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September 21, 2017

VIA ELECTRONIC FILING

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

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

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

Dear Secretary Chiavetta:

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

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

Very truly yours,

A handwritten signature in blue ink, appearing to read "Theodore J. Gallagher". The signature is fluid and cursive.

Theodore J. Gallagher

/kak

Enclosure

cc: Certificate of Service (w/enc.)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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

Columbia Gas of Pennsylvania, Inc. (“Columbia” or “the Company”), by and through its counsel, hereby submits its Reply Comments, pursuant to the Commission’s Opinion and Order issued in this matter on May 4, 2017 (May 4 Order), and the Secretarial Letter issued August 17, 2017, which extended the deadline for the submission of Reply Comments.

I. Introduction

In its May 4 Order, the Commission addressed the unique situation in western Pennsylvania, whereby customers who are located in service territories that are served by more than one Natural Gas Distribution Company (“NGDC”) may negotiate with competing NGDCs for a rate that is discounted below the regular applicable tariff rate. The Commission determined that rate flexing by NGDCs solely to meet a competitive threat from another NGDC, which is commonly referred to as “gas-on-gas competition” shall be permitted to continue for commercial and industrial customers. The Commission noted, however, that “the continuation of gas-on-gas flex rates is contingent upon the

from the Commission's May 4 Order. Attachment A to these Reply Comments, entitled "Consensus Positions of Commenting Parties" ("Consensus Positions") summarizes those areas of agreement. The Consensus Positions, if adopted and approved by the Commission, will resolve the issues for which the Commission sought specific input in its May 4 Order. Accordingly, Columbia submits that the Consensus Positions balance the interests of the commenting parties and, as such, are in the public interest and should be approved.

In its August 2 Comments, Columbia expressed its concerns regarding the potential daunting task posed by the May 4 Order's directive that "(1) a floor based on the lowest applicable tariff rate available to a gas-on-gas customer; and (2) the establishment of uniform gas-on-gas flex rate tariff provisions among the NGDCs with overlapping service areas" be developed. IECPA's Comments echoed Columbia's concerns. While the commenting parties have not yet re those issues, they have agreed that 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 [Gas-on-Gas] Customer; and, (b) uniform [Gas-on-Gas] 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."

Columbia submits that approval of the collaborative will enable the interested parties the opportunity to delve into, and attempt to resolve, issues that are not readily susceptible to effective resolution in the process of submitting written commentary. As one example of such complex issues, and as Columbia noted in its August 2 Comments, each NGDC's monthly customer charges, which are based on a customer's annual usage,

often vary significantly. A customer using more than 200,000 Mcf and less than 389,358 Mcf¹ could have a customer charge as low as \$1,215.00 or as high as \$7,500.00 per month depending on the competitive NGDC². In some cases, the NGDC that charges the higher customer charge may have a base rate lower than the NGDC with the lower customer charge. Since both customer charges and base rates make up the cost of service base rate, the determination of what is being flexed, or is being flexed against, is technical and complex. Columbia submits that the collaborative that has been agreed upon by the commenting parties represents the best opportunity to come to a workable solution to the complex issues of uniform tariff provisions and the methodology to calculate the lowest applicable tariff rate for the purpose of Gas-on-Gas flexing.

B. Non-Consensus Item

As noted at the end of the Consensus Positions, the commenting parties were unable to reach agreement as to

issues related to an NGDC's extension of facilities and provision of service at standard tariffed rates to an existing [Gas-on-Gas] 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.

From Columbia's perspective, the Company is concerned about how to treat service requests from existing customers of another utility who are near new facilities that are being constructed, where such facilities are otherwise cost-justified. To be clear, Columbia would not propose to be able to cost-justify new development by "picking off" an incumbent NGDC's customers, as that would appear to be inconsistent with the

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


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

Commission's concern about unnecessary, duplicative facilities. Columbia is concerned about its obligation to honor bona fide service requests from applicants in its service territory, and whether it might run afoul of the law were it to decline such a request when the applicant is not seeking a flexed rate. Columbia submits that this investigation addresses Gas-on-Gas flexing, and the non-consensus issue is not properly considered in this proceeding. As long as an applicant who happens to be currently served by another NGDC is seeking to tap into new facilities that are otherwise cost-justified without seeking a rate discount, the new NGDC should be able to honor the request.

III. Conclusion

Columbia Gas of Pennsylvania appreciates this opportunity to offer its Reply Comments in this matter. Columbia submits that the Consensus Positions reached by the commenting parties in this matter represent reasonable compromises that are in the public interest and should, therefore, be approved.

Respectfully submitted,



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Date: September 21, 2017

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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.

CERTIFICATE OF SERVICE

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

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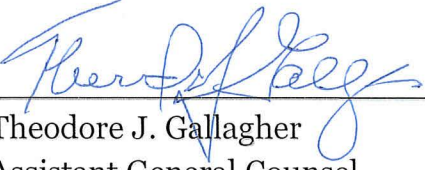
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By: _____


Theodore J. Gallagher
Assistant General Counsel

Dated: _____

Sept. 21, 2017