



COMMONWEALTH OF PENNSYLVANIA

September 21, 2017

E-FILED

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
PO Box 3265
Harrisburg, PA 17105-3265

**Re: 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**

Dear Secretary Chiavetta:

I am delivering today for filing the Reply Comments, including Appendix A, entitled *Consensus Positions of Commenting Parties*, of the Office of Small Business Advocate (OSBA) to the May 4, 2017 Opinion and Order, entered in the above-docketed proceedings.

If you have any questions, please feel free to contact me directly.

Sincerely,

Elizabeth Rose Triscari by *DET*
Deputy Small Business Advocate
Attorney ID #306921

Enclosures:

Cc: Mr. Robert D. Knecht
Mr. Brian Kalcic

**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
	:	:	

**REPLY COMMENTS OF THE OFFICE
OF SMALL BUSINESS ADVOCATE**

I. INTRODUCTION

On May 4, 2017, the Pennsylvania Public Utility Commission (“Commission”) adopted an Opinion and Order (“Order”) in the matter of an investigation into the unusual Pennsylvania regulatory practice known as “gas-on-gas competition.” In certain geographical areas of western Pennsylvania, the service territories of some natural gas distribution companies (“NGDCs”) overlap, and gas customers have a choice as to which NGDC will provide distribution service. At present, the Commission permits these NGDCs to offer below-tariff “flex” rates to these customers for no reason other than the customer may be able to take gas distribution service from a different NGDC. The Commission also permits the NGDCs to recover the shortfall in rates from other ratepayers.

The Order generally permits NGDCs to continue this practice, but it limits the injury to other ratepayers by setting a price floor for gas-on-gas flex rates, at the lowest applicable tariff rate among the NGDCs who could lawfully provide gas distribution service to the customer.

The Commission further determined that gas-on-gas competition should be implemented with tariff provisions that are uniform among the NGDCs. The Commission directed that the NGDCs file comments with respect to these tariff provisions, and included five specific questions to be addressed. The Commission also invited other interested parties to comment.

On August 2, 2017, the OSBA submitted comments addressing the issues raised by the Commission as well as other related issues the OSBA deems relevant. Comments were also filed by the Office of Consumer Advocate ("OCA"), the Industrial Energy Consumers of Pennsylvania ("IECPA"), Columbia Gas of Pennsylvania ("Columbia"), and Peoples Natural Gas Company LLC (including its Equitable Division and Peoples TWP LLC) (collectively, "Peoples").

Following the filing of comments, OSBA, OCA, IECPA, Columbia, and Peoples (together, the "Commenting Parties") engaged in discussions in an attempt to come to consensus positions on the five questions raised by the Commission in the Order. To facilitate these discussions, Peoples, with the support of all Commenting Parties, moved for an extension of time to file reply comments until September 21, 2017. This motion was granted by Secretarial Letter dated August 17, 2017. The Commenting Parties were successful in arriving at consensus positions in response to those five questions, as well as certain related issues, and agreed to submit reply comments attaching those consensus positions as an appendix (see attached Appendix A). The Commenting Parties agreed to explain in reply comments why they support each consensus position and why it is in the public interest. In addition, the Commenting Parties agreed to address in reply comments

any issues raised outside of the Commission's five questions and not addressed in the consensus positions.

II. REPLY COMMENTS

A. Consensus Positions

Commission Question 1: Which customer classes should be offered gas-on-gas flex rates?

The Commenting Parties agree that "G-O-G Flex Rates should be limited to non-residential customer classes."¹ The OSBA submitted in its initial comments that, given the Commission's determination that G-O-G Flex Rates are conceptually comparable to flex rates that apply in situations of alternative fuel competition and bypass to pipelines, all customers should be eligible for flex rates, so long as they can demonstrate that they have a credible competitive alternative. In practice, however, the OSBA acknowledges that flex rates for alternative fuel competition are rarely, if ever, awarded to residential customers. Moreover, the OSBA also has consistently in this proceeding supported reducing the impact of G-O-G Flex Rates on captive ratepayers. Therefore, any limitation on customers receiving G-O-G Flex Rates is consistent with the OSBA's previous positions, even if it only serves to limit it to non-residential customers. Thus, the OSBA supports the consensus position as in the public interest because it is essentially consistent with OSBA's previous positions in this proceeding and our initial comments, it limits the complexity and administrative costs of potentially negotiating flex rates with many customers, and it prevents captive ratepayers from having to bear the burden of the costs of G-O-G Flex Rates afforded to residential ratepayers who happen to be fortunate enough to be located in overlapping service territories.

¹ All capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in Appendix A.

Commissions Question 2: Should uniform minimum consumption thresholds be established?

No. The Commenting Parties agree that uniform minimum consumption thresholds should not be established because minimum consumption thresholds may deprive some existing, and potentially future qualifying, G-O-G Customers of G-O-G Rate options and create unnecessary complexity. This position is consistent with the OSBA's initial comments on eligibility for Gas-On-Gas Rates and therefore we determine that it is reasonable and in the public interest.

Commission Question No. 3: Should new customers in overlapping service territories 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?

Given the Commission's decision regarding the comparability of gas-on-gas and alternative fuel/bypass conditions, the OSBA initially concluded that yes, under that logic, new customers should be eligible for G-O-G Flex Rates to the same extent that flex rates apply to new customers who have alternative fuel or bypass opportunities. However, the OSBA did raise the issue of how the contribution-in-aid-of-construction ("CIAC") should be determined for new customers receiving G-O-G Flex Rates. The OSBA recommended the Commission ensure that, if any new customer is the beneficiary of below-tariff flex rates (be it gas-on-gas or other reason), the maximum investment made by the NGDC that is rolled into rate base is justified based on the actual flex rate revenues that will be provided by the new customer at the flexed rates, and not based on the official tariff rate.

With respect to the issue of G-O-G Flex Rates for new customers, the consensus position is both consistent with and addresses the OSBA's concerns with respect to new customers receiving G-O-G Flex Rates.² The consensus position is that new customers are

² The OSBA interprets the Commission's reference to "new customers" to be any customers who begin taking

eligible for G-O-G Flex Rates. Furthermore, such new investment to serve that new G-O-G Customer “must be justified and supported by actual G-O-G Flex Rate revenues using the methods approved for line and main extensions of that particular Competing NGDC,” consistent with the OSBA’s recommendation. The OSBA observes that the consensus position adds an additional limitation for new customers, in that once the successful competing NGDC expends capital and extends its facilities to the new customer, there shall be no further competition for that customer which would result in unnecessary duplication of facilities. The OSBA deems this provision to be in the public interest in light of the Commission’s very clear desire to avoid inefficient duplication of investment, because utility capital investment needed to serve a new customer will only be incurred once.

Also in light of the Commission’s desire to avoid duplicative investments, the Commenting Parties went a step beyond the Commission’s question with respect to new customers and also came to a consensus on when *existing* customers may be offered a G-O-G Flex Rate by a Competing NGDC. In particular, the consensus position allows for G-O-G Flex Rates: (1) from the NGDC currently serving the customer when the customer is currently receiving a G-O-G Flex Rate and (2) when the customer was formerly served at that service location by the Competing NGDC offering service. In effect, a NGDC will not be permitted to try to “poach” other NGDCs’ customers with below-tariff G-O-G Flex Rates, unless it had already served that customer sometime in the past and would presumably therefore not need to invest in new facilities. Thus, neither of these scenarios results in incremental costs for service extension or unnecessary duplication of facilities as a result of

service from any Pennsylvania NGDC after entry of a final order in this proceeding. Any customer who does so should always be considered a new customer for the purpose of this agreement. That is, a customer who begins taking service after entry of a final order in this proceeding does not somehow become an existing customer at some future date.

offering G-O-G Flex Rates. Therefore, the OSBA determines that this compromise on existing customers is reasonable and in the public interest.

Section II.B.1 below deals with the unresolved issue of extension of duplicative facilities and service to existing customers by a Competing NGDC at *non-flexed full tariff rates* as opposed to discounted G-O-G Flex Rates.

Commission Question No. 4: What should be the criteria and associated documentation for customers to demonstrate they are capable of receiving service from another NGDC?

The OSBA raised two concerns with respect to this question, recommending that required documentation should address (1) the physical infrastructure for providing service (specifying the infrastructure to be used and demonstrating that this infrastructure has sufficient capacity to meet the customer's needs) and (2) the willingness of the Competing NGDC to provide service (in the form of a written offer of service from the Competing NGDC that includes an explanation of how any costs to connect will be shared between the customer and the NGDC). For existing customers, the OSBA recommended that none of the incremental costs should be included in rate base.

The sworn G-O-G Customer affidavit required to support a G-O-G Negotiated Adjustment, as described in the attached Appendix A of consensus positions, is consistent with the OSBA's recommendations on documentation described above. Moreover, because the affidavit requires existing customers to attest that they meet one of the eligibility requirements to receive a G-O-G Negotiated Adjustment outlined in response to Question No. 3, the OSBA's recommendation that none of the incremental costs should be included in rate base is also addressed, because there will be no additional costs to connect these

customers. Therefore, the OSBA determines that this consensus position is reasonable and in the public interest.

Commission Question No. 5: Should there be a limit on duration of gas-on-gas flex rate contracts?

The OSBA's initial position was that there is no need to limit the duration of G-O-G Rate contracts so long as the contract rate does not remain fixed if the lowest applicable tariff rate of the Competing NGDCs increases. In the alternative, if the Commission does permit contract rates to remain fixed, thereby permitting them to dip below the lowest applicable tariff rate, the OSBA recommended that contract terms be limited to one year.

In the consensus position, the Commenting Parties agree that existing contracts “may continue in effect in accordance with the contract terms,” consistent with the Commission’s Order. This issue is addressed further in Section II.B.2 below.

For new and renewed G-O-G Contracts entered into after entry of a final order in this proceeding, the Commenting Parties agree that there should be no limit on contract duration or extension. However, they also agreed that the contract rate needs to be updated for consistency with the lowest tariffed rate of a Competing NGDC beginning on October 1, 2018 and every two-years thereafter. This allows customers and NGDCs to benefit from the certainty of longer contracts, but limits the length of time a G-O-G Customer could be paying a rate below the lowest tariffed rate. The OSBA determines that this compromise is reasonable and therefore in the public interest.

Determination of “Lowest Applicable Tariff Rate” / Uniform G-O-G Tariff Provisions

The Commenting Parties agree a collaborative is the appropriate process to resolve the complex issues of determining the appropriate methodology to calculate the lowest

applicable tariff rate available to a G-O-G Customer and uniform G-O-G tariff provisions. The OSBA initially had concerns about the scope of any collaborative and the potential for additional delay in a proceeding that has already dragged on for many years. Because the Commenting Parties have agreed to limit the scope of issues to be addressed and to conclude within 90 days following entry of a Commission final order, the OSBA determines that its concerns have been addressed and find this consensus position to be reasonable and in the public interest.

B. No Consensus Issues

1. Extension of Service to Existing Customers at Full Tariff Rates

By way of explanation, the OSBA notes that the consensus response to Commission question 3 places reasonable restrictions on the availability of G-O-G Flex Rates to both new and existing customers, and generally prevents NGDCs from making capital investments in duplicative facilities to serve customers with G-O-G Flex Rates. However, under the Commission's framework, the following circumstances could arise. For a particular customer, NGDC "A" has the lowest full tariff rate, and the customer currently takes service from NGDC "B." If the customer determines that service from NGDC "A" is more advantageous than NGDC "B" even at the lowest full tariff rates (due to better gas supply options or better service at NGDC "A"), the customer could presumably request such service at the full tariff rate, and then would presumably be eligible for the usual maximum investment for a regular customer. From the OSBA's perspective, the questions as to whether this incremental investment for a full tariff customer (a) should be permitted at all, and, if so, (b) whether it should be included in recoverable utility rate base, is the issue that was not resolved by the Commenting Parties.

In the language of the consensus proposal, the Commenting Parties could not reach consensus on (a) whether such service is properly considered in the context of the instant proceeding and (b) if such service is properly considered in the context of the instant proceeding, the circumstances under which such service should be allowed.

The OSBA asserts that although this issue goes beyond the scope of when and how *discounted* G-O-G Flex Rates may be offered, it is still appropriately considered in this proceeding because it deals with the problem of unnecessary duplication of facilities and allowed utility investment, a concern created by “gas-on-gas competition.” Moreover, the OSBA observes that there is very little difference between the issue of how much investment should be permitted for a customer in an overlapping service territory that is getting service at the lowest tariff rate from the NGDC with the lowest tariff rate, than there is for how much investment should be permitted for a customer in an overlapping service territory that is getting services at the lowest tariff rate from the NGDC with a slightly higher rate. Both cases can easily result in inefficient duplicative investment, that may be socialized to all ratepayers.

To avoid inefficient duplication of facilities, the OSBA recommends that existing customers located in overlapping service territories should not be permitted to request service from the Competing NGDC if such service requires extension of facilities. Similarly, NGDCs should not be required to serve existing customers of a Competing NGDC if such service requires extension of facilities. The OSBA respectfully submits that this position is consistent with the consensus position with respect to new customers. Under the consensus position, duplicative investment for new customers is expressly prohibited. Given the

Commission's obvious concern about such inefficient investments, the OSBA concludes that a similar restriction should apply to existing customers.

Alternatively, if the Commission determines that existing customers should retain their choice of Competing NGDCs (at full tariff rates) and NGDCs should be required to serve an existing customer of another NGDC, NGDCs should not be allowed to recover incremental capital costs associated with providing distribution service to such a customer.

In other words, new service to any customer that is already located in an overlapping service territory and that currently takes service from a competing NGDC, shall have a maximum allowed utility investment of \$0. This maximum investment reflects the uncertainty of revenues from customers with options for its NGDC, and is designed to avoid requiring ratepayers to shoulder the burden of inefficient duplicative investments.

The OSBA is aware that IECPA or the NGDCs may argue that a utility investment for a full tariff customer is reasonable because it is justified by the incremental revenues. This, however, is exactly the failed argument advanced by some parties earlier in this proceeding and rejected by the Commission. An existing customer who is taking service from NGDC "A" and switches to NGDC "B," even if it does so at NGDC "B"'s full tariff rate, is not providing any incremental revenue from the overall perspective of Pennsylvania ratepayers – it is only shifting revenues from NGDC "A" to NGDC "B." If NGDC "B" is then allowed to expand its facilities and roll the costs into rate base, ratepayers would be once again forced to subsidize inefficient duplicative investments. Thus, the OSBA respectfully submits that (a) duplicative investments should, to the extent possible, be banned, and (b) to the extent that such investments cannot be banned for legal reasons, the

costs of such duplicative investment should be the responsibility of the customer or the NGDC, not the rest of the ratepayers.

2. Existing Gas-on-Gas Contracts

Although the Commenting Parties agreed that existing gas-on-gas contracts should be dealt with consistent with the Commission's Order, there are varying positions on the interpretation of that Order. The OSBA's position is that December 31, 2018, is the appropriate date to end ratepayer subsidies to G-O-G Customers that exceed the discount needed to achieve the lowest full tariff rate of Competing NGDCs. In future rate base proceedings, NGDCs should not be able to recover any foregone revenue. This amounts to a contract matter between G-O-G Customers and NGDCs in which change of law provisions may or may not apply. However, after December 31, 2018, the risk is squarely on NGDCs and/or G-O-G Customers and the injury to ratepayers is limited to the lowest tariff rate.

3. IECPA Proposals

IECPA proposes that the Commission should consider requiring NGDCs to segregate flex rate customers into a separate customer class for cost allocation and rate design purposes. The OSBA respectfully disagrees with this suggestion. Rate classes should be established based on customer characteristics that affect cost to serve. There is no reason to think that customers in overlapping service territories have any different cost to serve than those in non-overlapping territories. Moreover, if the Commission starts to require a separate class for gas-on-gas flex rate customers, under its own logic, it will need to establish a separate class for alternative fuel flex rate customers, for transmission bypass flex rate customers, etc. This would substantially increase regulatory complexity, and defeat the basic purpose for having rate classes.

Rather, customer classes should continue to be based on customer characteristics that affect cost to serve, and costs should be allocated to those classes based on the principles established by the Commission. If this process has the result that the cost-based rates for NGDC “A” that apply to a particular customer in an overlapping service territory are higher than those that the cost-based rates for alternative NGDC “B”, NGDC “A” can propose that it be allowed to discount the rates to that customer and pass those costs on to other customers in some reasonable manner, pursuant to the Commission’s decision in this matter and the consensus agreement provisions discussed above.

IECPA further opines that the Commission should consider that “. . . any future rate increases to any non-flex tariff rates be limited to the system average increase in order to ensure that non-flex customers are not required to solely bear the burden of supporting gas-on-gas customers.” As the Commission has determined that gas-on-gas subsidization will continue (at a reduced rate), OSBA agrees that there should be a reasonable sharing of the burden. However, IECPA’s suggestion is nonsensical, because it is arithmetically impossible. If flex rate customers are assigned no increase, and non-flex rate customers are assigned no more than the system average increase, the utility will not recover its revenue requirement. Moreover, the need to equitably share the burden of gas-on-gas revenue shortfalls is not a new problem, and it does not need to be addressed by setting arbitrary limits on rate increases. The Commission has had to implicitly assign the responsibility for gas-on-gas revenue shortfalls to other customers for all the decades in which this policy has been in place. In fact, the new policy will generally reduce the burden, since the subsidies will now be capped and will be much smaller in magnitude. (As the Commission correctly observes, the magnitude of the subsidies is also reduced as a result of the consolidation of


NGDCs.) As such, OSBA respectfully submits that there is no need to impose any additional restrictions on revenue allocation and the recovery of gas-on-gas revenue shortfalls in future base rates proceedings as a result of this decision.

IECPA also opines that the tariff rates that serve as a floor for gas-on-gas competition should reflect the system average rate of return for the non-flex customers. The OSBA agrees that, as a general rule, the Commission should strive to establish cost-based rates for all rate classes, which would reflect system average rates of return. In fact, the OSBA believes that the Commission is obligated to move in that direction by the Commonwealth Court pursuant to *Lloyd v. Pennsylvania Public Utility Com'n*, 904 A.2d 1010 (Pa. Commw. Ct. 2006). However, explicitly requiring cost-based rates for purposes of gas-on-gas competition under the Commission's new policy is impractical, as it would either require that NGDCs move immediately to cost-based rates (likely violating rate gradualism principles), or develop separate "actual" and "cost-based" rates for every rate class which allows for gas-on-gas flex rates. The OSBA respectfully submits that there is no need to require cost-based rates to serve as the floor – the price floor can and should reasonably be set based on regular tariff rates that are approved by the Commission using standard cost and non-cost criteria. IECPA does not explain why a regular tariff rate, that the Commission has determined is just and reasonable, cannot reasonably serve as the floor price for G-O-G Flex Rates.

III. CONCLUSION

The OSBA respectfully requests that the Commission consider its initial comments and reply comments above, as well as the consensus positions described in the attached Appendix A, when entering a final order in this proceeding.

Respectfully submitted,


Elizabeth Rose Triscari
Deputy Small Business Advocate
Attorney ID No. 306921

For:

John R. Evans
Small Business Advocate

Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

Dated: September 21, 2017

APPENDIX A

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

CONSENSUS POSITIONS OF COMMENTING PARTIES

DEFINED TERMS

“Commission”: Pennsylvania Public Utility Commission

“Commenting Parties”: Columbia Gas of Pennsylvania, Industrial Energy Consumers of Pennsylvania, Office of Consumer Advocate, Office of Small Business Advocate, Peoples Natural Gas Company LLC, and Peoples Gas Company LLC

“Competing NGDC”: An NGDC that has overlapping service territory with another NGDC and may offer a G-O-G Flex Rate

“G-O-G”: Gas-on-Gas competition between Competing NGDCs through the offer of a G-O-G Flex Rate

“G-O-G Contract”: A contract between a Competing NGDC and a G-O-G Customer pursuant to which the G-O-G Customer receives a G-O-G Flex Rate

“G-O-G Customer”: A customer of a Competing NGDC who is eligible for a G-O-G Flex Rate

“G-O-G Negotiated Adjustment”: An adjustment to a Competing NGDC’s tariffed rate that is provided to a G-O-G Customer pursuant to G-O-G Contract

“G-O-G Flex Rate”: The flex rate, provided to a G-O-G Customer, resulting from a G-O-G Negotiated Adjustment

“Law Bureau”: Law Bureau of the Commission

“May 4, 2017 Order”: Commission’s Order entered at the above-referenced dockets on May 4, 2017

“Natural Gas Distribution Company”: A natural gas distribution company regulated by the Commission

“TUS”: Bureau of Technical Utility Services of the Commission

COMMISSION QUESTIONS	CONSENSUS POSITIONS OF COMMENTING PARTIES
Which customer classes should be offered gas-on-gas flex rates?	G-O-G Flex Rates should be limited to non-residential customer classes.
Should uniform minimum consumption thresholds be established?	No. Minimum consumption thresholds may deprive some existing, and potentially future qualifying, G-O-G Customers of G-O-G Flex Rate options and create unnecessary complexity.
Should new customers in overlapping service territories 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?	<p>Yes, both new customers locating in overlapping service areas and certain existing customers should be eligible for G-O-G Flex Rates.</p> <p>A G-O-G Negotiated Adjustment may be offered to an existing customer of the Competing NGDC providing service where the customer is currently receiving a G-O-G Flex Rate.</p> <p>A G-O-G Negotiated Adjustment may be offered to an existing customer of a Competing NGDC where such customer was formerly served at that service location by the Competing NGDC offering service.</p> <p>A G-O-G Negotiated Adjustment may be offered to a potential, new customer associated with new development. This provision allows for negotiated rates between Competing NGDCs for the load of a new customer but, once the successful Competing NGDC expends capital and extends facilities to the customer, there shall be no further competition between the Competing NGDCs for that customer where the result would be the unnecessary duplication of facilities. Any new service investment for a new G-O-G Customer must be justified and supported by actual G-O-G Flex Rate revenues using the methods approved for line and main extensions of that particular Competing NGDC.</p>
What should be the criteria and associated documentation for customers to demonstrate they are capable of receiving service from another NGDC?	A G-O-G Flex Rate must be supported by a sworn G-O-G Customer affidavit. An existing G-O-G Customer's affidavit must attest that the G-O-G Customer meets one or more of the eligibility criteria listed above. A new G-O-G Customer's affidavit must attest that (i) the G-O-G Customer has been offered service from a Competing NGDC with a lower tariffed rate and (ii) the Competing NGDC is physically able to

	<p>connect the G-O-G Customer and has sufficient capacity to serve. All affidavits must include all relevant terms, conditions, rates, and customer contributions and advances associated with the competitive service offering. The G-O-G Customer affidavit shall be treated as confidential and disclosed in a Commission proceeding only pursuant to a protective agreement or order.</p> <p>A Competing NGDC cannot assert confidentiality of its offer and thereby prevent a current or prospective G-O-G Customer from disclosing the terms of the offer to another Competing NGDC. A Competing NGDC cannot disclose its offer to another Competing NGDC without the consent of the current or prospective G-O-G customer. A Competing NGDC, to which the offer of another Competing NGDC has been disclosed, shall preserve the confidentiality of such offer and shall use it for no purpose other than developing a competing offer and in a Commission or other legal proceeding subject to a protective agreement or order.</p>
<p>Should there be a limit on duration of gas-on-gas flex rate contracts?</p>	<p>Current G-O-G Contracts may continue in effect in accordance with the contract terms; however, Competing NGDCs have been placed on notice by the May 4, 2017 Order that they may not be able to recover any G-O-G Flex Rate that is below the lowest tariffed rate of a Competing NGDC for contracts that extend beyond December 31, 2018.</p> <p>There should be no limitation on the duration or extension of a G-O-G Contract entered into after the entry of a final order in this proceeding; however, such a G-O-G Contract shall be updated for consistency with the lowest tariffed rate of a Competing NGDC beginning on October 1, 2018 and every two-year anniversary thereafter. The October 1, 2018 date was agreed on by the Commenting Parties as a reasonable start date fitting in the schedule of regulatory filings. This requirement is consistent with the Commission's competing policies of allowing G-O-G to continue with limitations on Negotiated Adjustments and of not micro-managing contractual matters. It also allows a Competing NGDC and a G-O-G Customer to negotiate a G-O-G Contract that provides long-term certainty for both. The G-O-G Customer is able to choose a higher-tariff-rate Competing NGDC for other reasons (such as quality of service, supply costs, etc.) without fear of being bound to a higher tariffed rate at the end of a short G-O-G Contract term. A Competing NGDC is able to negotiate a duration that allows recovery of capital investment required to provide service.</p>

Determination of “Lowest Applicable Tariff Rate” / Uniform G-O-G Tariff Provisions

Due to the complexity of the issues, a collaborative -- to be conducted with the assistance of TUS and Law Bureau -- should be established for the limited purposes of determining: (a) the appropriate methodology to calculate the lowest applicable tariff rate available to a G-O-G Customer; and, (b) uniform G-O-G tariff provisions to be simultaneously adopted by Competing NGDCs. The collaborative shall conclude its work within 90 days following entry of a Commission final order on the five issues raised on p. 55 of the May 4, 2017 Order. The results of the collaborative, together with recommendations, shall be reported to the Commission by TUS or Law Bureau in the form of a Tentative Order on which interested parties will have a reasonable opportunity to comment.

Note: The Commenting Parties could not reach consensus on issues related to an NGDC’s extension of facilities and provision of service at standard tariffed rates to an existing G-O-G Customer of a Competing NGDC. Specifically, the Commenting Parties could not reach consensus on (a) whether such service is properly considered in the context of the instant proceeding and (b) if such service is properly considered in the context of the instant proceeding, the circumstances under which such service should be allowed. The Commenting Parties will respond to these issues through their individual replies to comments.

**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
	:	

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email and/or First-Class mail (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

The Honorable Elizabeth H. Barnes
Administrative Law Judge
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105
ebarnes@pa.gov
(E-mail and Hand Delivery)

William H. Roberts, Esquire
Peoples Natural Gas Company, LLC
375 North Shore Drive - #600
Pittsburgh, PA 15212
william.h.roberts@peoples-gas.com

Dawn Lindner, Esquire
Jennifer L. Petrisek, Esquire
Peoples TWP, LLC
205 N. Main Street
Butler, PA 16001
dawn.lindner@peoples-gas.com
jennifer.petrisek@peoples-gas.com

Theodore J. Gallagher, Esquire
NiSource Corporate Services Company
121 Champion Way - #100
Canonsburg, PA 15317
tjgallagher@nisource.com

Maureen Geary Krowicki, Esquire
National Fuel Gas Distribution Corp.
P. O. Box 2081
1100 State Street
Erie, PA 16512
KrowickiM@natfuel.com

Donna M. J. Clark, Esquire
Energy Association of Pennsylvania
800 North Third Street - #205
Harrisburg, PA 17101
dclark@energypa.org
(E-mail Only)

Darryl A. Lawrence, Esquire
Aron J. Beatty, Esquire
Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101-1923
dlawrence@paoca.org
abeatty@paoca.org
(E-mail and Hand Delivery)

Allison C. Kaster, Esquire
Bureau of Investigation and Enforcement
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105
akaster@pa.gov
(E-mail and Hand Delivery)

David P. Zambito, Esquire
Cozen O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101
dzambito@cozen.com

Mark C. Morrow, Esquire
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406
morrowm@ugicorp.com

Pamela C. Polacek, Esquire
McNees Wallace and Nurick, LLC
P. O. Box 1166
Harrisburg, PA 17108
ppolacek@mwn.com


Thomas J. Sniscak, Esquire
William E. Lehman, Esquire
Hawke McKeon & Sniscak, LLP
100 North 10th Street
Harrisburg, PA 17101
tjsniscak@hmslegal.com
welehman@hmslegal.com

Michael S. Swerling, Esquire
PECO Energy Company
2301 Market Street - S23-1
Philadelphia, PA 19101-8699
michael.swerling@exeloncorp.com

Kevin J. Moody, Esquire
Pennsylvania Independent Oil & Gas Assoc.
212 Locust Street - #300
Harrisburg, PA 17101-1510
kevin@pioga.org

Tishekia Williams, Esquire
Duquesne Light Company
411 Seventh Avenue, 16th Floor
Pittsburgh, PA 15219
twilliams@duqlight.com

Date: September 21, 2017


Elizabeth Rose Triscari
Deputy Small Business Advocate
Attorney ID No. 306921