



August 2, 2017

VIA E-FILE

David P. Zambito

Direct Phone 717-703-5892

Direct Fax 215-989-4216

dzambito@cozen.com

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
Harrisburg, PA 17120

**Re: Joint Petition for Generic Investigation or Rulemaking Regarding "Gas-On-Gas"
Competition Between Jurisdictional Natural Gas Distribution Companies;
Docket No. P-2011-2277868**

**Generic Investigation Regarding Gas-On-Gas Competition Between Jurisdictional
Natural Gas Distribution Companies; Docket No. I-2012-2320323**

**COMMENTS OF PEOPLES NATURAL GAS COMPANY LLC (INCLUDING ITS
EQUITABLE DIVISION) AND PEOPLES TWP LLC TO COMMISSION'S MAY 4, 2017
ORDER**

Dear Secretary Chiavetta:

Enclosed for filing with the Commission are the Comments of Peoples Natural Gas Company LLC (including its Equitable Division) and Peoples TWP LLC in the above-referenced proceeding. Copies of the Comments are being served on the Presiding Officer and on all parties, as indicated on the enclosed Certificate of Service. Also, a copy has been e-mailed to the Commission's Office of Special Assistants.

If you have any questions regarding this filing, please direct them to me. Thank you for your attention to this matter.

Sincerely,

COZEN O'CONNOR

By: David P. Zambito
Counsel for Peoples Natural Gas Company and
Peoples TWP LLC

DPZ/kmg
Enclosures

Rosemary Chiavetta

August 2, 2017

Page 2

cc: Gladys M. Brown, Chairman
Andrew G. Place, Vice Chairman
John F. Coleman, Commissioner
Robert F. Powelson, Commissioner
David W. Sweet, Commissioner
ra-OSA@pa.gov
Per Certificate of Service

CERTIFICATE OF SERVICE
Docket Nos. P-2011-2277868 and I-2012-2320323

I hereby certify that I have this day served a true copy of the Comments of Peoples Natural Gas Company LLC and Peoples TWP LLC, upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

VIA E-MAIL AND FIRST CLASS MAIL:

Honorable Elizabeth H. Barnes
Office of Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2 West
Harrisburg, PA 17120

Allison C. Kaster, Esquire
Pennsylvania Public Utility Commission
Bureau of Investigation & Enforcement
Commonwealth Keystone Building, 2 West
400 North Street
Harrisburg, PA 17120

Tanya J. McCloskey, Esquire
Darryl Lawrence, Esquire
Aron J. Beatty, Esquire
Office of Consumer Advocate
Forum Place, 5th Floor
555 Walnut Street
Harrisburg, PA 17101-1923

Elizabeth Rose Triscari, Esquire
Sharon E. Webb, Esquire
Office of Small Business Advocate
300 North Second Street
Suite 1102
Harrisburg, PA 17101

Theodore J. Gallagher, Esquire
NiSource Corporate Services Company
121 Champion Way, Suite 100
Canonsburg, PA 15317
Counsel for *Columbia Gas of Pennsylvania, Inc.*

Mark C. Morrow, Esquire
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406
Counsel for *UGI Corporation*

William H. Roberts II, Esquire
Peoples Natural Gas Company LLC
375 North Shore Drive, Suite 600
Pittsburgh, PA 15212

Jennifer L. Petrisek, Esquire
Peoples TWP LLC
375 North Shore Drive, Suite 600
Pittsburgh, PA 15212

Thomas J. Sniscak, Esquire
William E. Lehman, Esquire
Hawke McKeon & Sniscak LLP
100 North Tenth Street
P.O. Box 1778
Harrisburg, PA 17105-1778
Counsel for *The Pennsylvania State University*

Maureen Geary Krowicki, Esquire
National Fuel Gas Distribution Corporation
1100 State Street
P.O. Box 2081
Erie, PA 16512
Counsel for *National Fuel Gas Distribution Corporation*

Bruce V. Miller, Esquire
Cullen and Dykman LLP
Long Island
100 Quentin Roosevelt Boulevard
Garden City, NY 11530-4850
Counsel for *National Fuel Gas Distribution Corporation*

Amy W. Neufeld, Esquire
PECO Energy Company
500 North Third Street
Suite 800
Harrisburg, PA 17101

David W. Gray, Esquire
Equitable Gas Company LLC
225 North Shore Drive
Third Floor
Pittsburgh, PA 15212
Counsel for *Equitable Gas Company LLC*

Michael S. Swerling, Esquire
Exelon Business Services Company
2301 Market Street/S23-1
P.O. Box 8699
Philadelphia, PA 19101-8699
Counsel for *Exelon Business Services Company*

Charles E. Thomas, Jr., Esquire
Thomas T. Niesen, Esquire
Thomas Long Niesen & Kennard
212 Locust Street, Suite 600
Harrisburg, PA 17101
Counsel for *Equitable Gas Company, LLC*

Pamela C. Polacek, Esquire
Charis Mincavage, Esquire
Teresa K. Schmittberger, Esquire
McNees Wallace & Nurick
100 Pine Street, 7th Floor
PO Box 1166
Harrisburg, PA 17108
Counsel for *Industrial Energy Consumers of Pennsylvania*


Kevin J. Moody, Esquire
Pennsylvania Independent Oil & Gas
Association
212 Locust Street
Suite 300
Harrisburg, PA 17101-1510
Counsel for *Pennsylvania Independent Oil & Gas Association*

Tishekia Williams, Esquire
Duquesne Light Company
411 Seventh Avenue
16th Floor
Pittsburgh, PA 15219
Counsel for *Duquesne Light Company*

Benjamin L. Shechtman, Esquire
Stevens & Lee
620 Freedom Business Center
Suite 200
King of Prussia, PA 19406
Counsel for *Duquesne Light Company*

Donna M. J. Clark, Esquire
Energy Association of Pennsylvania
800 North Third Street, Suite 205
Harrisburg, PA 17101

Date: August 2, 2017



David P. Zambito, Esquire
Counsel for *Peoples Natural Gas Company LLC* and
Peoples TWP LLC

VERIFICATION

I, Lynda W. Petrichevich, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date:

Aug. 2, 2017

Lynda Petrichevich
(Signature)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Petition for Generic Investigation or Rulemaking Regarding “Gas-on-Gas” Competition Between Jurisdictional Natural Gas Distribution Companies	:	:	Docket No. P-2011-2277868
Generic Investigation Regarding Gas-on-Gas Competition Between Jurisdictional Natural Gas Distribution Companies	:	:	Docket No. I-2012-2320323

**COMMENTS OF PEOPLES NATURAL GAS COMPANY LLC
AND PEOPLES TWP LLC TO COMMISSION’S OPINION AND ORDER,
ENTERED MAY 4, 2017**

I. INTRODUCTION

On May 4, 2017, the Commission entered a final opinion and order in the above-referenced proceeding (“Order”) that permits natural gas distribution companies with overlapping service territories in western Pennsylvania (“Flex Rate NGDCs”) to continue providing discounts to certain commercial and industrial customers (“Flex Rate Customers”) where it is possible for Flex Rate Customers to receive natural gas service from more than one Flex Rate NGDC. The practice of discounting rates for Flex Rate Customers is commonly known as “Gas-on-Gas Competition.” The Order however imposes certain restrictions on Gas-on-Gas Competition and solicits comments from interested parties regarding the specific nature of the restrictions and suggestions for standardized tariff provisions to be utilized by all Flex Rate NGDCs. Comments were required to be filed by August 2, 2017. Peoples Natural Gas Company LLC (including its Equitable Division)

(“Peoples”) and Peoples TWP LLC (“PTWP”) (collectively, “Peoples/PTWP”), as Flex Rate NGDCs with a direct, immediate and substantial interest in this proceeding, file these comments in response to the Order.

Peoples/PTWP initially notes that Gas-on-Gas Competition has greatly diminished since the initiation of the above-captioned proceeding. At the time that the proceeding was litigated, there were approximately 401 Flex Rate Customers between four Flex Rate NGDCs. Order, p. 3. The four Flex Rate NGDCs were Peoples, PTWP, Equitable Gas Company, LLC (“Equitable”), and Columbia Gas of Pennsylvania (“Columbia”). During the course of the proceeding, Equitable became an operating division of Peoples. *See Joint Application of Peoples and Equitable*, Docket Nos. A-2013-2353647, A-2013-2353649, A-2013-2353651. As such, there are effectively only two remaining competing Flex Rate NGDCs (Peoples/PTWP and Columbia). Peoples/PTWP currently provides discounted service to only 39 Flex Rate Customers. Peoples/PTWP is unaware of the number of Flex Rate Customers provided a discount by Columbia.¹

The Order essentially adopts a compromise proposal that was advocated by Peoples/PTWP in the underlying proceeding to allow the continuation of Gas-on-Gas Competition but with certain restrictions to avoid unreasonable competition and discounting (“Peoples/PTWP Compromise”). *See Peoples/PTWP Main Brief, Appendices A & B.* The Peoples/PTWP Compromise was recommended by Administrative Law Judge Elizabeth H. Barnes in her Recommended Decision, issued July 14, 2014, (“R.D.”) as an alternative to her primary recommendation of an outright

¹ While there are effectively only two remaining Flex Rate NGDCs that actually participate in Gas-on-Gas Competition, the restrictions and standardized tariff provisions adopted by the Commission as a result of this proceeding should be of general applicability to all Flex Rate NGDCs that could potentially participate in Gas-on-Gas Competition. These other potential competitors include National Fuel Gas Distribution Corporation, UGI Utilities, Inc. - Gas Division, UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc.

discontinuation of Gas-on-Gas Competition. *See* R.D., Recommending Paragraph 2, Attachment A.

Many of the specific issues presented by the Order for comment have been already considered and addressed in the Peoples/PTWP Compromise, a copy of which is attached hereto as **Appendix A**. Similar to the Order's mandate, the Peoples/PTWP Compromise suggested that Gas-on-Gas Competition be permitted to continue in a modified form but with Flex Rate NGDCs' being permitted to discount their rates only to the lowest tariffed rate of a competitor Flex Rate NGDC (*i.e.* a floor be established on the level of discounting).

Peoples/PTWP acknowledges that the Commission must resolve a number of detailed issues associated with the modified form of Gas-on-Gas Competition and appreciates the opportunity to submit these comments in response to the issues raised by the Commission on page 55 of the Order. Peoples/PTWP continues to believe that the benefits of Gas-on-Gas Competition (*e.g.*, retention of load for the benefit of all ratepayers, economic development, and job retention and creation) can be preserved while the historic problems associated with Gas-on-Gas Competition (*e.g.*, unnecessary duplication of facilities and excessive discounts for prolonged periods of time being absorbed by other ratepayers) can be addressed in a rational manner -- similar to what was presented in the Peoples/PTWP Compromise.

II. PEOPLES/PTWP RESPONSES TO SPECIFIC ISSUES

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

In accordance with the historic practice of Peoples/PTWP, Gas-on-Gas Competition flex rates should be offered only to customers in the commercial and industrial classes. These customers represent the job-creating businesses that have a choice in where to locate their factories, warehouses, retail centers, medical institutions, universities, etc. These are also generally the

larger customers that a Flex Rate NGDC seeks to retain for the benefit of all of its ratepayers. Their usage levels generate meaningful revenue and provide the Flex Rate NGDC with the ability to spread costs over a larger customer base. Moreover, these are the customers who are important to the economic development of the Commonwealth of Pennsylvania.

B. “Should uniform minimum consumption thresholds be established?”

Peoples/PTWP believes that no minimum consumption thresholds should be established for commercial and industrial customers in order to be eligible for Gas-on-Gas Competition discounting. As long as no additional duplication of facilities would occur, a customer should have the freedom to choose a Flex Rate NGDC.

C. “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?”

Peoples/PTWP submits that new customers locating in overlapping service areas should be eligible for flex rates. The availability of flex rates promotes new development in, and brings business to, the Commonwealth. Customers should have the choice of service provider in order to obtain the best possible rate and quality of service.

The public harm intended to be avoided with regard to new development and the extension of service is the unnecessary duplication of natural gas distribution facilities, such as pipelines. For this reason, the Peoples/PTWP Compromise proposed the following: “Such a discount may be offered only to an existing or former customer of the NGDC *or to a potential customer associated with new development; and may not be offered to a customer of a competitor NGDC unless such customer was formerly served at that service location by the offering NGDC.*”

(Emphasis added.) The intent of this provision is to allow for competition between Flex Rate

NGDCs for the load of a new customer but, once the successful Flex Rate NGDC expends capital and extends facilities to the customer, there shall be no further competition between Flex Rate NGDCs because the result would be the unnecessary duplication of facilities.

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

Peoples/PTWP contends that flex rate customers should be required to provide evidence that another Flex Rate NGDC is ready, willing, and capable of providing service under its otherwise applicable lower tariffed rate. A customer should not be permitted to “bluff” its way to a discount. The customer should be required to present a sworn affidavit including all relevant terms, conditions, rates, and customer contributions and advances associated with the competitive service offering.²

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

Gas-on-Gas Competition flex rate contracts should be limited to a term of three years to reflect the average interim period between base rate cases for NGDCs. Such a limitation will ensure that a Flex Rate NGDC does not enter into a flex rate contract for a lengthy period time in order to insulate the customer from the rate increases of the lower-tariffed-rate Flex Rate NGDC (*i.e.*, to avoid increase to the floor rate). Under this approach, there is assurance that rates will not be locked in at an artificially low level for an extended period of time.

² In order to ensure that the customer has the ability to provide such documentation without restriction to a competing Flex Rate NGDC, the Commission should specify -- as part of its implementation order -- that the Flex Rate NGDC with the lower tariffed rate cannot assert that the terms of its offer are confidential and, thereby, cannot be disclosed to the competing Flex Rate NGDC.

Upon renewal of any flex rate contract, the same documentation should be required that was required when the customer first entered into the flex rate contract. In this way, there is proof that the continuation of a flex rate discount remains justified.

III. STANDARDIZED FLEX RATE NGDC TARIFF PROVISIONS

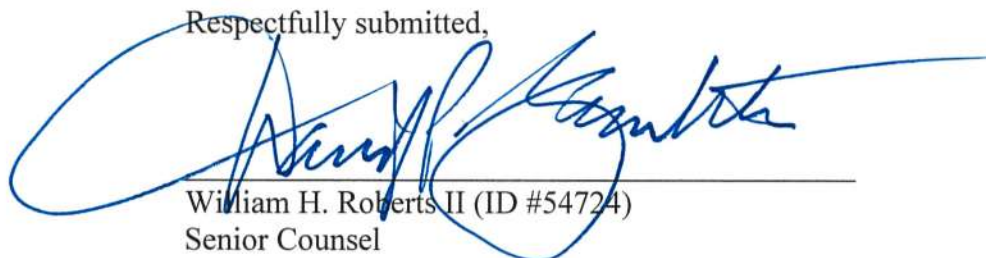
The Order also requires Peoples/PTWP to file comments on future uniform tariff provisions that shall be used by Flex Rate NGDCs in offering flex rate discounts. Order, pp. 54-56, 60. A copy of Peoples/PTWP's proposed Flex Rate NGDC standardized tariff language is attached hereto as **Appendix B**.

The proposed language reflects Peoples/PTWP's positions set forth above on the issues raised in the Order for comment. It also provides a methodology by which the rates of competing Flex Rate NGDCs can be compared in a fair manner. An "apples to apples" comparison requires that base rates be viewed on an "all in" basis -- *i.e.*, including all applicable riders and surcharges. Moreover, because Peoples/PTWP bills on a volumetric basis (Mcf) and its primary gas-on-gas competitor, Columbia, bills on a thermal basis (Dth), a variable rate conversion must be performed in determining the competitor's lowest tariffed rate. While a conversion complicates the process of determining an allowable flex rate discount, it is the only fair way of doing so.

IV. CONCLUSION

Peoples/PTWP appreciates the opportunity to submit comments in response to the Order. The continuation of Gas-on-Gas Competition in a modified form will help to keep western Pennsylvania competitive in attracting and retaining businesses while ensuring that the other ratepayers of Flex Rate NGDCs are treated in a just and reasonable manner.

Respectfully submitted,



William H. Roberts II (ID #54724)
Senior Counsel
Peoples Natural Gas Company LLC
375 North Shore Drive
Pittsburgh, PA 15212
Telephone: (412) 208-6527
Facsimile: (412) 208-6575
E-mail: William.H.RobertsII@Peoples-Gas.com

David P. Zambito (ID #80017)
Cozen O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101
Telephone: (717) 703-5892
Facsimile: (215) 989-4216
E-mail: dzambito@cozen.com

Dated: August 2, 2017

Counsel for *Peoples Natural Gas Company LLC* and
Peoples TWP LLC

APPENDIX A

APPENDIX B
POTENTIAL ACCEPTABLE OPTIONS FOR CONTINUATION
OF GAS-ON-GAS COMPETITION

Peoples/Peoples TWP Recommendation in Testimony	Potential Acceptable Options
<p>No new gas-on-gas discount agreements except</p> <p>Following the effective date of new rates resulting from an NGDC's next base rate case, the NGDC may offer a discount in order to meet a competitor NGDC's cost based tariffed rates and retain load; provided that the competitor NGDC has also obtained a Competitive Certification.</p>	<p>For all new and renewal gas-on-gas discount agreements beginning on the date of entry of the Commission's final order in this proceeding, an NGDC may offer a discount in order to meet a competitor NGDC's non-discounted tariffed rate.</p>
<p>NGDC may not discount below the competitor NGDC's cost-based tariffed rates.</p>	<p>Such a discount may be offered only to an existing or former customer of the NGDC or to a potential customer associated with new development; and may not be offered to a customer of a competitor NGDC unless such customer was formerly served at that service location by the offering NGDC.</p> <p>A competing NGDC may not offer a rate below the lowest non-discounted tariffed rate available to a customer, even if the NGDC is willing to forgo recovery of a discount adjustment in future base rate cases.</p>
<p>All existing gas-on-gas discount agreements shall be honored for their existing terms.</p>	<p>No acceptable alternative</p>
<p>NGDCs shall be permitted to recover discount adjustments associated with existing agreements in future base rate cases</p>	<p>An NGDC shall be permitted to recover the discount adjustment in future base rate cases for any discount that is necessary to meet the non-discounted tariffed rate of a competitive NGDC, if the NGDC demonstrates that the discount has been prudently awarded and is reasonable</p>
<p>NGDCs may extend existing gas-on-gas discount agreements only until such time as the competing NGDCs have each had an opportunity in their next base rate case to have their rates certified by the Commission as competitive, as set forth below.</p>	<p>See below</p>
<p>Any NGDC that desires to engage prospectively in gas-on-gas competition shall, in its next base rate case and future base rate proceedings, file to move its tariffed rates to true cost of service (i.e., eliminate interclass subsidizations)</p>	
<p>In order for the NGDC to offer gas-on-gas discounts prospectively, the NGDC must obtain a certification in the Commission's final order that the new rates are cost-based within a reasonable range ("Competitive Certification")</p>	
<p>NGDCs shall be permitted to recover discount adjustments associated with the extended agreements in future base rate cases.</p>	
<p>Following the effective date of new rates in the NGDC's next base rate case, the NGDC may offer a discount in order to meet a competitor NGDC's cost based tariffed rates and retain load, provided that the competitor NGDC has also obtained a Competitive Certification.</p>	<p>In order for an NGDC to offer gas-on-gas discounts prospectively, the NGDC must obtain a Commission finding and/or determination in its next base rate case and future base rate proceedings that the new rates are within a range that reasonably reflects cost of service.</p>



Peoples/Peoples TWP Recommendation in Testimony	Potential Acceptable Options
	The term for any such rate discount agreement shall not exceed five years; provided however that there shall be no restriction on the term if the agreement contains a provision requiring the reexamination and resetting of the discounted rate consistent with the requirements of paragraph 3 on a no-less-frequent basis than every five years.
An NGDC may not discount below the competitor NGDC's cost-based tariffed rates.	A competing NGDC may not offer a rate below the lowest non-discounted tariffed rate available to a customer, even if the NGDC is willing to forgo recovery of a discount adjustment in future base rate cases.
An NGDC shall be permitted to recover discount adjustments in future base rate cases for any discounts that are necessary to meet cost-based rates of an NGDC with a Competitive Certification	An NGDC shall be permitted to recover discount adjustments in future base rate cases provided that An NGDC which provides a gas-on-gas discount shall maintain reasonable records relating to each gas-on gas discount customer demonstrating that a competitive NGDC actually exists, that the customer could have chosen service from a competitive NGDC without a prohibitive connection expense, and that the discounted rate represents the maximum amount that could be achieved from that customer.

APPENDIX B

APPENDIX B

PEOPLES' PROPOSED STANDARD TARIFF LANGUAGE

X GAS-ON-GAS COMPETITION

X-1 The Company may compete, as described in this section, with one or more natural gas distribution companies (NGDCs) to provide natural gas service to an Eligible Customer or Eligible Customers located in an Overlapping Service Territory.

X-2 Definitions.

- A. Discount: As used in this section X, discount means to reduce the Company's rate offered to the Eligible Customer to a rate no less than the lowest applicable tariff rate, inclusive of applicable, non-gas cost riders and surcharges, of the competing NGDC. For rate comparison purposes, all fixed rate components of the otherwise applicable tariff rates, such as customer charges, riders, and surcharges, will be converted to a variable rate equivalent (e.g., ¢/Dth or ¢/Mcf) based on the Eligible Customer's annual usage.
- B. Gas-On-Gas Competition: The act of two or more NGDCs making offers to provide natural gas service to an Eligible Customer (or Eligible Customers) located in an Overlapping Service Territory, where the Eligible Customer's only practicable service option is natural gas service from the competing NGDCs.
- C. Overlapping Service Territory: Any area where more than one NGDC possesses operating authority to provide natural gas service.
- D. Eligible Customer: A current or prospective customer who, for a given service location,
 - i. Uses or will use gas for commercial or industrial use;
 - ii. is in an Overlapping Service Territory;
 - iii. (a) is part of a new development for which natural gas service was not previously available or (b) is or was previously served by the Company at the same service location; and
 - iv. provides a sworn affidavit of a bona fide service offer from another NGDC who possesses operating authority to serve the customer.

X-3 When engaging in Gas-On-Gas Competition, the Company may discount its rate only as described in this section.

X-4 Any service agreement entered into between the Company and an Eligible Customer in which the Company has discounted its rate shall continue for a term no longer than three years.