



September 21, 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

REPLIES OF PEOPLES NATURAL GAS COMPANY LLC AND PEOPLES GAS COMPANY LLC TO COMMENTS FILED PURSUANT TO THE COMMISSION'S OPINION AND ORDER, ENTERED MAY 4, 2017

Dear Secretary Chiavetta:

By Commission Order entered May 4, 2017, the Commission directed interested parties to submit Comments regarding specific Gas-on-Gas Competition issues. Enclosed for filing with the Commission are the Replies of Peoples Natural Gas Company LLC (including its Equitable Division) and Peoples Gas Company LLC (formerly Peoples TWP LLC) to Comments filed by other parties in the above-referenced proceeding.

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 LLC and
Peoples Gas Company LLC

DPZ/kmg
Enclosures
cc: Per Certificate of Service

VERIFICATION

I, Lynda Petrichevich, hereby state that the facts set forth above 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: 9.21.17



Lynda Petrichevich,
Vice President Regulatory Affairs
Peoples Natural Gas Company LLC & Peoples Gas
Company LLD

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 Replies of Peoples Natural Gas Company LLC and Peoples Gas Company LLC to Comments, 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

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*

Pamela C. Polacek, Esquire
Charis Mincavage, 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*

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

Date: September 21, 2017



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

**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

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

I. INTRODUCTION

On May 4, 2017, the Pennsylvania Public Utility Commission (“Commission”) entered a final opinion and order (“May 2017 Order”) in the above-referenced proceeding that continues what is commonly known as “Gas-on-Gas Competition” (“G-O-G Competition”). Specifically, natural gas distribution companies with overlapping service territories (“Competing NGDCs”) in western Pennsylvania may continue providing discounts (“G-O-G Negotiated Adjustments”)¹ to certain commercial and industrial customers (“G-O-G Customers”), pursuant to contracts,² where it is possible for the G-O-G Customer to receive natural gas service from more than one Competing NGDC. The May 2017 Order, however, imposes certain restrictions on G-O-G Competition and

¹ The rate provided to a G-O-G Customer, resulting from a G-O-G Negotiated Adjustment, is referred to herein as the “G-O-G Flex Rate.”

² The contract between a Competing NGDC and a G-O-G Customer, pursuant to which the G-O-G Customer receives a G-O-G Negotiated Adjustment, is referred to herein as a “G-O-G Contract.”

solicits comments from interested parties regarding the specific nature of the restrictions and suggestions for standardized tariff provisions to be utilized by all Competing NGDCs.

Comments were required to be filed by August 2, 2017. Peoples Natural Gas Company LLC (including its Equitable Division) and Peoples Gas Company LLC (collectively, “Peoples”) filed comments on August 2, 2017, as did Columbia Gas of Pennsylvania, Inc. (“Columbia”), the Office of Small Business Advocate (“OSBA”), the Office of Consumer Advocate (“OCA”), and the Industrial Energy Consumers of Pennsylvania (“IECPA”) (together, the “Commenting Parties”).

On August 15, 2017, counsel for Peoples filed a Motion for an Extension of Time for All Parties to File Replies to Comments. That Motion requested a thirty-day extension of the deadline for all parties to file replies to comments, in order to give the Parties time to resolve some or all of the issues in this proceeding. The other Parties who filed comments in this proceeding concurred in that request. That Motion was granted by Secretarial Letter dated August 17, 2017. As a result, Replies to Comments are due to be filed on or before September 21, 2017.

After extensive discussions, the Commenting Parties reached a consensus position on most but not all of the issues in this proceeding, which is described in the consensus position of the Commenting Parties, attached as **Appendix A**. Specifically, the Commenting Parties were able to reach a consensus on the five issues raised by the Commission on page 55 of the May 2017 Order.

Peoples appreciates the opportunity to submit these Replies to Comments. Peoples continues to believe that the benefits of G-O-G 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 G-O-G 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.

II. PEOPLES' REPLIES TO COMMENTS ON SPECIFIC ISSUES

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

Peoples supports the consensus position that G-O-G Flex Rates should be offered only to customers in the "non-residential classes." Competing NGDCs use similar definitions for the residential customer class. There is much greater variation in their definitions of the other customer classes. Limiting G-O-G Flex Rates to "non-residential classes" is in the public interest because it is a simple and practical way of promoting uniformity among Competing NGDCs.

This approach is preferable to the broader approach advocated in the Comments of the OSBA and IECPA. As stated in the Comments of Peoples, the non-residential classes represent the job-creating businesses that have a choice in where to locate their facilities. Giving these customers a G-O-G Negotiated Adjustment may be in the public interest from an economic development perspective. In addition, the generally higher usage of these customers makes it more likely for them to produce net economic benefits to the serving Competing NGDC and its customers, even when paying a G-O-G Negotiated Adjustment, thereby benefiting all of its ratepayers. Offering G-O-G Negotiated Adjustments to residential ratepayers would be unlikely to produce similar net benefits and would, in most cases, promote destructive competition among NGDCs because of the potential for the unnecessary duplication of facilities. Moreover, the administrative burden and expense of administering the contracting process with potentially thousands of residential ratepayers would simply be unworkable.

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

Peoples supports the consensus position that there should be no minimum consumption threshold for non-residential customers to be eligible for G-O-G Flex Rates. Given that the benefits derived from serving a customer is a factor of consumption level, margin and cost of extending facilities, Peoples suggests that it is more reasonable to let the market economics of a proposed G-O-G Negotiated Adjustment determine the acceptability of the transaction, rather than prescribing a minimum usage level that would inevitably be somewhat arbitrary.

In addition, requiring a minimum consumption threshold for G-O-G Negotiated Adjustments would be contrary to the public interest because of the administrative burdens it would produce. Establishing a minimum consumption threshold would require Competing NGDCs to monitor customers’ consumption to determine continuing eligibility for G-O-G Negotiated Adjustments. Such a requirement would make G-O-G Competition unnecessarily complicated and unduly burdensome for Competing NGDCs.

Finally, requiring a minimum consumption threshold for G-O-G Negotiated Adjustments would be contrary to the public interest because it could discourage energy efficiency. Customers who are below, but close to, the minimum threshold might have an incentive to use gas unnecessarily in order to qualify for the lower G-O-G Flex Rate.

All of the Commenting Parties opposed a mandatory minimum consumption threshold in their Comments. Peoples encourages the Commission to adopt the consensus position.

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 supports the consensus position that existing G-O-G Customers, as well as customers in overlapping service areas, should be permitted to receive G-O-G Negotiated

Adjustments under certain circumstances. First, a G-O-G Negotiated Adjustment should be permitted for an *existing customer of the serving Competing NGDC*. It seems self-evident that a customer who is currently receiving a G-O-G Negotiated Adjustment from a Competing NGDC should be permitted to continue to do so.

Second, a Competing NGDC should be permitted to offer a G-O-G Negotiated Adjustment to an *existing customer of another Competing NGDC*, where such customer was formerly served at that service location by the Competing NGDC offering service. This provision is in the public interest because it would promote competition without unnecessarily duplicating facilities.

Finally, a G-O-G Negotiated Adjustment should be permitted for a potential new customer associated with new development. This provision is in the public interest because it allows for competition between Competing NGDCs for the load of a new customer. The successful Competing NGDC, however, should be required to demonstrate that the G-O-G Flex Rate revenues from that G-O-G Customer will be sufficient to warrant the investment using the methods approved for line and main extensions of that particular Competing NGDC. Once the successful Competing NGDC expends capital and extends facilities to the customer, no further competition between Competing NGDCs should be permitted for that customer where the result would be the unnecessary duplication of facilities. Although this provision would limit competition, it is in the public interest because it would prevent the unnecessary duplication of facilities.

The consensus position balances the various competing interests better than the positions expressed in the Comments submitted by the Commenting Parties. It provides the benefits of competition to a broad range of customers (new and existing), while minimizing the problem of Competing NGDCs building facilities that are unnecessarily duplicative. In addition, the requirement that a Competing NGDC justify the extension of service to a new G-O-G Customer

using the methods approved for line and main extensions of that particular Competing NGDC protects the interests of the existing ratepayers of that Competing NGDC by assuring that the Competing NGDC is making a rational economic decision regarding the service extension.

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

Peoples supports the consensus position that a G-O-G Negotiated Adjustment should be supported by a sworn G-O-G Customer affidavit. This requirement protects Competing NGDCs by preventing a G-O-G Customer from “bluffing” its way to a discount. This requirement is also in the public interest because it is a simple yet effective method for the G-O-G Customer to establish that it in fact meets the eligibility criteria discussed above. The G-O-G Customer has the information necessary to prove eligibility. Therefore, it is logical to require the G-O-G Customer to prove eligibility.

The contents of the affidavit should be consistent with the eligibility requirements discussed in section II.C., above. For an existing G-O-G Customer, the affiant must attest that the customer meets the eligibility criteria discussed above. For a new G-O-G Customer, the affiant must attest that (i) the customer has been offered service from a Competing NGDC with a lower tariffed rate, and (ii) the Competing NGDC is physically able to connect the G-O-G Customer and has sufficient capacity to serve. All affidavits, whether for a new or existing customer, must include all relevant terms, conditions, rates, and customer contributions and advances associated with the competitive service offering.

G-O-G Customers, Competing NGDCs, and Competing NGDCs’ non-G-O-G ratepayers all have an interest in maintaining the confidentiality of these affidavits. A G-O-G Customer does not want a business competitor knowing the G-O-G Customer’s energy expenses. A Competing

NGDC does not want its G-O-G Customers knowing the G-O-G Negotiated Adjustment being offered to another G-O-G Customer because it could result in all eligible G-O-G Customers demanding the lowest possible G-O-G Flex Rate. If all eligible G-O-G Customers demand the lowest possible G-O-G Flex Rate, the related discount expense could potentially be passed through to a Competing NGDC's non-G-O-G ratepayers. Therefore, it is in the public interest to treat G-O-G Customer affidavits as confidential documents, but they could be disclosed in a Commission or other legal proceeding pursuant to a protective agreement or order -- as is standard practice.

Although a Competing NGDC does not want its G-O-G Customers knowing the G-O-G Negotiated Adjustment being offered to another G-O-G Customer, a Competing NGDC should not be permitted to assert that its offer to a potential G-O-G Customer is confidential, and, therefore, cannot be disclosed to another Competing NGDC. Without this exception to the rule of confidentiality, a G-O-G Customer would not be able to prove its eligibility for a G-O-G Flex Rate to another Competing NGDC.

Similarly, it is in the public interest that a Competing NGDC be permitted to disclose its offer to another Competing NGDC with the consent of the current or prospective G-O-G Customer. Allowing Competing NGDCs to share information, with the customer's consent, would promote competition between Competing NGDCs. However, a Competing NGDC, to which the offer of another Competing NGDC has been disclosed, should be required to preserve the confidentiality of the offer, and use that information for no purpose other than developing a competing offer.

This position is consistent with the Comments submitted by the Commenting Parties. They argued that the customer should bear the burden of proving that it meets the eligibility requirements for G-O-G Flex Rates. The consensus position is administratively simpler, however, than some of the positions advocated by the Commenting Parties. The Commission should not require extensive

paperwork to participate in the competitive marketplace because that might discourage potential G-O-G Customers.

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

Peoples supports the consensus position that there should be no limit on the duration or extension of a G-O-G Contract. Regardless of the duration of the contract, however, the G-O-G Flex Rate should be periodically updated for consistency with the lowest Competing NGDC’s tariffed rate. That is, if a Competing NGDC’s lowest tariffed rate increases during the term of the contract, the G-O-G Flex Rate under the G-O-G Contract should be revised accordingly. To ensure that all customers are treated equally, all G-O-G Flex Rates should be updated every two years. With such guidance from the Commission, the Competing NGDCs can draft the terms and conditions of their G-O-G Contracts accordingly.

To avoid any question about the legality of modifications to an existing contract, current G-O-G Contracts should be permitted to continue in effect according to their terms. However, Competing NGDCs were placed on notice by the May 2017 Order that they may not be able to recover any G-O-G Flex Rate below the lowest tariffed rate of a Competing NGDC beyond December 31, 2018. Therefore, G-O-G Contracts entered into after the entry of a Final Order in this proceeding should be updated for consistency with the lowest tariffed rate of a Competing NGDC beginning on October 1, 2018 and every two-year anniversary thereafter (as discussed above). The October 1 date was agreed upon by the Commenting Parties because it fits reasonably into the schedule of regulatory filings. For clarity, Peoples understands the October 1 date to mean that rates will be updated for service in October and those updated rates will appear in bills issued in November.

This consensus position, if adopted by the Commission, would preserve the parties' freedom to negotiate an agreement that provides long-term certainty for both the G-O-G Customer and the Competing NGDC while still reasonably satisfying the requirement in the May 2017 Order that the lowest applicable tariff rate of the Competing NGDCs serve as a discount floor. It is also consistent with the Commission's policy of not micro-managing contractual matters. A G-O-G Customer would be 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 discount contract term. In addition, this provision allows the Competing NGDC to negotiate a duration that allows recovery of the capital investment required to provide service -- leading to greater financial stability for the Competing NGDC.

By providing for an automatic adjustment of the G-O-G Flex Rate, rather than limiting the duration of a contract, the consensus position achieves a reasonable balance of promoting competition while protecting the interests of other ratepayers. The consensus position acknowledges that a contract with a long duration, which is not subject to an adjustment in relation to changes in the lowest Competing NGDC's tariffed rate, could result in a G-O-G Rate Adjustment that varies excessively from the lowest Competing NGDC's tariffed rate and thereby results in an unreasonable preference for the customer receiving the G-O-G Rate Adjustment and discrimination toward the ratepayers who underwrite the revenue shortfall. For this reason, the balance of the consensus position is preferable to the unrestrained contracting approach advocated by some of the Comments submitted by the Commenting Parties.

F. Other Recommendations

In addition to the five questions set forth in the May 2017 Order, the Commission stated that it would consider “any other recommendations offered by the parties.” May 2017 Order p. 55. The May 2017 Order was silent on the question of how to calculate G-O-G Flex Rates. Due to the complexity of the issues (which will involve the evaluation and comparison of the various tariff provisions of the Competing NGDCs), the consensus position recommends that a collaborative (to be conducted with the assistance of the Commission’s Bureau of Technical Utility Services (“TUS”) and the Commission’s Law Bureau (“Law Bureau”)) 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 Competition tariff provisions to be simultaneously adopted by Competing NGDCs. The collaborative should conclude its work within ninety (90) days following entry of a Commission Final Order on the five issues delineated on page 55 of the May 2017 Order. The results of the collaborative, together with recommendations, should 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. The use of a Tentative Order will ensure that the due process rights of all interested parties are protected.

This recommendation is in the public interest because it gives the interested parties, including TUS and Law Bureau, a reasonable period of time to focus on important, practical implementation issues that were not addressed in the May 2017 Order. It is hoped that, within that ninety (90) day period, the collaborative could result in a mutually-agreeable resolution to these complex issues. Resolving these issues as part of this proceeding would remove uncertainty and avoid the need for expensive and prolonged litigation to resolve these issues in the future.

Most of the Commenting Parties did not address this issue. A collaborative would facilitate their input faster than requesting another round of Comments and Replies to Comments. Moreover, the involvement of TUS and Law Bureau will assist the parties in crafting solutions that will likely be acceptable to the Commission.

G. Unresolved Issues

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 non-G-O-G Customer of another NGDC. Peoples respectfully submits that this topic goes beyond the scope of the instant stage of the proceeding, which is essentially the impact of G-O-G Flex Rates on other ratepayers. The Commission has decided to permit competition between NGDCs within an overlapping service territory. May 2017 Order pp. 53-54. There is no need to address the extension of facilities and the provision of service at standard rates in this proceeding. Such situations will likely involve unique circumstances and, as such, are better resolved on a case-by-case basis. To the extent that an NGDC, a customer, or Public Advocate believes that an extension is inappropriate, they would have recourse to the Commission through a complaint or declaratory action proceeding and to address rate recovery issues in the context of a base rate proceeding.

If any of the Commenting Parties had an issue with continued competition between NGDCs with overlapping service territories at standard tariffed rates, they should have challenged the May 2017 Order through a timely petition for reconsideration or appeal. They did not. Moreover, the issue was not specifically raised in the comments of any of the Commenting Parties. Accordingly, it would be improper and a violation of the due process rights of other interested parties if the issue

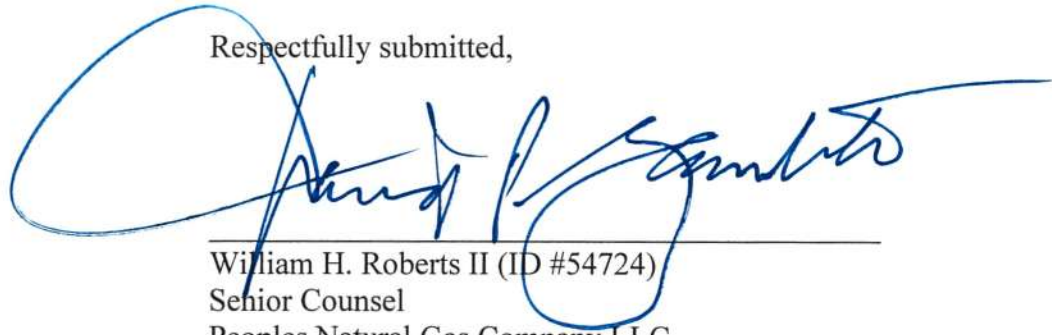
were to be addressed for the first time in replies to comments. Any attempt by a Commenting Party to do so should be summarily rejected.

Finally, IECPA proposes that the Commission consider requiring NGDCs to segregate G-O-G Flex Rate customers into a separate customer class for cost allocation and rate design purposes. Peoples respectfully submits that this proposal is beyond the scope of the instant proceeding. The Commission should instead address issues of cost allocation and rate design in the context of a base rate proceeding or another Commission proceeding in which all parties have an opportunity to be heard. As stated previously, it would be improper and a violation of the due process rights of other interested parties if the issue were to be addressed for the first time at the comments stage of this proceeding.

III. CONCLUSION

Peoples appreciates the opportunity to submit these Replies to Comments pursuant to the May 2017 Order. The continuation of G-O-G Competition in a modified form will help to keep western Pennsylvania competitive in attracting and retaining businesses while ensuring that the other ratepayers of Competing NGDCs are treated in a just and reasonable manner. Peoples commends the other Commenting Parties for diligently, and in good faith, working together with Peoples to develop the consensus positions.

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: September 21, 2017

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

APPENDIX A

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>

<p>Determination of “Lowest Applicable Tariff Rate” / Uniform G-O-G Tariff Provisions</p>	<p>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.</p>
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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.