integrity, it may be necessary, from time to time, for the Company to require a General Distribution Service Customer Proxy to schedule natural gas supplies to the Company at multiple transmission pipeline delivery points as designated by the Company.” Columbia proposed a similar provision in RADS 4.9.5, applicable to the CHOICE program. (Columbia Statement No. 16-R, p. 4.) Columbia proposed this language for two primary reasons.

First, there may be times when Columbia needs to require customers and suppliers to deliver quantities to the Company from alternate and/or multiple transmission pipeline delivery points due to changing operational conditions. (Columbia Statement No. 16-R, p. 5.) For example, if the Company is advised by an upstream pipeline that service at one or more receipt points will be interrupted, the Company could notify affected Customer Proxies of alternative delivery points that could be utilized rather than potentially curtailing service to the customers affected by the service interruption. (Columbia Statement No. 16-R, p. 5.)

Second, the Company may need to designate an alternative delivery point on an upstream pipeline where Customer Proxies are able to continue to deliver supplies to the Company in the event there is a pipeline restriction or operational order on the upstream pipeline that restricts delivery to the Company at one or more delivery points. (Columbia Statement No. 16-R, p. 5.)

The NGS Parties and Direct Energy expressed concern that the proposed language was too broad and did not specify the conditions under which the Company would alter the delivery requirements. (NGS Parties Statement No. 1, pp. 2-4; Direct Energy Statement No. 1, pp. 12-13.) To address the NGS Parties’ and Direct Energy’s concerns, Columbia agreed to withdraw RADS 2.7.2 from this case. (Settlement ¶ 56.) Instead, RADS 2.7.2 will be discussed as part of a collaborative between Columbia, the parties to this proceeding and all interested suppliers on the Company’s system, to be held pursuant to the Settlement, as fully described below. For purposes of the Settlement, the NGS Parties do not oppose the inclusion of RADS 4.9.5 in Columbia’s tariff at this time. (Settlement ¶ 56.)

Because Columbia’s average day program for CHOICE customers requires average day deliveries in summer months when customer requirements at a scheduling point may be well below the required deliveries, it is crucial that there be a mechanism in place to direct deliveries to points where the gas can flow to interstate storage. (Columbia Statement No. 16-R, pp. 7-9.) However, the Settlement provides that the parties will discuss how transparency may be achieved as to Columbia’s nominations to alternate delivery points under RADS 4.9.5, including information that Columbia could share with suppliers regarding actual nominations, as part of the collaborative to be held pursuant to the Settlement. (Settlement ¶ 57.)

Within sixty (60) days of the entry of a Commission Order approving this Settlement in its entirety, Columbia shall convene a collaborative with the parties to this proceeding and all interested suppliers on its system to discuss new approaches to deal with ongoing pipeline delivery constraints, including the creation of new market “orders”. The collaborative shall conclude within 120 days of its initiation, unless extended by consensus of the parties participating. Any resolutions requiring tariff changes shall be reflected in a proposed non-general tariff filing made by Columbia at the conclusion of the collaborative. At the conclusion of the collaborative, Columbia will file a letter report with the Commission summarizing the results and consensus recommendations of the collaborative. (Settlement ¶ 57.)

This Settlement provision is in the public interest and should be approved because it provides an opportunity for interested parties to discuss important supplier topics, such as pipeline delivery constraints as well as other issues affecting Columbia, its customers, and suppliers on Columbia’s system. Further, the Settlement provision ensures that the Commission will be provided with relevant information concerning the outcome of the collaborative.

Direct Energy alleged that it does not have reasonable and continuous access to the customer usage data, including real time data, needed to respond to operational orders and thus avoid the imposition of a penalty. (Direct Energy Statement No. pp. 6-9.) Columbia explained that, if a meter does not have daily read capability, it cannot provide daily usage data. Daily usage data is available to Columbia, the customer, and any customer designee on a next day basis for those daily read meters with Electronic Flow Correctors (EFC) that have installed and maintained an operable telephone line. However, not all daily read meters have an EFC. If the daily read meter with an EFC does not have a dedicated telephone line or if the telephone line is inoperable, daily usage data would not be accessible on a next-day basis. Rather, it would be available after a site visit and manual upload into the Aviator system. (Columbia Statement No. 15-R, pp. 8-9.)

In response to Direct Energy’s concerns, Columbia agreed that within ninety (90) days of the entry of an Order by the Commission approving this Settlement:

(a) Columbia will propose in a non-general tariff filing that all customers eligible to be served on Rate Schedules SDS, LDS and MLDS [Small Distribution Service, Large Distribution Service, and Main Line Distribution Service] must have installed EFCs and telephonic equipment to transmit daily usage information to Columbia. Columbia further agrees to propose that it install, own, operate and maintain all equipment, including telephonic or similar technology, provided that Columbia is granted rate recovery of reasonable and prudent capital and operating and maintenance costs to own, operate and maintain the capability to obtain daily information from such customers. To the extent that any associated costs will not be rate based, Columbia shall be permitted to seek to create a regulatory asset for such costs and propose to recover them in its next base rate case. All Parties retain their rights to support or oppose such proposal in the non-general rate filing. Issues related to cost allocation and rate recovery of the costs associated with this equipment will be addressed in the Company’s next base rate proceeding.

b) For customers who have EFC and operating telephonic equipment to transmit daily usage information installed, Columbia agrees on a commercially reasonable basis to provide customer usage data in the GTS0005 Reports and in the Aviator-EMDCS data base by 1 PM following the day for which the data is being provided. (Settlement ¶ 54.)

Subsequent to the Commission’s approval of the non-general tariff filing and Columbia’s installation of equipment to obtain daily information, in addition to any other remedy a supplier may have, a supplier shall be subject to Modified OMO Penalties with respect to any OMO customer with an EFC and operating telephone equipment for which Columbia does not have daily usage data available, by the end of an OMO Period. An OMO Period is defined as one or more OMO days issued within a calendar month. Modified OMO penalties shall mean the penalty that would otherwise be applicable pursuant to Columbia’s index-based penalty structure as provided for in the Settlement in this proceeding except that the penalty multiplier shall be 1.5 times rather than 3 times. (Settlement ¶ 55.)

Columbia does not seek approval of the non-general tariff filing in this proceeding. Rather, the Settlement simply provides that Columbia will make such a filing within 90 days of a Commission Order approving this Settlement. The Settlement provision is in the public interest because it will allow Columbia, interested parties and the Commission to examine issues related to Columbia’s proposal in the non-general tariff filing. Further, the Settlement provision that provides for the penalty adjustment upon the Commission’s approval of the non-general tariff filing represents a compromise between the positions of Direct Energy and Columbia and should be approved.

7. Restoration Costs

BIE identified that Columbia’s replacement cost per mile has increased. (BIE Statement No. 5, pp. 11-12.) However, Columbia notes that in 2015 its replacement cost per mile and percentage of paving costs to total costs declined. (Columbia Statement No. 7-R, p. 9.) Columbia makes every effort to reduce replacement costs when possible. Columbia evaluates all projects during the design phase to determine least-cost options. When feasible, Columbia avoids temporary restoration work and partners with other utilities to split project costs. Further, Columbia has formalized a restoration review process in which a cross-functional team works with municipalities to determine the amount of restoration and permitting costs prior to the start of construction. (Columbia Statement No. 7-R, pp. 6-12.)

In an effort to address rising pipeline replacement costs, Columbia will continue its efforts to reduce restoration costs, through efforts including, but not limited to, coordinating pipe replacement projects with other street projects, using private rights-of-way, avoiding temporary restoration, and replacing pipe using trenchless construction techniques, all where technically, operationally and economically feasible. (Settlement ¶ 58.) This Settlement provision is in the public interest because it provides for Columbia’s continued efforts to reduce restoration costs where feasible.

8. Transaction Fees Proposal

Columbia states it originally proposed to include all residential payment channel fees in the cost of service. Currently, Columbia’s customers can pay their bills via mail, monthly debit from their financial account, authorized walk-in locations, one-time electronic payments, or through a third-party processor via debit card, credit card or Automated Clearinghouse (ACH). The processing fees associated with all but third party credit card, debit card, ACH and walk-in locations are currently included in the cost of service. Columbia has frequently received comments from customers suggesting that they would prefer to pay their bill online via the method of their choice without incurring an additional fee to do so. (Columbia Statement No. 13, pp. 10-11.) Columbia’s proposal to include all residential transaction fees in the cost of service is responsive to these customer requests.

The Settlement provides that customers will not be charged separate processing fees for bill payments using third-party debit card, credit card, ACH or walk-in locations. (Settlement ¶ 37.) All processing fees will be considered “above-the-line” for ratemaking purposes. Parties reserve their rights to challenge the recovery of processing fees through rates in a future base rate proceeding, and in response, Columbia reserves the right to cease payment of such third-party costs. (Settlement ¶ 37.) The inclusion of all transaction fees in the cost of service will enhance the overall experience of Columbia’s customers and help avoid delays in processing payments made through unauthorized agents by encouraging customers to use Columbia’s authorized bill-pay agents. (Columbia Statement No. 13, pp. 11-12.) Therefore, this Settlement term is in the public interest and should be approved.

C. BIE’s Statement in Support

BIE agrees the terms and conditions of the Settlement are in the public interest and represent a reasonable and equitable balance of the interests between Columbia, its customers and the parties to the Settlement. BIE avers the Settlement meets all the legal and regulatory standards necessary for approval. BIE notes the Commission encourages settlements, which eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion[[18]](#footnote-18), and that, here, the Joint Petitioners successfully achieved a Settlement Agreement of all issues.

BIE points out this Settlement is a “Black Box” agreement, which does not specifically identify the resolution of certain disputed issues.[[19]](#footnote-19) Instead, an overall increase to base rates is agreed to and Joint Petitioners retain all rights to further challenge all issues in subsequent proceedings. A “Black Box” settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses.[[20]](#footnote-20) BIE contends that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial intervention. Additional testimony and exhibits, four days of litigious hearings, briefing, and further involvement of the ALJ would have added time and expense to an already cumbersome and complex proceeding. Ratepayers benefit when rate case expenses stay at a reasonable level.[[21]](#footnote-21) The request for approval of the Settlementis based on BIE’s conclusion the Settlement meets all the legal and regulatory standards necessary for approval. “The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest.”[[22]](#footnote-22) The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”[[23]](#footnote-23) The Settlement here protects the public interest as evidenced by a comparison of the original filing submitted by the Company and the negotiated agreement demonstrates that compromises are evident throughout the Settlement.

1. Revenue Requirement

The Settlement provides for an increase of a $35 million to the Company’s annual overall revenue. This increase is $20.3 million less than the $55.3 initially requested by Columbia, or a reduction of approximately 37% of the amount requested. BIE agreed to settle in the amount of $35 million only after BIE conducted an extensive investigation of Columbia’s filing and related information obtained through the discovery process to determine the amount of revenue Columbia needs to provide safe, effective, and reliable service to its customers. The additional revenue in this proceeding is base rate revenue and has been agreed to in the context of a “Black Box” settlement with limited exceptions.

Black box settlements are beneficial in this context because of the difficulties in reaching an agreement on each component of a company’s revenue requirement calculation. The “[d]etermination of a company’s revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company’s cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black box settlements are an integral component of the process of delivering timely and cost-effective regulation.”[[24]](#footnote-24)

This increased level of “Black Box” revenue adequately balances the interests of ratepayers and Columbia. Columbia will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial request. Mitigation of the level of the rate increase benefits ratepayers and results in “just and reasonable rates” in accordance with the Public Utility Code, regulatory standards, and governing case law.[[25]](#footnote-25)

Additionally, the Joint Petitioners agreed to add another layer of protection to the settlement to ensure Columbia accounts for its need of the increased revenue. While current regulatory practices allow for the use of a Fully Projected Future Test Year (FPFTY), which Columbia used in this proceeding, safeguards are necessary. Accordingly, Columbia agreed to provide to BIE, OCA, OSBA, and the Commission’s Bureau of Technical Utility Services (TUS), updates to Columbia’s Exhibit No. 108, Schedule 1, filed in this proceeding, which include all actual capital expenditures, plant additions, and retirements, by month, for the twelve months ending December 31, 2016.

In addition, on or before April 1, 2018, Columbia will update Exhibit No. 108, Schedule 1, filed in this proceeding for the twelve months ending December 31, 2017. Columbia agreed that, in its next base rate proceeding, it will prepare a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2017 to its projections in this proceeding. BIE fully supports this term because it achieves BIE’s goal of timely receiving data sufficient to allow for the evaluation and confirmation of the accuracy of Columbia’s projections in advance of its next base rate case filing.

2. Transaction Fees

BIE notes the Settlement provides that customers will not be charged a separate processing fee for bill payments using third party, debit card, credit card, Automated Clearinghouse (ACH) or walk-in payment locations. Customers are increasingly choosing these types of alternative payment methods to pay their utility bills. All payment methods except credit card, debit card, ACH and walk-in payments are included in the cost of service. Currently customers who take advantage of these alternative methods of paying their bills pay, not only the fee for the payments methods included in the cost of service, but an additional fee for the credit card, debit card, ACH, or walk-in payment they choose. This proposal will help to eliminate that disparity as increasing numbers of customers choose to pay their bills in these additional ways.

3. Revenue Allocation and Rate Design

BIE contends public utilities are not to establish or maintain unreasonable differences in rates among rate classes.[[26]](#footnote-26) While there may exist sound justification for some discrepancies in rates under the principle of gradualism, this principle alone does not justify “allowing one class of customers to subsidize the cost of service for another class of customers over an extended period of time.”[[27]](#footnote-27) The revenue allocation set forth in the Joint Petition not only reflects a compromise of the Joint Petitioners, but it also produces an allocation that moves each class closer to its actual cost of service. This movement is consistent with the principles of *Lloyd*, *supra*. Accordingly, this revenue allocation is in the public interest because it is designed to limit customer class subsidies, and to place costs upon the classes responsible for causing those costs.

A utility must be allowed to recover the fixed portion of providing service through the implementation of the proper customer charge.[[28]](#footnote-28) This fixed charge provides Columbia with a steady, predictable level of income which will allow Columbia to recover certain fixed costs such as metering, billing, and payment processing.[[29]](#footnote-29) By limiting the requested increase, ratepayers will benefit by allowing them to save more money through usage conservation. Shifting costs to the volumetric portion of a customer’s bill allows for customers to immediately realize the benefit of conserving usage.[[30]](#footnote-30) Designing rates to allow customers to have greater control of their bills is in the public interest.

The Settlement provides that the residential customer charge will not be increased and will remain at $16.75 per month, as set forth in Columbia’s existing tariff. Nearly all parties in this proceeding opposed Columbia’s proposal to raise this charge to $19.51 per month ($.65733 per day). Therefore, this resolution represents a significant compromise by Columbia. The ultimate resolution of maintaining and not increasing the existing residential customer charge is in the public interest because it protects residential ratepayers while still providing Columbia with adequate revenue. In addition, the Small General Service customer charges will remain at the current levels of $21.25 per month (≤6440 therms) and $48.00 per month (>6440 therms).

The remaining customer charges in the Company’s proposed tariff have been modified to reflect the mitigated level of the overall increase. Designing rates in this way allows customers to have greater control of their bills and is in the public interest because it affords customers the opportunity to decrease their usage in an effort to ultimately keep their utility bill lower. Limiting the increase in the customer charge demonstrates a compromise of the interests of the Joint Petitioners and benefits the Company’s ratepayers. Therefore, this provision is in the public interest because it more closely aligns the customer charge with the cost to serve those customers. Furthermore, conservation is in the public interest and having a customer charge that is aligned with the cost to serve that customer allows the customer to realize the immediate benefit of usage conservation on their bill.

4. Universal Service and Conservation

The Settlement provides that Columbia may use the residential portion of pipeline penalty credits and refunds received through February 28, 2018 as a funding source for the Hardship Fund and remove Hardship Fund recovery from the Rider USP. BIE recommended in this proceeding that “Columbia fund its hardship fund entirely through voluntary funds and shareholder contributions and cease collecting funds for the Hardship Fund through its Rider USP.”[[31]](#footnote-31) However, in the spirit of compromise and in recognition of the fact that the time between the last base rate case and the instant case was very short, BIE was willing to agree to use the residential portion of pipeline penalty credits and refunds received through February 28, 2018 as a funding source for the Hardship Fund. BIE recognizes the harm that may occur to the Company’s low-income population if funding for the Hardship Fund is not put in place by some means. Therefore, for the purposes of this proceeding only, BIE agrees that these funds represent a temporary solution to the problem of finding a funding source for the Hardship Fund.

On a going forward basis, BIE believes the Company should follow the Commission’s directive to find a voluntary funding source for the Hardship Fund.[[32]](#footnote-32) While BIE acknowledges that the time period between base rate cases in this instance may have been too short for the Company to find a completely voluntary funding source, BIE also recognizes that the Company itself is the party that determines if, and when, a base rate case is filed. Further, BIE continues to believe that any future use of pipeline penalty credits and supplier refunds to fund the Hardship Fund should be reviewed on a case by case basis by a petition to the Commission, as has been the practice in the past.

Because it would not be in the public interest to deny funding for the Hardship Fund, solely for the purpose of this particular proceeding, BIE agrees that the residential portion of pipeline penalty credits and refunds received through February 28, 2018, should be used to fund Columbia’s Hardship Fund. In addition, the Company’s agreement to remove Hardship funding from its Rider USP mitigates the Commission’s concern that voluntary funding would decline as customers realized that they were already contributing to the Hardship Fund through the Rider USP.

5. Programs to Expand Availability of Gas Service

BIE took no position on the Large Customer Incentive proposal but noted that, as concerned Columbia’s Multi-Unit Incentive Proposal, Columbia agreed to withdraw its proposed multi-unit incentive proposal. Under this proposal, Columbia would have reimbursed a developer and/or builder up to $1,000 per unit for the cost of installing house piping or venting of each unit in order for the unit to have natural gas service. While BIE applauds the efforts of the Company to bring natural gas service to more customers, there were several issues with this proposal. First, the $1,000 benefit of the program did not go to the ultimate Columbia customers. In addition, in 2015 Columbia registered “a market share of 71.76% in its service territories without giving any builders’ incentive.”[[33]](#footnote-33) Thus, to BIE the proposal seemed unnecessary and it would not be in the public interest to put the burden of paying for this incentive on the backs of ratepayers when it appears that, at least for the time being, no incentive is necessary to get builders to install natural gas in their multi-family housing units.

6. Natural Gas Supplier Issues

BIE has no specific comments on the Natural Gas Supplier issues contained in the Settlement.

7. Other Issues

BIE points out that the Settlement provides that Columbia will continue to attempt to reduce restoration costs through various means such as coordinating pipe replacement projects with other street projects, using private rights-of-way, avoiding temporary restoration, and replacing pipe using trenchless construction techniques. In testimony BIE recommended Columbia continue to undertake efforts to reduce pipeline replacement and restoration costs.[[34]](#footnote-34) When restoration and replacement costs are mitigated, both the Company and the ratepayers reap the benefit of these lower costs. Further, efforts such as coordinating pipeline replacement projects with other street projects and avoiding temporary restoration helps to reduce the impact of these types of projects on both the Company and the ratepayers, because it eliminates the need to do things like close roads multiple times.

The remaining issues have been satisfactorily resolved through discovery and discussions with Columbia and are incorporated into the “Black Box” resolution of the revenue requirement in this proceeding. The very nature of a settlement agreement incorporates compromise on the part of all parties, and this particular Settlement exemplifies this principle. Because of the characteristics of “Black Box” settlements, no representation of the resolution of any issue not specifically identified is possible in future proceedings.

In conclusion, BIE asserts, based on its analysis of the base rate revenue increase requested by Columbia, the Settlement is in the public interest. Resolution of these issues by settlement rather than continued litigation will avoid the additional time and expense involved in formally pursuing all issues in this proceeding. Increased litigation expenses may have impacted the increase in revenue agreed to in the Joint Petition. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

BIE further submits that acceptance of the Settlement will negate the need to engage in additional litigation including the preparation of surrebuttal testimony as well as Main Briefs, Reply Briefs, Exceptions and Reply Exceptions. The avoidance of further rate case expense by settlement of these provisions in this base rate investigation proceeding best serves the interests of Columbia and its customers.

BIE avers the Settlement is conditioned upon the Commission’s approval of all terms and conditions contained therein and should the Commission fail to approve or otherwise modify the terms and conditions of the Settlement, the Joint Petition may be withdrawn by BIE or any of the signatories. BIE agrees to settle the disputed issue as to the proper level of additional base rate revenue through a “Black Box” agreement with limited exceptions. BIE’s agreement to settle this case is made without any admission or prejudice to any position that BIE might adopt during subsequent litigation or in the continuation of this litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

If the ALJ recommends the Commission adopt the Settlement as proposed, BIE has agreed to waive the right to file Exceptions but has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the Settlement, or any additional matters, that may be proposed by the presiding officer in her Recommended Decision. BIE also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any active party to this proceeding. BIE requests the Commission approve without modification the settlement terms and conditions as set forth in the Joint Petition for Settlement and approve the respective tariff supplements as submitted therewith.

D. OCA’s Statement in Support

OCA submits the terms and conditions of the proposed Settlement represent a fair and reasonable resolution of the issues and claims arising in this proceeding, and, if approved by the Commission, would provide for an increase in annual operating revenues of $35 million with conditions. OCA asserts the terms and conditions of the Settlement are in the public interest and satisfactorily address issues raised in OCA’s analyses of Columbia’s filing and submits the Settlement, taken as a whole, is a reasonable compromise in consideration of likely litigation outcomes before the Commission. Therefore, OCA submits the Settlement is in the public interest and supports Commission approval of the Settlement without modification.

OCA recognizes settlement is a product of compromise. The Commission encourages settlement and to do so it must recognize the balance of compromises struck by settling parties. OCA does not address all issues addressed by the Settlement in its Statement in Support, however, OCA does not oppose terms and conditions not expressly addressed herein. OCA urges the Commission to weigh the Settlement as a whole and to look to each party to discuss how the Settlement’s terms and conditions address the respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

1. Revenue Requirement

The proposed Settlement provides for an overall distribution base rate increase of $35 million, about $20.3 million less than the rate increase amount originally requested by Columbia. Settlement ¶ 24. The Settlement provides that the increase will not go into effect before December 19, 2016, the end of the suspension period. Settlement ¶ 36.

OCA contends that, based on its analysis of the Company’s filings, testimony by all parties, and discovery responses received, the rate increase under the proposed Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. OCA submits the increase is appropriate and, when accompanied by other important conditions contained in the Settlement, yields a result that is just and reasonable.

For purposes of calculating the DSIC, the Settlement provides that Columbia will not be eligible to include plant additions until eligible account balances exceed the levels projected by the Company at December 31, 2017, the end of the fully forecasted future test year. This provision results in the Company realizing a higher level of plant investment before any incremental expenditures can be recovered through the DSIC.

2. Revenue Allocation and Rate Design

OCA notes Columbia originally proposed to allocate approximately $43.1 million of its proposed $55.3 million revenue increase to residential customers. OCA St. 3, Table 6. Under the revenue allocation agreed to by the Joint Petitioners, the residential class would receive approximately $25.9 million of the $35 million increase. Settlement, App. A. As a

result, the revenue increase allocated to the residential class is approximately $17.2 million less than the Company’s filed-for request. If the Settlement is approved, the total monthly bill for a residential customer using 70 therms per month would be $83.05, compared to $86.97, which would have been the average bill under Columbia’s original proposal.

Based on OCA’s analysis of the Company’s filing and discovery responses received, the revenue allocation under the proposed Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. Several parties, including OCA, provided proposed varied revenue allocations, and the revenue allocation provided in Appendix A represents a compromise of a contentious issue. In OCA’s view, the revenue allocation yields a result that is just and reasonable under the circumstances of this case.

Columbia also proposed to increase the monthly residential customer charge from $16.75 to $19.51 per month but OCA recommended retaining the current $16.75 charge and submitted evidence demonstrating that the cost of connecting and maintaining a residential customer’s account does not support any increase. *See* OCA St. 3 at 34-37. Consistent with OCA’s position, under the terms of the proposed Settlement, the residential customer charge will remain at the current level of $16.75 per month. Settlement ¶ 38. Applying 100% of the rate increase to the volumetric charges is in the interest of residential customers because it allows customers – including low income customers – to maintain a level of control over their monthly bill through usage reduction measures. Additionally, applying the entire rate increase to the volumetric charges promotes the Commission’s general goal of encouraging energy conservation because higher volumetric charges provide an incentive to all residential customers to use less energy. OCA St. 3 at 34.

3. Universal Service and Conservation

OCA points out the Settlement addresses several issues regarding Columbia’s universal service programs that were raised in the testimony of OCA witness Roger Colton. First, Mr. Colton recommended the Company expand the use of its Third Party Notification Program, in

part by increasing the role of community-based organizations (CBOs) in the third party notification process, and by increasing the overall scope of the program. *See* OCA St. 4 at 28-39. This recommendation was intended to address two trends: increasing numbers of customers enrolled in the Customer Assistance Program (CAP) exiting the program for reasons other than non-payment and decreasing enrollment in assistance programs such as CAP and LIHEAP. OCA St. 4 at 28.

Additionally, OCA raised a concern that the Company’s existing Third Party Notification Program only authorized third party notification for shut-off notices. OCA St. 4 at 34. Through the Settlement, the Company agreed to “extend its Third Party Notification to include all CAP reminder notices, including notices of potential CAP removal such as income verification requests.” Settlement ¶ 44. The Company also accepted Mr. Colton’s recommendation to make third party notification forms available at local CBOs. *Id.* CBOs will be encouraged to include these forms when helping customers with other types of assistance. *Id.*

In addition, the Company agreed to provide brochures regarding all of its universal service programs to CBOs and other non-utility access points, and will encourage CBOs to provide brochures to customers applying for other forms of assistance. Settlement ¶ 45. This expansion of the Third Party Notification Program will allow the program be carried out more effectively, and will result in improved access by consumers and a greater likelihood that CAP customers will remain enrolled in the program.

Through the Settlement, Columbia also agreed to adjust the base participation level for its CAP for the purpose of calculating CAP credit offsets from 25,300 to 23,000. Settlement ¶ 46. The base participation level is used to calculate CAP program recovery in rates, so it is important that the number be accurate. As OCA witness Colton testified, the Company’s base participation level should be reduced from the current 25,300 number in order to reflect recent reduced participation in the program. OCA St. 4 at 5. Although Mr. Colton recommended that the level be reduced to 20,500 participants, the agreement to reduce base participation to 23,000 represents a reasonable compromise that results in a more accurate calculation of CAP base participation for setting rates.

Additionally, OCA recommended Columbia target CAP participants with high usage – and thus with high CAP credits – with greater energy efficiency investments such as weatherization measures. OCA St. 4 at 15-22. Columbia largely accepted Mr. Colton’s recommendation and agreed to “review the list of customers with high CAP credits (over $1000) from the prior year and prioritize those customers for weatherization when possible.” Settlement ¶ 47. Once this list has been addressed, the Company will focus on other high usage CAP customers and those customers that have requested weatherization. *Id.* This provision will help those customers with the greatest need to reduce energy consumption through weatherization, and will maximize the benefit of dollars spent on these measures.

The Settlement also adopts the Company’s proposal to use pipeline penalty credits and refunds as a funding source for the Company’s Hardship Fund. Settlement ¶ 41. The Settlement, however, provides that pipeline penalty credits and refunds may only be used as a funding source until February 28, 2018, unless the Company obtains Commission approval to continue this use of the residential pipeline penalty credits and refunds. The Settlement also provides the Company must continue exploring other funding sources for the Hardship Fund. *Id*. Finally, under the Settlement, the Company will remove Hardship Fund recovery from the Rider USP*. Id.*

OCA submits these provisions are in the public interest and should be approved, as they ensure the Hardship Fund will continue to be fully funded until at least February 2018, commits the Company to finding other funding options for the Hardship Fund, and no longer uses recovery through Rider USP dollars to fund the Hardship Fund. Additionally, these Settlement provisions are consistent with the Commission’s December 3, 2015 Order, at Docket No. R-2015-2468056, which directed Columbia to address hardship funding in its next base rate proceeding, but allowed the Company to temporarily continue recovering $375,000 through Rider USP for the Hardship Fund while it sought out additional sources of voluntary funding.

4. Programs to Expand Availability of Gas Service

OCA notes Columbia sought approval of a new program called the Large Customer Incentive Program (LCIP). According to the Company, this program was intended to promote the availability of natural gas to large commercial and industrial customers which currently are not connected to natural gas service. CPA St. 13 at 10. Under the proposed LCIP, Columbia would be able to offer potential customers – who are projected to use more than 6,440 Dth annually – the option of paying the cost associated with extending natural gas service to their property (i.e., the uneconomic portion of the main extension project) through increased charges over a period of time instead of paying this cost in a lump sum, upfront payment. OCA St. 3 at 38. The increased charges would be negotiated between the Company and the new customer, but would be above the Company’s current distribution rates*. Id.*

OCA did not oppose the Company’s proposed LCIP, but recommended that, if the program is approved, (1) the Company should not be able to recover any unpaid balances stemming from the LCIP from other ratepayers in the event that any of the customers participating in the LCIP default and (2) that reporting requirements be adopted. *Id*. at 39. The Settlement adopts Columbia’s proposed LCIP with two modifications. Settlement ¶ 48.

First, under the Settlement, customers participating in the LCIP will be required to either pay 30% of the uneconomic portion upfront or have a repayment period that does not exceed ten (10) years. *Id*. In OCA’s view,this modification will reduce the exposure of other ratepayers in the event any customer participating in the LCIP defaults. Second, the Settlement adopts reporting requirements as recommended by OCA. Settlement ¶ 48. The data collected by the Company should provide Columbia and other parties with information that can be used to continue to refine main extension programs and tariffs that best encourage consumers to extend natural gas service to their homes and businesses throughout Pennsylvania. As such, OCA submits that the LCIP, as modified, is in the public interest as it should promote the expansion of natural gas without burdening the other ratepayers not participating or eligible for the program.

In conclusion, OCA submits the terms and conditions of the proposed Settlement of this rate investigation represent a fair and reasonable resolution of the issues and claims arising in this proceeding.

E. OSBA’s Statement in Support

OSBA focused on the issues of cost allocation, revenue allocation and rate design. With respect to cost allocation, Columbia submitted two alternative methods for allocating costs, which produced widely varying results. OCA also submitted a cost allocation study, which produced even more disparate results. In OSBA’s view, none of these cost allocation methods are consistent with relatively recent Commission rulings regarding gas distribution cost allocation studies. Moreover, in OSBA’s view, gas distribution utilities should begin to develop more innovative methods for allocating costs, as the traditional approaches are theoretically suspect and not particularly practical given the wide range of results. As it is impossible for an outsider to undertake such an approach without the full support and cooperation of the Company, OSBA did not prepare an independent alternative to Columbia’s cost allocation studies in this proceeding. As part of its review, however, OSBA witness Mr. Knecht did identify and correct what appeared to be an inadvertent error in the Company’s cost allocation model. The Company subsequently acknowledged and corrected this error.

OSBA developed a revenue allocation calculation designed to move rates much closer to allocated costs, with costs being based on a subjectively weighted average of the two Company cost allocation alternative methods. While this approach was technically very different from the unweighted simple average approach that the Company claimed it was using, the numerical revenue allocation to the combined small and medium business classes ended up being quite similar to the revenue allocation actually proposed by Columbia. As such, OSBA’s revenue allocation recommendation for those combined classes was little different from that of the Company. In contrast, however, OCA and BIE offered revenue allocation proposals that would have substantially increased the revenues sought from these two rate classes.

Regarding rate design, consistent with OSBA’s recommendation in last year’s base rates proceeding, Columbia bifurcated its cost allocation analysis for the heterogeneous SGSS/SCD/SGDS rate class, into customers above and below annual throughput of 6440 Dth per year. Based on the customer cost analysis in OSBA’s modified cost allocation studies, OSBA concluded the Company’s proposed increase to the customer charge for the larger rate class group was not supported by costs, and that no increase should be applied.

OSBA notes the Settlement sets forth a comprehensive list of issues which were resolved through the negotiation process. OSBA contends it does not object to the resolution of any of those issues as detailed in the text of the Settlement. Specifically, the issues listed above and in OSBA’s testimony were resolved to OSBA’s satisfaction in the Settlement.

Regarding cost allocation, the Settlement takes no position on the appropriate methodology for cost allocation. The revenue allocation and rate design values developed in the Settlement represent a “black box” settlement. As OSBA believes a new method should be developed for cost allocation, and because the methods in use in this proceeding produced enormously disparate results, OSBA determined that there was no value in attempting to “lock in” a specific cost allocation methodology at this time. Thus, settling this case without reaching a decision on a cost allocation method represented OSBA’s preferred result.

Regarding revenue allocation, the Settlement values in Appendix A generally lie within the range of recommendations from the parties. A comparison of the Settlement with the parties’ litigation positions is shown in the table below. As shown, the Settlement lies well within the range of positions.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Revenue Allocation Review | | | | | |
| Class | Columbia | OSBA | OCA | I&E | Settlement |
| RS/RDS | 78.2% | 78.5% | 58.3% | 64.3% | 74.0% |
| SGS1 | 7.7% | 12.2% | 11.3% | 10.9% | 8.3% |
| SGS2 | 6.8% | 2.5% | 17.7% | 13.2% | 9.4% |
| SDS/LGSS | 3.3% | 1.6% | 8.4% | 6.2% | 5.1% |
| LDS/LGSS | 3.9% | 5.2% | 4.0% | 5.4% | 3.1% |
| MDS | 0.0% | 0.0% | 0.4% | 0.0% | 0.0% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

In recognition of the wide range of cost allocation results and revenue allocation positions of the parties, OSBA deems the values in Appendix A of the Settlement to represent a reasonable compromise.

Finally, consistent with OSBA’s position, the Settlement specifies that no increase be applied to the customer charge for either small business rate class. This aspect of the Settlement fully resolves OSBA’s concern in this respect.

As OSBA’s issues of principal concern were resolved through the Settlement, agreeing to the text of this Settlement enables OSBA to conserve its resources and avoid the uncertainties inherent in fully litigating the case. Accordingly, OSBA respectfully requests that the Administrative Law Judge and the Commission approve the text of this Settlement without modification.

F. Columbia Industrial Intervenors’ Statement in Support

CII submits that the Settlement reflects agreed upon terms of all issues in the above-captioned general base rate proceeding. Among other issues, the Settlement provides for increases in rates designed to produce $35 million in additional base rate revenue, based upon the pro forma level of operations for the twelve months ending on December 31, 2017. CII offers this Statement in Support to further demonstrate that the Settlement is in the public interest and should be approved without modification.

CII specified the Settlement is in the public interest for the following reasons:

1. Revenue Requirement

CII notes the agreed upon rates will be designed to produce an increase in operating revenues of $35 million based upon the pro forma level of operations for the twelve months ending on December 31, 2017. The Joint Petitioners agree that this approximate $35 million rate increase achieved in the Joint Petition is just, reasonable, and in the public interest.

2. Revenue Allocation

CII avers the $35 million rate increase should be allocated pursuant to the terms of the Settlement. The Joint Petitioners agree that the rate design for all rate classes shall be set forth as provided in Appendix B of the Joint Petition. The Joint Petitioners acknowledge that revenue allocation and rate design outcomes reflect a compromise and do not endorse any particular cost of service study. CII agrees with the other Joint Petitioners the Company should be authorized to file a tariff supplement containing the rates set forth in Appendix B of the Joint Petition.

3. Universal Service and Conservation

CII noted its agreement to the settlement terms in regarding Universal Service and Conservation.

4. Programs to Expand Availability of Gas Service

CII noted it agrees to the settlement terms in the Joint Petition regarding the Company’s proposal to expand the availability of gas service.

5. Natural Gas Supplier Issues

Acknowledging that OCA took no position on these issues, CII noted it agrees to the settlement terms regarding natural gas supplier issues.

6. Other

CII noted it agrees to the settlement terms set forth in paragraphs 58-59 of the Settlement regarding other issues, such as Columbia’s efforts to reduce restoration costs, and agrees that the Company’s proposed tariff revisions, except as otherwise modified by the Settlement, should be approved.

7. Public Interest

CII also noted the Settlement is in the public interest for the following reasons:

1. The expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be less than they would have been if the proceeding had been fully litigated;

2. The uncertainties regarding further expenses associated with possible appeals from the Final Order of the Commission are avoided as a result of the Joint Petition;

3. The Settlement results in an increase in Columbia's rates by $35 million, which is approximately 63% of the Company's original request of $55.3 million;

4. The Settlement provides a just and reasonable means by which to allocate the resulting increase;

5. The Settlement addresses issues regarding Natural Gas Supplier concerns, including establishing a revised penalty structure for non-compliance with Operational Flow Orders and Operational Maintenance Orders, as well as creating a collaborative to discuss new approaches to deal with on-going pipeline delivery constraints; and

6. The Settlement reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding. Similarly, the Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving the Company.

CII supports the Settlement because it specifically satisfies the concerns of CII by: (1) lowering the revenue increase amount by approximately 37%; (2) reasonably allocating the proposed increase among the customer classes; and (3) creating a collaborative to discuss new approaches to dealing with on-going pipeline delivery constraints because it is in the public interest and adheres to the Commission policies promoting negotiated settlements.

CII submits that the Settlement is in the public interest and adheres to Commission policies promoting negotiated settlements. Although Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the parties, and the Commission, to avoid expending the substantial resources that would have been required to fully litigate this proceeding while still reaching a just, reasonable, and non-discriminatory result. Joint Petitioners have thus reached an amicable solution to this dispute as embodied in the Settlement. Approval of the Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense, and uncertainty of further current litigation of a number of major issues in this proceeding. *See* 52 Pa.Code § 69.391; 52 Pa.Code § 5.231.

G. Natural Gas Suppliers Parties’ Statement in Support

The NGS Parties took no position on Paragraphs 24 through 50, and 58 in the Settlement. The NGS Parties asserted that the Settlement seeks to resolve, in some fashion all of the issues presented by the NGS Parties.

The NGS Parties note that Columbia agreed to remove the designation of enrollment type from the customer submission procedure (Settlement ¶ 50). This change will eliminate the need for NGSs to modify their data systems to collect and transmit this information to Columbia, and will eliminate the precarious activity, in the eyes of NGSs, of providing marketing information to an entity that views itself as a competitor.

Columbia agreed to modify its existing customer application process for customers when they are switching natural gas suppliers to use a shortened form of that process. In particular, Columbia agreed in Paragraph 51 of the Settlement to use two pages of the existing customer application, plus an additional page requiring updated contact information, as a shortened version of the agency form for General Distribution Service customers who seek to change their NGS supplier. This change will allow for smoother signups for commercial customers and should lessen the current barrier that some customers experience in moving to the competitive market – the headache of completing numerous redundant forms.

The NGS Parties also noted that Columbia agreed that as soon as possible, and in no event later than six months following approval of the Settlement, it will modify the forms and its Aviator agreement to allow that a supplier beginning to serve a new customer will have immediate access to the customer’s information in the Aviator system without Columbia being required to ask the customer to make the changes. (Settlement ¶ 52). This change also simplifies and smooths out the enrollment process for commercial customers. It will eliminate the need for the customer to sign in to the Aviator system every time they make a change in supplier to change the permissions, and will instead provide suppliers with the opportunity to provide excellent customer service and manage these tasks for their customers.

Columbia agreed to modify the penalty structure for non-compliance with OFO and OMO and other penalties to reflect a market-based structure, using an index-based formula rather than an arbitrary, and non-market sensitive amount. (Settlement ¶ 53). The revised penalty structure, for non-compliance with Operational Flow Orders (OFOs) and Operational Matching Orders (OMOs), as well as the non-compliance charges related to CHOICE deliveries, will impose a penalty at three times the highest of the midpoint prices reflected in Platts Gas Daily for the day of the OMO or OFO non-compliance, from the applicable indices, depending upon the market area utilized. In the event no midpoint prices are published in Platts Gas Daily on a particular day, the highest price paid by Columbia on that day shall be used as the index price. Columbia will be required to update the applicable indices on 60 days’ notice to Customer Proxies in the event of a change in applicable indices. This change will produce more sensible penalty amounts while still providing more than sufficient incentive for suppliers to meet their delivery obligation.

Columbia proposed to require commercial customers and other large customers to have the equipment necessary for daily meter reads and to allow for recovery of the costs of installing that equipment. (Settlement ¶ 54). In particular, customers eligible to be served on Rate Schedules SDS, LDS and MLDS [Small Distribution Service, Large Distribution Service, and Main Line Distribution Service] will be required to have Electronic Flow Correctors (EFC) and telephonic equipment to transmit daily usage information to Columbia. Columbia will install, own, operate and maintain the equipment, including telephonic or similar technology, so long as Columbia is able to recover the prudent capital and operating and maintenance costs.

Hand in glove with the installation of the equipment is Columbia’s agreement to provide the meter read information on a daily basis, by 1:00 p.m. the following day. The current lack of information for suppliers is a root cause of many problems, not the least of which is projecting customer needs in real time and ensuring adequate amounts of gas are delivered to the city gate. This breakthrough will allow suppliers more data and more flexibility in providing service. In furtherance of these provisions and once these provisions are approved, Columbia has also agreed to modify OMO/OFO penalties for suppliers with respect to any OMO customer with an EFC and operating telephone equipment for which Columbia does not have daily usage data available by the end of an OMO Period. (Settlement ¶ 55).

Columbia agreed to withdraw its proposed Section 2.7.2 to its rules applicable to distribution service (RADS) and to hold a collaborative that will address, *inter alia*, issues surrounding CHOICE customers under RADS Section 4.9.5 and ways to increase transparency in provision of Choice service. Specifically, the collaborative will provide a forum to discuss new approaches to deal with ongoing pipeline delivery constraints, including the creation of new market “orders.” (Settlement at ¶¶ 56-57). The Collaborative will span 120 days unless extended by consensus of the parties participating. Any resolutions requiring tariff changes shall be reflected in a proposed non-general tariff filing by Columbia at the conclusion of the collaborative. Without limitation of the issues, the parties will at a minimum, address how transparency may be achieved as to Columbia’s nominations to alternate delivery points under RADS Section 4.9.5, including information that Columbia could share with suppliers regarding actual nominations. At the conclusion of the collaborative, Columbia will file a letter report with the Commission summarizing the results and consensus recommendations of the collaborative.

The NGS Parties submit the Settlement is in the public interest and should be approved without modification. It has satisfactorily addressed the deficiencies identified by all the Natural Gas Suppliers that participated in the proceeding and represents the first rate case in recent memory where the parties did not clash over the appropriate level of the GPC. The penalty structure changes, while seemingly nominal, when coupled with other operational changes including increased access to customer usage information, will serve to further reduce the risk of unintentional mis-deliveries. Moreover, the changes to the various business practices will reduce the complexity and associated costs of serving customers on the Columbia system and will allow suppliers to provide better value for customers.

For all of these reasons, and because this case has been resolved in an acceptable fashion without the need for litigation and the incurrence of additional costs, the NGS Parties believe that this Settlement is in the public interest and is just and reasonable. The NGS Parties accordingly submit that it should be approved as presented.

H. CAUSE-PA’s Statement in Support

CAUSE-PA intervened in this proceeding to address, among other issues, whether the proposed rate increase would detrimentally impact the ability of Columbia Gas of Pennsylvania, Inc.’s (“Columbia”) low-income customers to afford service under reasonable terms and conditions.

In short, the Settlement provides several provisions which address CAUSE-PA’s overarching concern. In relevant part, the Settlement provides that the fixed charge portion of the residential rate structure will remain unchanged, ensuring that low income / low usage households do not bear a disproportionate share of the rate increase. It also provides that Columbia will continue funding its Hardship Fund program at current levels with pipeline penalty credit funds and refunds received through February 28, 2018, and that Columbia will take concrete steps to increase voluntary donations to the programs. Finally, the Settlement strengthens outreach efforts by expanding the third party notification system to allow CAP participants to designate a community based organization (CBO) to receive notices about the customer’s account, and through increased distribution of universal service program brochures at non-utility locations.

While it does not address all of CAUSE-PA’s concerns and recommendations, the Settlement was arrived at through good faith negotiation by all parties, and is in the public interest in that it addresses a number of the most critical issues of concern to CAUSE-PA in this proceeding, balances the interests of the parties, and resolves a number of important issues fairly. Considerable litigation and associated costs will be avoided; and if approved, the Settlement will eliminate the possibility of further litigation and appeals, along with their attendant costs.

The following terms of this Settlement reflect a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding:

1. Paragraph 38 confirms that the fixed residential customer charge will remain at the current $16.75, without increase. This provision is critical to ensure that the burden of a rate increase does not disproportionately fall on low and fixed income residents – and in particular, disabled and elderly low and fixed income populations – who use less energy on average than their non-low income counterparts and, thus, will be disproportionately impacted by a sharp increase in fixed charges. (OCA St. 4, Colton, at 12-14). It also ensures that the rate structure does not undermine ratepayer investments in energy efficiency and weatherization through the Low Income Usage Reduction Program (LIURP), which is designed to reduce low income household usage and, in turn, reduce the energy burden for low income customers. (See OCA St. 4, Colton, at 19:22-20:1).

2. Paragraph 42 confirms that LIURP funding will remain unchanged until the expiration of a settlement agreement in a previous base rate proceeding (Docket R-2014-2406274). It further provides that unspent LIURP funds will be carried over and added to the following years’ funding. This clarification of LIURP budgeting will help ensure that the LIURP is operated at full capacity to achieve energy and bill savings for low income customers.

3. Paragraph 44 provides that Columbia will extend its Third Party Notification program to include CAP reminder notices – including CAP removal. Columbia also agreed to make the notification forms available through CBOs, and to encourage CBOs to discuss third party notification with customers and include the forms in processing applications for assistance. This Settlement provision is explicit that the customer’s participation in the Third Party Notification program must be completely voluntary.

These enhancements to the Third Party Notification program are designed to address, in small part, the significant and persistent decline in Columbia’s CAP enrollment, which is largely attributable to the rising number of CAP customers who default from the program. (CAUSE-PA St. 1-R, Geller, at 10; OCA St. 4, Colton, at 22-24). The decline has caused a ripple effect on low income arrearages – with a nearly two fold increase in the percentage of low-income dollars from 2010 to 2014. (OCA St. 4, Colton, at 23). Terminations and reconnections have also suffered, all while federal heating assistance through LIHEAP declines. (OCA St. 4, Colton, at 24-25; CAUSE-PA St. 1-R, Geller, at 10).

As a remedy to this “disturbing trend,” Roger Colton, expert witness for the Office of Consumer Advocate, suggested using the Third Party Notification program to allow CBOs to receive notice of pending CAP defaults, which would allow CBOs to perform targeted outreach to these customers. In response to this proposal, Mr. Harry Geller, expert witness for CAUSE-PA, raised concerns, explaining that the notification system must be completely voluntary, that systems must be in place to ensure customers provided knowing and voluntary consent, that it not replace current customer notification methods, and that care is taken to ensure that customer confidentiality and privacy are protected. (CAUSE-PA St. 1-R at 11-12).

The provision included in the Settlement addresses Mr. Geller’s concerns that the program be voluntary to protect customer privacy. While CAUSE-PA believes that this provision is insufficient to fully remedy the troubling decline in CAP enrollment (and the resulting rise in low income arrears and terminations and decline in reconnections), CAUSE-PA nonetheless asserts that use of the third party notification system is a step in the right direction, and supports its implementation.

4. Paragraph 45 provides that Columbia will provide brochures for all of its universal service programs to non-utility access points, including CBOs. As with the expanded third party notification program, this enhanced outreach will help ensure that low income populations are better informed about the availability of Columbia’s various assistance programs.

CAUSE-PA notes again that, while its positions have not been fully adopted, the Settlement was arrived at through good faith negotiation by all parties and represents a fair and balanced resolution of a number of important issues. Thus, when taken together, the provisions of this settlement are in the public interest, and should be approved by the Commission in full.

I. CAAP’s Statement in Support

CAAP is a statewide association representing Pennsylvania’s community action agencies that provide anti-poverty planning and community development activities for low-income communities and services to individuals and families. CAAP intervened in order to address the adequacy of the Company’s programs for its low-income customers and the effect of any proposed rate increase or change in rate structure on those programs and customers, and CAAP supports the Settlement and believes it is in compliance with the applicable laws and regulations and serves the public interest based upon the following:

1. The Settlement maintains adequate funding for the Company’s LIURP program and ensures the carry-over of unused funds in a given year to the following year and that will help low-income customers deal with the effect of the rate increase resulting from this Settlement;

2. Columbia reiterates its intent to continue to use community-based organizations to assist in the implementation of its universal service programs;

3. Columbia proposed in its initial filing to increase the fixed monthly residential customer charge from $16.75 to $19.51. Such an increase in the fixed charge would have lessened the motive and ability of the residential class to conserve energy and reduce their monthly bill. The Settlement provides that the fixed monthly residential customer charge will remain at $16.75; and

4. The settlement is consistent with the Commission’s obligation under the Natural Gas Choice and Competition Act to ensure that universal service programs are appropriately funded and available, that energy conservation measures are promoted and available to consumers, particularly low income consumers, and that community-based organizations are used to assist in the implementation of a company’s universal service programs.

J. Pennsylvania State University’s Statement in Support

PSU offers its support for the Settlement and requests that the Presiding Administrative Law Judge and the Commission grant the Joint Petition and approve the Settlement as submitted and without modification. In support thereof, PSU avers as follows:

1. On March 18, 2016, Columbia filed with the Commission Supplement No. 241, to be effective May 17, 2016, and proposed an increase in revenues of approximately $55.3 million which represents an 11.23% increase in operating revenues based upon a pro forma FPFTY ending December 31, 2017.

2. PSU is a major customer of Columbia for natural gas service with a number of separate accounts. PSU primarily takes service as a member of the Large Distribution Service/Large General Sales Service (LDS/LGSS) customer classes, but it also takes service under the Small Distribution Service (SDS), Small General Sales Service (SGSS), and Residential Sales Service (RSS) classes.

3. The terms of the Settlement were reached after numerous hours of negotiations among the Joint Petitioners that included the subject of cost of service studies and the allocation of the overall increase among the various rate classes and, in particular, to the LDS/LGSS rate classes.

4. In the Settlement, the Joint Petitioners proposed that rates should be designed to produce an additional $35 million in annual base rate operating revenues instead of the Company’s filed increase request of $55.3 million. The increase for the LDS/LGSS classes is $1,100,000, which is less than the $1,380,000 million increase originally proposed by the Company.

5. While PSU continues to be concerned about attempts by certain parties to favor outdated cost of service methodologies that incorrectly treat customers or customer classes with superior load factors the same as customers or customer classes with poor load factors or fail to recognize the benefit of Flex service to all customers and allocated it as such, it supports the settlement as a compromise of competing positions that results in the rate of return of the LDS/LGSS class being closer to the system average rate of return than it would under the Company’s original proposal. Movement of class rates of return to the system average rate of return is consistent with the requirement of Lloyd v. Pa. Pub. Util. Comm’n, 904 A.2d 1010 (Pa. Cmwlth. Ct. 2006), that rate structures be gradually adjusted to move the class rate of return closer to the system average rate of return, thus causing rates to reflect the cost of providing service to each rate class and eliminating cross-subsidization.

6. PSU also supports the Settlement because it satisfactorily resolves issues raised by natural gas suppliers as a compromise of competing positions.

7. PSU supports the Settlement because it is without prejudice or admission to any position by any party, including PSU, may take in any subsequent or different proceeding. In addition, the Settlement will enable the parties to avoid the expenditure of significant additional time and expense that would have been necessary to fully litigate this proceeding to a conclusion, which results in significant savings to all parties, as well as to Columbia’s customers.

In conclusion, PSU submits the Settlement is in the public interest and requests that the Commission approve the Settlement.

K. Direct Energy’s Statement in Support

Direct Energy is a natural gas supplier (NGS) licensed by the Commission to provide natural gas and related services to retail customers in Columbia’s service territory. Direct Energy raised the following key issues and concerns: (1) the shortening of the paperwork required by customers to change suppliers; (2) the removal of barriers for NGSs to obtain a customer’s usage information on the Columbia’s Aviator system; (3) revisions to the calculation of penalties for over and under deliveries during Operational Flow Orders (OFOs) or Operational Matching Orders (OMOs) called by Columbia; (4) the recommendation that the new clause in Proposed Rules Applicable to Distribution Service (RADS) 2.7.2 and 4.9.5 (Choice) which is related to Columbia’s discretion to direct a supplier to schedule natural gas supplies from multiple delivery points – be more limited and defined; and (5) the need to improve the provision of customer usage data to suppliers in order to facilitate their ability to respond to OMOs.

Direct Energy avers the Settlement reasonably addresses Direct Energy’s key issues and concerns and appropriately balances the sometimes competing concerns raised by various Joint Petitioners, for reasons enumerated below.

First, regarding the process of switching suppliers, the Settlement provides that Columbia will implement a shortened agency form.[[35]](#footnote-35) This shortened form will reduce the prior burdensome process, which had a customer completing a five-page application every time that it switched suppliers. That five-page application asked for information that was not always readily available to the customer, and generated delays in the enrollment process.[[36]](#footnote-36)

Second, regarding the customers’ usage information, the Settlement provides that Columbia will implement new authorization forms to help ensure that NGSs are able to access all of their current customer’s usage information on the Aviator system, or a comparable current or future system.[[37]](#footnote-37) The existing authorization process required customers to login to the Aviator system with their master ID and decide who could see what data. This led to instances where NGSs did not always have continuous and reasonable access to customer usage data, which is needed to respond to OMOs and OFOs.[[38]](#footnote-38)

Third, regarding penalty calculations, the Settlement provides that Columbia will adopt a gas index-based penalty structure.[[39]](#footnote-39) The revised penalty will serve as an effective deterrent to behavior that may threaten operational integrity, while, at the same time, bear a more reasonable relationship to the operational conditions on the system. The prior penalty scheme gave equal treatment to all non-compliance, despite the fact that warm weather OFO/OMO non-compliance does not threaten system reliability in the same way as cold weather OFO/OMO non-compliance.[[40]](#footnote-40)

Fourth, regarding Columbia’s discretion to direct a supplier to schedule natural gas supplies from multiple delivery points, the Settlement provides that RADS 2.7.2 shall be withdrawn, to be discussed as part of the collaborative.[[41]](#footnote-41) That collaborative will discuss new approaches to deal with ongoing pipeline delivery constraints, including the creation of new market “orders.” In addition, without limitation to other issues that may be addressed in the collaborative, the parties will address how transparency may be achieved as to Columbia’s nominations to alternate delivery points under Section 4.9.5 (Choice), including information that Columbia could share with suppliers regarding actual nominations.

Fifth, Direct Energy had raised concerns about the timely availability of daily customer usage data in the GTS0005 Reports and in the Aviator-EMDCS data base. The lack of such data had resulted in Direct Energy being unable to comply with certain OMOs and incurring substantial penalties. Columbia suggested that the lack of full data was attributable, at least in part, to malfunctioning or uninstalled Electronic Flow Correctors (EFCs) and functioning telephone equipment to transmit daily usage information to Columbia.

In response to those concerns, Columbia agreed to propose to install, own, operate and maintain all equipment, including telephone or similar technology necessary to ensure the timely transmission of usage data from customer meters to Columbia, for subsequent display in the GTS0005 and Aviator-EMDCS data base. In addition, for customers with such facilities installed, Columbia agreed to use commercially reasonable efforts to display customer usage in the two relevant data bases by 1 PM on the day following the day for which the data is being provided. In addition, Columbia agreed that, in addition to any other remedy a supplier might have, if Columbia does not meet the 1PM/subsequent day deadline for any customer with an EFC and operating telephone equipment the penalty for non-compliance with an OMO is reduced by one-half.

On balance, the Settlement represents a fair balancing and compromise of the issues raised in this proceeding. Even though all of Direct Energy’s concerns and issues are not fully addressed in the manner preferred by Direct Energy, the Settlement does represent improvements on many issues raised by Direct Energy and was developed as the result of the parties working cooperatively to reach a reasonable and comprehensive compromise of all the issues. In addition, the Settlement reduces the administrative burden and costs to resolve the numerous issues. For all these reasons, the Settlement is in the public interest and should be adopted. Thus, Direct Energy respectfully requests the Settlement be approved without modification.

V. DISCUSSION OF JOINT SETTLEMENT BY ADMINISTRATIVE LAW JUDGE

A. Burden of Proof

Typically in proceedings before the Commission, the public utility has the burden to establish the justness and reasonableness of every element of its rate increase in all proceedings conducted under Section 1308(d) of the Public Utility Code. The standard of proof, which a public utility must meet, is set forth in Section 315(a) of the Public Utility Code (Code), 66 Pa.C.S. §315(a), which specifies that, “[i]n any proceeding upon the motion of the Commission, involving any proposed or existing rate of any public utility, or in any proceeding 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.”

Pennsylvania’s Commonwealth Court has upheld this standard of proof[[42]](#footnote-42) and has applied it in base rate proceedings, even when the question concerning an element of the base rate increase request was raised by a party instead of the public utility.[[43]](#footnote-43)

In this proceeding, the burden of proof lies squarely with Columbia. Columbia is the public utility seeking permission from the Commission to increase its base rate and seeking permission to implement and/or alter programs. The burden of proof did not shift to a statutory party or individual party (whether an entity or an individual) which challenged the requested rate increase. Instead, the utility’s burden, to establish the justness and reasonableness of every component of its rate request, is an affirmative one and remains with the public utility throughout the course of the rate proceeding.[[44]](#footnote-44)

Under the Public Utility Code, rates charged by public utilities must be just and reasonable and cannot result in unreasonable rate discrimination. 66 Pa.C.S. §§ 1301 and 1304.

A public utility seeking a general rate increase has the burden of proof to establish the justness and reasonableness of every element of the rate increase request. 66 Pa.C.S. § 315(a); Pa. Pub. Util. Comm’n v. Aqua Pennsylvania, Inc., Docket No. R-00038805, 236 PUR 4th 218, 2004 Pa. PUC LEXIS 39 (August 5, 2004).

B. Description of the Company

As noted by the parties in the Settlement, Columbia Gas is a “public utility” and “natural gas distribution company” (NGDC) as those terms are defined in Sections 102 and 2202 of the Public Utility Code, 66 Pa.C.S.A. §§ 102 and 2202. As such, Columbia Gas provides natural gas distribution, sales, transportation, and/or supplier of last resort services to approximately 421,000 retail customers in portions of 26 counties of Pennsylvania.

C. Rate Requests

Columbia’s increase request, as filed, proposed increased rates designed to produce an overall revenue increase of approximately $55.3 million annually, or approximately 11.23%, based upon the pro forma level of operations for the twelve months ending September 30, 2016.

Under the original proposal, a typical residential customer purchasing 70 therms of gas per month from Columbia would have seen an increase from $77.33 to $86.97, or 12.47%, per month. The total monthly bill for a small commercial customer (Small General 1)[[45]](#footnote-45) purchasing 158 therms of gas per month would have seen an increase from $128.29 to $139.74, or 8.93%. The total bill for a small industrial customer (Small General 2)[[46]](#footnote-46) purchasing 1,328 therms of gas would have increased from $898.48 to $958.63, or 6.69%, per month. The total bill for a small distribution customer (Small Distribution) purchasing 16,005 therms of gas per month would have increased from $8,865.28 to $9,283.93, or 4.72%, per month.

D. ALJ’s Recommendation

As stated previously, the Company has the burden of proof and I conclude Columbia met that burden of proof, based upon this record. Consequently, I recommend the proposed changes be approved at this time. As pointed out by the parties, the Settlement was achieved after an extensive investigation of Columbia’s filing, including informal and formal discovery and the submission of direct, rebuttal, surrebuttal and rejoinder outlines by a number of the Joint Petitioners, which were admitted into the record by stipulation.

Acceptance of the Settlement avoids the necessity of further administrative, and possibly appellate, proceedings regarding the settled issues which, if pursued, would have inflicted a substantial cost to the Joint Petitioners and Columbia’s customers. Joint Petitioners submitted, along with this Settlement, their respective Statements in Support setting forth the substantive bases upon which each signatory believed the Settlement was fair, just and reasonable, and therefore in the public interest.[[47]](#footnote-47)

I conclude that I agree with the signatories – the items agreed to in the Settlement are in the public interest. The Company agreed to lower its overall revenue requirement significantly from the original 11.23% proposed increase (or $55.3 million) down to an increase of $35 million, which represents a 7.12% increase over current rates. The percentage increases by customer classes are fairly similar across all the classes from the lowest increase (2.36%) for Large Distribution customers, up to the highest increase (7.34%) for Residential customers. The settled-upon increases range primarily between 4.66% and 7.34%, which range is fairly small. In other words, the various customer classes will experience similar increases.

The signatories have shown that the primary reason for the increase is to provide Columbia with an opportunity to earn a return on the large capital investments it made and will continue to make to its distribution systems, specifically in the replacement of pipelines within Columbia’s distribution system.[[48]](#footnote-48) The Settlement resolves many issues by agreeing Columbia should maintain status quo in matters or processes previously approved, including matters concerning the Distribution Service Improvement Charge (DSIC), the tax repair allowance treatment, the amortization issues, the Other Post Employment Benefits expense, and with other charges and riders.

In addition, the signatories agreed to numerous changes, after extensive disagreement, especially in the areas of revenue allocation, the Universal Service and Conservation programs, the Hardship Fund, the program to expand gas service into new areas, and various supplier issues. All of these issues were resolved by the parties without the cost of litigation but with a fair and reasonable balancing of the needs and concerns of various customers with the Company’s need to retain an adequate rate of return.

One such resolution will allow customers to pay their monthly bills using a third-party debit card, a credit card, an automated clearinghouse, or walk-in locations without incurring a separate processing fee or charge. This resolution calls for Columbia to include all transaction fees within the cost of service in order to ease the burden on customers and avoid delays in processing payment by, instead, encouraging customers to use authorized bill-pay agents.

All of these provisions further the public interest by allowing Columbia to accrue a reasonable rate of return without over-charging customers for extraneous or unnecessary costs. For all of the foregoing reasons, I recommend the Commission approve the Settlement.

VI. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the parties and subject matter in this proceeding. 66 Pa.C.S.A. §§ 501, 1301, 1308(d).

2. The benchmark for determining the acceptability of a settlement is whether the proposed terms and conditions are in the public interest. Warner v. GTE North, Inc.*,* Docket No. C-00902815, Opinion and Order entered April 1, 1996; Pa. Pub. Util. Comm’n v. CS Water and Sewer Associates, 74 Pa. PUC 767 (1991).

3. The Joint Petition For Settlement submitted by Columbia Gas of Pennsylvania, Inc., the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, Columbia Industrial Intervenors, Dominion Retail, Inc., Interstate Gas Supply, Inc., Shipley Energy Company, AMERIGreen Energy, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, Community Action Association of Pennsylvania, the Pennsylvania State University, Direct Energy Business, LLC, Direct Energy Services, LLC and Direct Energy Business Marketing, LLC, is just and reasonable and in the public interest.

4. The proposed base rate revenue increase of $35.0 million, as shown in the Appendices A and B to the Joint Petition For Settlement, is just and reasonable, as required by 66 Pa.C.S.A. § 1301, and has been fully supported by the parties to the Joint Petition For Settlement.

5. The revenue allocations to the various customer classes, provided in the Joint Petition For Settlement, produce just and reasonable rates, as required by 66 Pa.C.S.A. § 1301.

6. The tariff changes proposed in the Joint Petition For Settlement are just and reasonable, as required by 66 Pa.C.S.A. § 1301.

VII. ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That Columbia Gas of Pennsylvania, Inc. shall not place into effect the rates, rules, and regulations contained in Supplement No. 241 to Tariff Gas-Pa. P.U.C. No. 9, the same having been found to be unjust, unreasonable, and therefore unlawful.

2. That the Joint Petition For Settlement submitted by Columbia Gas of Pennsylvania, Inc., Bureau of Investigation and Enforcement, the Office of Consumer Advocate, Office of Small Business Advocate, Columbia Industrial Intervenors, Dominion Retail, Inc., Shipley Energy Company, Interstate Gas Supply, Inc., AMERIGreen Energy, Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, Community Action Association of PA, the Pennsylvania State University, Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC, at Docket No. R-2016-2529660, including all terms and conditions as clarified, is hereby approved.

3. That Columbia Gas of Pennsylvania, Inc. is hereby authorized to file the tariff supplement contained in Appendix “D” to the Joint Petition For Settlement to become effective with at least one day’s notice, for service rendered on and after December 19, 2016, designed to produce $35.0 million in additional annual base rate operating revenue based upon the pro forma fully projected future test year ending December 31, 2017, consistent with the Commission’s Final Order in this proceeding.

4. That Columbia Gas of Pennsylvania, Inc. shall allocate the authorized increase in operating revenue to each customer class and shall implement the rate design as set forth in Appendix “A” to the Joint Petition For Settlement.

5. That the formal complaints filed against the base rate proceeding at R‑2016-2529660 by the Office of Consumer Advocate at C-2016-2535301; Office of Small Business Advocate at C-2016-2538051; the Pennsylvania State University at C-2016-2541623; and Columbia Industrial Intervenors at C-2016-2541753, are dismissed, consistent with the Joint Petition For Settlement.

6. That the formal complaints of Ralph Miller at C-2016-2538611; Michael Pikus at C-2016-2538843; Richard Collins at C-2016-2547479; and James Testrake at C‑2016-2555931, are dismissed.

7. That after acceptance and approval by the Commission of the tariff revisions filed by Columbia Gas of Pennsylvania, Inc., the investigation at Docket No. R‑2016-2529660 shall be terminated and the record shall be marked closed.

Date: September 28, 2016 /s/

Katrina L. Dunderdale

Administrative Law Judge

**Columbia Gas Base Rate**

R-2016-2529660, et al

Evidence Admitted

into the Hearing Record

**Columbia Gas of Pennsylvania, Inc. Rate Filing:**

SupplementNo. 241 to Tariff Gas Pa. PUC No. 9

Standard Filing Requirements - Exhibits 1-17, Exhibits 101-117, and Exhibits 400-414

Standard Data Requests – GASCOS (1-21); GASROR (1-23); GASRR (1-55)

**Columbia Gas of Pennsylvania, Inc., Testimony:**

Mark Kempic

Columbia St. No. 1

Columbia Ex. MK-1

Columbia St. No. 1-R

Amy Efland

Columbia St. No. 2

Melissa Bell

Columbia St. No. 3

Columbia Ex. No. MJB-1

Columbia Ex. No. MJB-2

Columbia Ex. No. MJB-3

Columbia Ex. No. MJB-4

Columbia St. No. 3-R

Columbia Ex. No. MJB-1R

Columbia St. No. 3-SR

Kelley Miller

Columbia St. No. 4

Columbia St. No. 4-R

Columbia Ex. No. KKM-1R

Columbia Ex. No. KKM-2R

John Spanos

Columbia St. No. 5

Columbia Ex. No. JJS-01

Columbia St. No. 5-R

Columbia Ex. No. JJS-5R-1

Nicole Paloney

Columbia St. No. 6

Columbia Ex. No. NMP-1

Columbia Ex. No. NMP-2

Columbia St. No. 6-R

Wesley Soyster

Columbia St. No. 7

Columbia St. No 7-R

Paul Moul

Columbia St. No. 8

Columbia Ex. No. PRM-1

Columbia St. No. 8-R

Columbia Ex. No. PRM-2R

Nancy Krajovic

Columbia St. No. 9

Columbia Ex. No. NJDK-1

Columbia St. No. 9-R

Columbia Exhibits Nos. NJDK-1R through NJDK-4R.

Panapilas Fischer

Columbia St. No. 10

Columbia St. No. 10-R

Mark Balmert

Columbia St. No. 11

Columbia Ex. No. MPB-1

Columbia Ex. No. MPB-2

Columbia Ex. No. MPB-3

Columbia Ex. No. MPB-4

Columbia St. No. 11-R

Columbia Ex. No. MPB-1R

Columbia Ex. No. MPB-2R

Columbia Ex. No. MPB-3R

Columbia St. No. 11-SR

Shirley Bardes Hasson

Columbia St. No. 12

Robert Waruszewski

Columbia St. No. 13

Columbia Exhibits Nos. RCW-1 through RCW-4

Columbia St. No. 13-R

Columbia Ex. No. RCW-1R

Columbia CONFIDENTIAL Ex. No. RCW-2R

Columbia Ex. No. RCW-3R

Deborah Davis

Columbia St. No. 14

Columbia St. No. 14-R

Columbia Ex. No. DD-R1

Columbia St. No. 14-SR

Michele Caddell

Columbia St. No. 15-R, which has Public and Confidential versions

Columbia Ex. No. MLC-1R

Columbia CONFIDENTIAL Ex. No. MLC-2R

Columbia Ex. No. MLC-3R

Columbia St. No. 15-SR

Michael Anderson

Columbia St. No. 16-R

Columbia St. No. 16-SR

Kimberly Cartella

Columbia St. No. 17-R

**Office of Consumer Advocate**

Michael J. Majoros, Jr.

Direct Testimony – OCA Statement No. 1

Surrebuttal Testimony – OCA Statement No. 1-SR

Aaron L. Rothschild

Direct Testimony – OCA Statement No. 2

Surrebuttal Testimony – OCA Statement No. 2-SR

Jerome D. Mierzwa

Direct Testimony – OCA Statement No. 3 (Please note that a revised version of

Statement No. 3 was filed on June 30, 2016.)

Rebuttal Testimony – OCA Statement No. 3-R

Surrebuttal Testimony – OCA Statement No. 3-SR

Roger D. Colton

Direct Testimony – OCA Statement No. 4

Surrebuttal Testimony – OCA Statement No. 4-SR

**Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania**

Harry Geller

Rebuttal Testimony - CAUSE-PA Statement 1-R, with Appendices A and B

**Pennsylvania State University**

James Crist

Rebuttal Testimony - PSU statement No. 1-R along with 2 Exhibits;

Surrebuttal Testimony - PSU statement No. 1-SR;

Rejoinder outline and 4 Exhibits.

**Columbia Industrial Intervenors**

Frank Plank

Direct Testimony - CII Statement No. 1,

Rebuttal Testimony - CII Statement No. 1-R,

Surrebuttal Testimony - CII Statement No. 1-S.

**Office of Small Business Advocate**

Robert D. Knecht

Direct Testimony - OSBA Statement No. 1, and Exhibits IEc-1, 2, 3.

Rebuttal Testimony - OSBA Statement No. 1-R, and Exhibit IEc-1-R

Surrebuttal Testimony - OSBA Statement No. 1-S.

**Citizens Against**

Susan A. Moore

Direct Testimony - CAAP Statement No. 1

**Direct Energy**

Orlando Magnani

Direct Testimony - St. 1

Rebuttal Testimony - St. 1R

Surrebuttal Testimony - St. 1SR

**Natural Gas Suppliers**

Anthony Cusati

Direct Testimony - NGS Parties Statement No. 1,

Rebuttal Testimony - NGS Parties Statement No. 1-R,

Surrebuttal Testimony - NGS Parties Statement No. 1-SR, and accompanying

exhibit No. NGS SR-1.

1. Editor’s Note: NiFit refers to a project intended to upgrade Columbia’s financial processes and information systems as one of the NiSource companies. [↑](#footnote-ref-1)
2. Editor’s Note: OPEB is an acronym defined as “Other Post Employment Benefits.” [↑](#footnote-ref-2)
3. Direct Energy takes no position with respect to the rate design set forth in Appendix “B”. [↑](#footnote-ref-3)
4. Editor’s Note: GDS in an acronym defined as “Gas Distribution Service.” [↑](#footnote-ref-4)
5. The NGS Parties, for purposes of this settlement only, are not opposing inclusion of RADS 4.9.5 in the tariff at this time. [↑](#footnote-ref-5)
6. For explanation of customer classes, see Direct Testimony of Mark Balmert, Columbia Statement No. 11 at 5, 6. [↑](#footnote-ref-6)
7. DIMP is an acronym that is defined as “Distribution Integrity Management Plan.” [↑](#footnote-ref-7)
8. In its Order entered December 10, 2014, approving the settlement in Columbia’s 2014 base rate proceeding at Docket No. R-2014-2406274, the Commission stated that base rate settlements must stipulate a Return on Equity (ROE) for DSIC purposes. (Order at p. 15.) The Commission noted that one option is to stipulate that the ROE for DSIC purposes will track the equity return rate from the most recent Commission staff Quarterly Earnings Report. [↑](#footnote-ref-8)
9. NiFiT is a project designed to upgrade financial processes and information systems across all of the NiSource companies, including Columbia. [↑](#footnote-ref-9)
10. See Columbia Statement No. 11 at 5, 6. [↑](#footnote-ref-10)
11. Columbia St. No. 3, p. 19; Exh. 103, Sch. 8, p. 5. [↑](#footnote-ref-11)
12. For purposes of Appendix “A” to the Settlement, the total increase agreed to for the SGS class as a whole is $6,200,000. [↑](#footnote-ref-12)
13. OSBA recommended a customer charge for the smaller-sized customers of $25.00/ month, but no increase to the current customer charges for the entire SGS/SGDS class if the Commission determined that there should not be a customer component of mains included in the customer charge. (OSBA St. No. 1, pp. 29-30). [↑](#footnote-ref-13)
14. CAUSE-PA presented rebuttal testimony related to the low-income customer issues raised by OCA. (CAUSE-PA Statement No. 1-R, pp. 10-13.) [↑](#footnote-ref-14)
15. Columbia notes that this provision does not create a CAP enrollment limit. Indeed, as directed by the Commission, Columbia removed its CAP enrollment limit in its current Universal Service and Energy Conservation Plan. 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 (July 8, 2015) at 20. [↑](#footnote-ref-15)
16. The CHOICE program is a firm capacity program for Priority 1 residential and small commercial customers. (Columbia Ex. No. 14, Sch. 2.) [↑](#footnote-ref-16)
17. Enrollment type identifies the manner in which the NGS acquired the customer, i.e., web, telephone or in person contact. [↑](#footnote-ref-17)
18. Pa. Pub. Util. Comm’n v. Venango Water Co.*,* Docket No. R-2014-2427035, 2015 WL 2251531, at \*3 (Apr. 23, 2015 ALJ Decision) (adopted by Commission via Order entered June 11, 2015); *See* 52 Pa.Code § 5.231. [↑](#footnote-ref-18)
19. *See Id.* at \*11. [↑](#footnote-ref-19)
20. *See Id.* [↑](#footnote-ref-20)
21. *See Id.* [↑](#footnote-ref-21)
22. Pa. Pub. Util. Comm’n v. Philadelphia Electric Company, 60 Pa. PUC 1, 22 (1985). [↑](#footnote-ref-22)
23. Pa. Pub. Util. Comm’n v. C S Water and Sewer Associates, 74 Pa. PUC 767, 771 (1991). [↑](#footnote-ref-23)
24. *See,* Statement of Commissioner Robert F. Powelson, Pa. Pub. Util. Comm’n v. Wellsboro Electric Company*,* Docket No. R-2010-2172662. *See also,* Statement of Commissioner Robert F. Powelson, Pa. Pub. Util. Comm’n v. Citizens’ Electric Company of Lewisburg, PA*,* Docket No. R-2010-2172665. [↑](#footnote-ref-24)
25. 66 Pa.C.S.A. § 1301. [↑](#footnote-ref-25)
26. 66 Pa.C.S.A. § 1304. [↑](#footnote-ref-26)
27. Lloyd v. Pa. Pub. Util. Comm’n, 904 A.2d 1010, 1019-20 (Pa.Cmwlth. 2006). [↑](#footnote-ref-27)
28. Jim Lazar. “Electric Utility Residential Customer Charges and Minimum Bills: Alternative Approaches for Recovering Basic Distribution Costs.” Regulatory Assistance Project (Nov. 2014). [↑](#footnote-ref-28)
29. *Id.* [↑](#footnote-ref-29)
30. BIE Statement No. 3, p. 21, ln. 4-13. [↑](#footnote-ref-30)
31. BIE St. No. 6, p. 9. [↑](#footnote-ref-31)
32. Pa. Pub. Util. Comm’n. v. Columbia Gas of Pa., Inc.*,* Docket No. R-2015-2468056 (Final Order entered December 3, 2015). [↑](#footnote-ref-32)
33. BIE St. No.2, pp. 18-19. [↑](#footnote-ref-33)
34. BIE St. No. 5, p. 17. [↑](#footnote-ref-34)
35. Settlement at ¶ 51. [↑](#footnote-ref-35)
36. Direct Energy Statement 1 at 4; Direct Energy Statement 1SR at 2-3. [↑](#footnote-ref-36)
37. Settlement at ¶ 52. [↑](#footnote-ref-37)
38. Direct Energy Statement 1 at 7-10; Direct Energy Statement 1SR at 3-8. [↑](#footnote-ref-38)
39. Settlement at ¶ 53, 55. [↑](#footnote-ref-39)
40. Direct Energy Statement 1 at 9-12; Direct Energy Statement 1SR at 10-11. [↑](#footnote-ref-40)
41. Settlement at ¶ 56-57. [↑](#footnote-ref-41)
42. Lower Frederick Twp. v. Pa. Pub. Util. Comm’n, 48 Pa.Cmwlth. 222, 226-227, 409 A.2d 505, 507 (1980). See also, Brockway Glass v. Pa. Pub. Util. Comm’n, 63 Pa.Cmwlth. 238, 437 A.2d 1067 (1981). [↑](#footnote-ref-42)
43. See Pa. Pub. Util. Comm’n v. National Fuel Gas Distribution Corp., 1994 Pa. PUC LEXIS 134 \*5 (1994); Pa. Pub. Util. Comm’n v. Breezewood Telephone Company, 74 Pa. PUC 431 (1991); and Pa. Pub. Util. Comm’n v. Equitable Gas Co., 57 Pa. PUC 423, 471 (1983). [↑](#footnote-ref-43)
44. See also, 66 Pa.C.S.A. § 1501, requiring a utility to have reasonable rules governing service. There is no similar burden placed on parties which challenge a proposed rate component. See, Berner v. Pa. Pub. Util. Comm’n, 382 Pa. 622, 631, 116 A.2d 738, 744 (1955). [↑](#footnote-ref-44)
45. Small General 1 is defined to include commercial customers whose annual usage is less than 6,440 therms. See Columbia Statement No. 11 at 5, 6. [↑](#footnote-ref-45)
46. Small General 2 is defined to include commercial customers whose annual usage is greater than 6,440 therms but less than 64,400 therms. See Columbia Statement No. 11 at 5, 6. [↑](#footnote-ref-46)
47. Although two individual Complainants indicated in writing that they agreed to the Settlement, two Complainants neither agreed to nor objected to the Settlement. Both Complainants (Pikus and Collins) were provided with the time and opportunity to consent or object but chose not to respond to the presiding officer’s letter dated September 2, 2016. [↑](#footnote-ref-47)
48. It should be noted that, on December 31, 2015, Columbia filed with the Commission a Petition for a Waiver of the Distribution System Improvement Charge Cap of 5% of Billed Distribution Revenues and Approval to Increase the Maximum Allowable DSIC to 10% of Billed Revenues, a concurrent but separate proceeding docketed at P-2016-2521993. No decision has been issued in that proceeding to date. [↑](#footnote-ref-48)