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August 2, 2017

VIA ELECTRONIC FILING

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

**Re: Joint Petition for Generic Investigation or Rulemaking
Regarding "Gas-On-Gas" Competition Between Jurisdictional
Natural Gas Distribution Companies
P-2011-2277868**

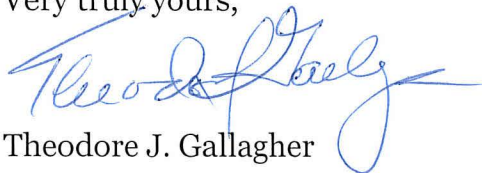
**Generic Investigation Regarding Gas-On-Gas Competition
Between Jurisdictional Natural Gas Distribution Companies
I-2012-2320323**

Dear Secretary Chiavetta:

Enclosed please find the Comments of Columbia Gas of Pennsylvania, Inc. regarding the above captioned matter.

Should you have any questions, please do not hesitate to contact the undersigned at (724) 416-6355.

Very truly yours,



Theodore J. Gallagher

/kak
Enclosure
cc: Certificate of Service (w/enc.)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Petition for Generic Investigation or	:	
Rulemaking Regarding “Gas-On-Gas” Competition	:	P-2011-2277868
Between Jurisdictional Natural Gas Distribution	:	
Companies	:	
	:	
Generic Investigation Regarding Gas-On-Gas	:	
Competition Between Jurisdictional Natural	:	I-2012-2320323
Gas Distribution Companies	:	

**COMMENTS OF
COLUMBIA GAS OF PENNSYLVANIA, INC.**

Columbia Gas of Pennsylvania, Inc. (“Columbia” or “the Company”), by and through its counsel, hereby submits its Comments in response to the Commission’s Opinion and Order issued in this matter.

I. Introduction

In its Opinion and Order in this matter, the Commission addressed the unique situation in western Pennsylvania, whereby customers who are located in service territories that are served by more than one Natural Gas Distribution Company (“NGDC”) may negotiate with competing NGDCs for a rate that is discounted below the regular applicable tariff rate. The Commission determined that rate flexing by NGDCs solely to meet a competitive threat from another NGDC, which is commonly referred to as “gas-on-gas competition” shall be permitted to continue for commercial and industrial customers. The Commission noted, however, that “the continuation of gas-on-gas flex rates is contingent upon the development of, *inter alia*: (1) a floor based on the lowest applicable tariff rate available to a gas-on-gas customer; and (2) the establishment of

uniform gas-on-gas flex rate tariff provisions among the NDGCs with overlapping service areas.” (Opinion & Order at p. 50) To that end, the Commission solicited comments regarding recommendations for uniform tariff provisions that should be used prospectively for gas-on-gas flex rates, including responses to the following areas of inquiry:

- Which customer classes should be offered gas-on-gas flex rates?
- Should uniform minimum consumption thresholds be established?
- Should new customers locating in overlapping service areas be offered gas on-gas flex rates or should these rates be limited to existing customers being served under gas-on-gas flex rate contracts?
- What should be the criteria and associated documentation for customers to demonstrate that they are capable of receiving service from another NGDC?
- Should there be a limit on the duration of contracts between gas-on-gas flex rate customers and NGDCs?

(Opinion & Order at p. 55) Columbia appreciates the opportunity to Comment upon the establishment of uniform tariff provisions regarding gas-on-gas flex rates and upon other matters of concern.

II. Comments

At the outset, Columbia notes that the Opinion & Order appears to introduce, for the first time, the concept of uniform gas-on-gas flex rate tariff provisions among NGDCs with overlapping service areas. Columbia submits that the establishment of such uniform tariff provisions is likely to be difficult due to a wide variety of rate structures among the competing NGDCs. To begin with, Columbia bills in therms, while the Peoples/Peoples

TWP/Equitable group of companies bill in cubic feet. Moreover, the determination of the gas heat component for the purpose of therm billing is not uniform across Columbia's service territory. Further, there is no uniformity among the NGDCs as to various C&I customer classes and monthly customer charges and volumetric/usage rates that apply to those classes. Given these differences, the establishment of uniform gas-on-gas flex rate tariff provisions that provide a straight forward ability to determine the "floor" rate may prove to be a daunting task.

The Opinion & Order states that "December 31, 2018 may be a reasonable date to end ratepayer subsidies of gas-on-gas discounts that exceed applicable rates of competing NGDCs. Accordingly, the NGDCs are placed on notice that they may not be able to recover any foregone revenue beyond December 31, 2018, in future rate proceedings." (Opinion & Order at p. 57). Columbia submits that there is a difference between "gas-on-gas discounts that exceed applicable rates of competing NGDCs" and "any foregone revenue." The former suggests that forgone revenue will be recoverable so long as an NGDC does not flex its rate so that it dips below the applicable rate of its competitor, while the latter suggests that an NGDC will be at risk for non-recovery of foregone revenue associated with any gas-on-gas flex rate. Columbia submits that, as long as an NGDC does not flex its rates below the applicable rates of competing NGDCs, it will have acted in compliance with Commission guidelines and should, therefore, be deemed to have acted reasonably, legally, and prudently. Under those circumstances, Columbia submits that the Opinion & Order should be modified or clarified to establish that such foregone revenue will be recoverable.

In response to the Commission's specific areas of inquiry listed in in the Opinion & Order, Columbia states as follows:

1. Which customer classes should be offered gas-on-gas flex rates?

In its Opinion & Order, the Commission noted that “Based on the record developed in this investigation, we find that gas-on-gas discounts should continue to be offered to [Commercial and Industrial] customers that have the capability to receive service from more than one NGDC.” (Opinion & Order at p. 50) Columbia submits that, in permitting the practice to continue, there is no evidentiary support at this juncture that would serve as the basis for the Commission’s expansion of gas-on-gas flexing beyond Commercial and Industrial (“C&I”) customers that have the capability to receive service from more than one NGDC. In particular, no record in this matter sheds light on the ramifications of such an expansion into the residential classes. The Commission should not undertake to expand the practice beyond C&I customers without undertaking further investigation to determine what the impact of such an expansion would be.

2. Should uniform minimum consumption thresholds be established?

Columbia maintains that uniform minimum consumption thresholds should not be established for gas-on-gas flex rate eligibility. Based upon the gas service alternatives available to a particular Commercial or Industrial customer, that customer may wish to minimize its costs for such service, whether the customer is large or small. As a matter of fairness, Columbia submits that large C&I customers should not be advantaged over smaller C&I customers. Moreover, in Columbia’s experience, there is often usage variability on its system from year-to-year, and from customer-to-customer. The requirement of minimum consumption thresholds for gas-on-gas flexing eligibility will tend to create complexities whereby some of its C&I customers would fall in and out of eligibility.

3. Should new customers locating in overlapping service areas be offered gas-on-gas flex rates or should these rates be limited to existing customers being served under gas-on-gas flex rate contracts?

For C&I customers who are located in areas where competing NGDCs own and maintain distribution facilities from which service can or could be provided, Columbia maintains that the availability of gas-on-gas flex rates should not be limited to existing customers being served under gas-on-gas flex rate contracts. The use of the word “locating” rather than “located” in this question suggests that a new customer who is newly locating in an overlapping service territory might be offered a gas-on-gas flex rate, whereas a gas-on-gas flex rate would not be available to a new customer who is already located in such a territory. Columbia submits that such flexes should be available to all C&I customers in overlapping service territories, whether they have a current flex agreement, whether they are new customers who are newly locating in an overlapping service territory, or whether they are new customers who are not newly locating there.

With that said, given that the Opinion & Order places NGDCs on notice that they may not be able to recover any foregone revenue beyond December 31, 2018 in future rate proceedings, Columbia notes that the inability to offer a flex rate contract to compete with an overlapping NGDC may become academic. In the event that the Commission determines that Columbia cannot recover the revenue shortfall resulting from such flexes from its remaining customers, it is very likely that Columbia will not be in a position to continue the practice of offering gas-on-gas flex rates.

4. What should be the criteria and associated documentation for customers to demonstrate that they are capable of receiving service from another NGDC?

In its Main Brief in this case, Columbia argued that if the Commission were to adopt Peoples Natural Gas/Peoples TWP's recommendation to allow a competing NGDC to flex down to its competitor's lowest cost-based full margin rate, there should be some clarification that "cost-based, full margin rate" encompasses all elements of charges, since there may be much more to customer costs than an NGDC's commodity based rate. Columbia noted that the deciding factor on who wins and who loses among NGDCs can hinge on things that are unrelated to "cost of service base rates," such as balancing service costs, applicable service charges, or riders. Furthermore, each NGDC's monthly customer charges, which are based on a customer's annual usage, often vary significantly. For example, a customer using more than 200,000 Mcf and less than 389,358 Mcf¹ could have a customer charge as low as \$1215.00 or as high as \$7,500.00 per month depending on the competitive NGDC². In some cases, the NGDC charging the higher customer charge may have a base rate lower than the NGDC with the lower customer charge. Since both customer charges and base rates make up the cost of service base rate, the determination of what is being flexed is not very clear and therefore Columbia requests that the Commission provide guidance on this issue.

The Opinion & Order states that "If NGDCs were permitted to flex rates for gas-on-gas competition to the lowest tariffed rates available to each customer, then price competition would be neutralized and NGDCs would then compete on other considerations, such as

¹ Columbia bills its customers in therms. For this comparison to other NGDC's Mcf volumetric breaks, a BTU of 1.0406 was used to convert Dth to Mcf.

² Peoples Natural Gas Company, LLC tariff Thirty-seventh Revised Page No. 3A and Peoples TWP, LLC tariff Twenty-second Revised Page No. 13.

access to specific suppliers and other service considerations.” (Opinion & Order at p. 52). Columbia submits that a customer’s consideration of the best available options comes down to comparing competing burnertip rates, which include many factors, such as storage, commodity charges, Standby Service, Distribution System Improvement Charge, Gas Procurement Charge, miscellaneous riders, as well as costs beyond the NGDC’s control, such as basis and gas supply costs from a third party or the impact of interstate pipeline rates and level of service that varies from NGDC to NGDC. Ultimately, for a customer who wishes to receive a flexed rate from “NGDC A” based upon the availability of service from competing “NGDC B”, the onus must be on the customer to establish that it would take service from NGDC B but for the flex from NGDC A. Accordingly, in order to qualify for a gas-on-gas flex rate, Columbia submits that a customer should be required to provide information under oath to establish the burnertip rate that is available to the customer by using service from the competing NGDC. Otherwise, Columbia believes that a customer will not really have demonstrated that it would leave the system, or would not take service, without the flexed rate. Without the requirement that a customer demonstrate the competing available burnertip rate, Columbia submits that the price neutralization that the Commission wishes to achieve in the context of gas-on-gas flexing cannot be achieved.

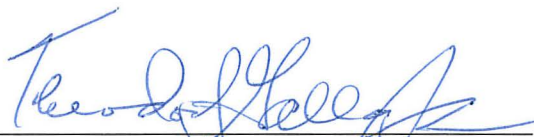
5. Should there be a limit on the duration of contracts between gas-on-gas flex rate customers and NGDCs?

Columbia suggests that the market should determine the duration of contracts between gas-on-gas flex rate customers and NGDCs. However, without the ability to recover the revenue shortfall that results from gas-on-gas flexing, it is not at all clear that such a market will exist in the future.

III. Conclusion

As stated above, Columbia Gas of Pennsylvania appreciates this opportunity to offer its Comments to the Commission's Opinion & Order. Even with the Commission's determination that gas-on-gas competition should be permitted to continue, Columbia is concerned about the practical ability to do so if it is not permitted to recover forgone revenue that is associated with gas-on-gas flexing after December 31, 2018. Moreover, as discussed herein, Columbia is also concerned about the difficulties associated with the establishment of uniform gas-on-gas flex rate tariff provisions.

Respectfully submitted,



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Date: August 2, 2017

*Counsel for
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CERTIFICATE OF SERVICE

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

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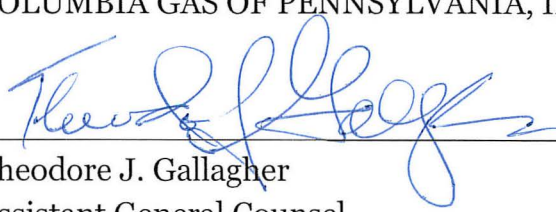
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By: _____


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Dated: 08/02/17