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File #: 171942

August 31, 2018

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: Pennsylvania Public Utility Commission, et al. v. Columbia Gas of Pennsylvania, Inc.
Docket Nos. R-2018-2647577, etc.**

Dear Secretary Chiavetta:

Enclosed please find the Joint Petition for Partial Settlement in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Michael W. Hassell

MWH/skr
Enclosure

cc: Certificate of Service
Honorable Jeffrey Watson

CERTIFICATE OF SERVICE
(Docket No. R-2018-2647577)

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL AND REGULAR MAIL

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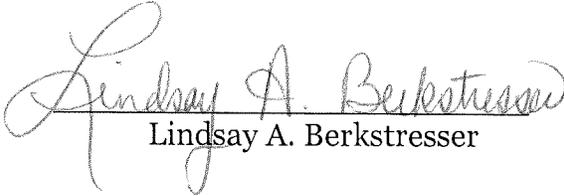
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Date: August 31, 2018


Lindsay A. Berkstresser

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No. R-2018-2647577
Office of Consumer Advocate	:	C-2018-3000582
Office of Small Business Advocate	:	C-2018-3000773
Patricia Southorn	:	C-2018-3000779
The Pennsylvania State University	:	C-2018-3001034
Columbia Industrial Intervenors	:	C-2018-3001047
G. Blair Bauer	:	C-2018-3001319
Philip L. Bloch	:	C-2018-3001634
Robin A. Harrison	:	C-2018-3002595
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	
	:	
Petition of Columbia Gas of Pennsylvania, Inc. For Authorization to Defer, For Accounting Purposes, Certain Costs Associated With a Prepayment to the NiSource, Inc. Pension Trust	:	Docket No. P-2018-2641257

JOINT PETITION FOR PARTIAL SETTLEMENT

TO ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

I. INTRODUCTION

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Columbia Industrial Intervenors (“CII”),¹ Dominion Retail, Inc. (“Dominion”), Shipley Energy Company (“Shipley”), Interstate

¹ CII’s members are Glen-Gery Corporation, Knouse Foods Cooperative, Inc., and Hanover Foods Corporation.

Gas Supply, Inc. (“IGS”),² Direct Energy Business, LLC, Direct Energy Services, LLC and Direct Energy Business Marketing, LLC (the “Direct Energy Companies”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Community Action Association of Pennsylvania (“CAAP”), The Pennsylvania State University (“PSU”) and Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”), parties to the above-captioned proceedings (hereinafter collectively referred to as the “Joint Petitioners”), hereby join in this Joint Petition for Partial Settlement (“Settlement”) and hereby respectfully request that Administrative Law Judge Jeffrey A. Watson (“ALJ Watson” or the “ALJ”) and the Commission expeditiously approve the Settlement as set forth below. The Settlement has been agreed to or not opposed by all active parties in this proceeding.³

As fully set forth and explained below, the Joint Petitioners have agreed to a settlement of all but one issue in the above-captioned general base rate proceeding (the “2018 Base Rate Filing”). Among other provisions, the Settlement provides for increases in rates designed to produce \$26 million in additional base rate revenue based upon the pro forma level of operations for the twelve months ended December 31, 2019. The new rates will go into effect on December 16, 2018. In support of the Settlement, the Joint Petitioners state the following:

II. BACKGROUND

1. Columbia is a “public utility” and “natural gas distribution company” (“NGDC”) as those terms are defined in Sections 102 and 2202 of the Public Utility

² For purposes of this Settlement, Dominion, Shipley and IGS are referred to collectively as the NGS Parties.

³ Four individual Columbia customers filed a Formal Complaints against the Company’s proposed rate increase. However, the customers did not attend the Prehearing Conference, did not file testimony, and did not otherwise actively participate in this matter. As indicated on the Certificate of Service, Columbia is serving a copy of the Settlement on the inactive customer complainants.

Code, 66 Pa.C.S. §§ 102, 2202. Columbia provides natural gas distribution, sales, transportation, and/or supplier of last resort services to approximately 426,000 retail customers in portions of 26 counties of Pennsylvania.

2. On March 16, 2018, Columbia filed with the Commission Supplement No. 267 to its Tariff Gas – Pa. P.U.C. No. 9 (“Supplement No. 267” or “base rate filing”). Supplement No. 267, issued March 16, 2018 and to be effective May 18, 2018, proposed an increase in revenues of approximately \$46.9 million which represents an 8.16% increase in operating revenues based upon a pro forma fully projected future test year (“FPFTY”) ending December 31, 2019. The filing was made in compliance with the Commission’s regulations, and contained all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

3. On April 5, 2018, the Commission issued an Order initiating an investigation of Columbia’s proposed general rate increase and suspending Columbia’s Supplement No. 267 until December 15, 2018, unless otherwise directed by Order of the Commission.

4. Formal Complaints were filed on behalf of the OCA (C-2018-3000582), the OSBA (C-2018-3000773), PSU (C-2018-3001034), CII (C-2018-3001047), Patricia Southorn (C-2018-3000779), G. Blair Bauer (C-2018-3001319), Philip L. Bloch (C-2018-3001634), and Robin A. Harrison (C-2018-3002595).

5. The NGS Parties, Direct Energy Companies, CAAP and CAUSE-PA filed Petitions to Intervene.

6. On January 5, 2018, Columbia filed a Petition for Authorization to Defer, for Accounting Purposes, Certain Costs Associated with a Prepayment of \$8,449,772 to

the NiSource, Inc. Pension Trust, at Docket No. P-2018-2641257 (“Accounting Deferral Petition”).

7. The Accounting Deferral Petition was initially assigned to Administrative Law Judge Katrina L. Dunderdale. On April 6, 2018, Columbia filed a Motion to consolidate the Accounting Deferral Petition with the 2018 Base Rate Filing, which included a claim to recover the prepayment.

8. A Prehearing Conference was scheduled for April 18, 2018. Joint Petitioners who participated in the prehearing conference filed prehearing memoranda identifying potential issues and witnesses.

9. The initial Prehearing Conference was held as scheduled on April 18, 2018. At the prehearing conference, ALJ Watson established the litigation schedule. The ALJ also set forth discovery rules, which, pursuant to the Joint Petitioners’ agreement, included shorter response times than those provided in the Commission’s regulations. See 52 Pa. Code §§ 5.341 *et seq.*

10. On March 15, 2018, the Commission issued an order at Docket No. M-2018-2641242, establishing the then-current rates of certain public utilities as temporary rates, in response to the Tax Cuts and Jobs Act of 2017 (“TCJA”).

11. On April 20, 2018, Columbia filed supplemental direct testimony, which calculated the effect of the TCJA on Columbia’s 2018 tax liability. Columbia’s original rate filing had included the prospective effect of the TCJA in calculating Columbia’s proposed revenue requirement.

12. On May 17, 2018, at Docket No. M-2018-2641242, the Commission issued a further order directing certain utilities to establish temporary rates in the form of a negative surcharge effective July 1, 2018. In that Order, the Commission exempted

Columbia from filing a negative surcharge because of Columbia's pending base rate case.

The Commission further stated:

Accordingly, the Commission expects the public utility and the parties in each such proceeding to address the effects of the federal tax reduction on the justness and reasonableness of the consumer rates charged during the term of the suspension period, and, in particular, whether a retroactive surcharge or other measure is necessary to account for the tax rate changes that became effective on January 1, 2018.

(May 17 Order at pp. 20-21)

13. On May 1, 2018, the ALJ issued a Prehearing Order that confirmed the litigation schedule established at the Prehearing Conference. The Prehearing Order also consolidated the Accounting Deferral Petition with the 2018 Base Rate Filing.

14. On April 19, 2018, Columbia filed Supplement No. 274 to Tariff Gas Pa. PUC No. 9, suspending Columbia's Supplement No. 267 until December 15, 2018.

15. On May 2, 2018, Columbia filed a Motion for a Protective Order. The ALJ granted Columbia's Motion and issued the Protective Order on May 9, 2018.

16. The Joint Petitioners conducted substantial formal and informal discovery in this proceeding. In accordance with the litigation schedule, various parties filed direct, rebuttal, and surrebuttal testimony.

17. On July 23, 2018, counsel for Columbia informed the ALJ that the parties would not need three days for hearings and requested that the hearing scheduled for July 25, 2018 be cancelled.

18. On July 25, 2018, counsel for Columbia informed the ALJ that the parties reached a settlement in principle of all but one issue and that the parties agreed to waive cross examination of the issue reserved for litigation and admit all pre-served testimony and exhibits into the record by stipulation.

19. On July 26, 2018, a hearing was held for the purpose of admitting by stipulation the parties' testimony and exhibits.

20. On July 27, 2018, the ALJ issued an Interim Order cancelling the hearings scheduled for July 27, 2018 and August 6, 2018.

21. The Joint Petitioners held numerous settlement discussions over the course of this proceeding. As a result of those discussions and the efforts of the Joint Petitioners to examine the issues in the proceeding, the Joint Petitioners have been able to agree to a Settlement covering all but one issue in the proceeding.

22. Joint Petitioners have agreed to a base rate increase, to an allocation of that revenue increase to the rate classes and to rate design for all rate classes to recover the portion of the rate increase allocated to such classes. Joint Petitioners also have agreed to a mechanism to return to customers the 2018 income tax differential resulting from the TCJA. Other issues presented in the proceeding, except for the billing of non-commodity products and services, have been resolved by the Settlement. The Joint Petitioners are in full agreement that the Settlement is in the best interests of Columbia and its customers.

23. In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional \$26.0 million in annual base rate operating revenues instead of the Company's filed increase request of approximately \$46.9 million. Upon approval of the Settlement, Columbia will receive an increase in existing base rate operating revenues of approximately 4.52%, instead of the 8.16% increase proposed in Columbia's filing. A typical residential sales customer using 70 therms of gas per month will see an increase in their monthly bill from \$91.63 to \$95.74, or by 4.49%, instead of

the monthly increase from \$91.63 to \$99.88 per month, or 9%, that was originally proposed in the filing.

24. The Settlement terms are set forth in the following Section III.

III. SETTLEMENT

25. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. The Joint Petitioners unanimously agree that the Settlement, which resolves all but the one issue regarding the billing of non-commodity products and services, is in the public interest. The Joint Petitioners respectfully request that the 2018 Base Rate Filing, including those tariff changes included in Supplement No. 267 and specifically identified in Appendix "C" attached hereto, be approved subject to the terms and conditions of this Settlement specified below:

A. REVENUE REQUIREMENT

26. Rates will be designed to produce an increase in operating revenues of \$26 million over current base rates based upon the pro forma level of operations for the twelve months ended December 31, 2019.

27. The Company's 2018 income tax expense differential of approximately \$23.8 million associated with the TCJA will be returned to customers in full over an eighteen (18) month period beginning no later than December 16, 2018. The actual amount to be returned will be based on the actual liability booked by the Company in revenues for service rendered from January 1, 2018 through December 15, 2018. This amount will be refunded via a negative surcharge applied on a percentage basis to customers with interest using the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41. P.S.

§§ 101, et. seq.). Interest will be computed monthly on the actual regulatory liability balance from January 2018 until the month the balance is returned. The tax liability for December will be estimated and trued up in the final reconciliation of the refund.

28. The revenue requirement agreed upon above also reflects a reduction to rate base for the excess ADIT amount as of the end of the FPPTY. The Company agrees to continue such treatment in future base rate filings until the entire amount has been refunded in future years.

29. As of the effective date of rates in this proceeding, Columbia will be eligible to include plant additions in the DSIC once eligible account balances exceed the levels projected by Columbia at December 31, 2019. The foregoing provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPPTY filing.

30. For purposes of calculating its DSIC, Columbia shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

31. Columbia will continue to use normalization accounting with respect to the benefits of the tax repairs deduction. It is agreed that Columbia has completed the amortization of the \$37.4 million tax refund previously received by Columbia, which is attributable to the change in method for the repairs deduction. Changes in the refund amount, above or below the \$37.4 million, shall be reflected in accumulated deferred income taxes to be created under the normalization method of accounting.

32. Columbia also will be permitted to continue to use normalization accounting with respect to the tax treatment of Section 263A mixed service costs.

33. Columbia will be permitted to recover the amortization of costs related to the following:

(i) Blackhawk Storage – Continuation of the previously-approved 24.5 year amortization of the total amount of \$398,865 to be included on books and in rate base as a regulatory asset to reflect the total original cost that began on October 28, 2008.

(ii) Corporate Services OPEB-Related Costs – Continuation of the previously-approved amortization of the regulatory asset of \$903,131 associated with the transition of NiSource Corporate Services Company from a cash to accrual basis for OPEBs, over a ten-year period that began July 1, 2013.

(iii) For settlement purposes only, the Accounting Deferral Petition is granted. The pension prepayment in the amount of \$8,449,772 shall be amortized over a ten year period beginning December 16, 2018. Any unamortized balance shall not be permitted to be included in rate base in future rate base cases.⁴

34. As established in the settlement of Columbia's base rate proceeding at R-2012-2321748, Columbia will be permitted to continue to defer the difference between the annual OPEB expense calculated pursuant to FASB Accounting Standards Codification ("ASC") 715, "Compensation – Retirement Benefits (SFAS No. 106) and the annual OPEB expense allowance in rates of \$0. Only those amounts attributable to operation and maintenance would be deferred and recognized as a regulatory asset or

⁴ This term is for settlement purposes only. I&E continues to support its position presented in I&E Statements No. 1 and 1-SR, and the OCA maintains its position as stated in its Answer filed on January 25, 2018 in Docket No. P-2018-2641257.

liability. To the extent the cumulative balance recorded reflects a regulatory asset, such amount will be collected from customers in the next base rate proceeding over a period to be determined in that rate proceeding. To the extent the cumulative balance recorded reflects a regulatory liability, there will be no amortization of the (non-cash) negative expense and the cumulative balance will continue to be maintained.

35. Commencing with the effective date of rates, Columbia will deposit amounts in the OPEB trusts when the cumulative gross annual accruals calculated by its actuary pursuant to ASC 715 are greater than \$0. If annual amounts deposited into OPEB trusts, pursuant to this Settlement, exceed allowable income tax deduction limits, any income taxes paid will be recorded as negative deferred income taxes, to be added to rate base in future proceedings.

36. On or before April 1, 2019, Columbia will provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA and OSBA an update to Columbia Exhibit No. 108, Schedule 1, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2018. On or before April 1, 2020, Columbia will update Exhibit No. 108, Schedule 1 filed in this proceeding for the twelve months ending December 31, 2019. In Columbia's next base rate proceeding, the Company will prepare a comparison of its actual revenue, expenses and rate base additions for the twelve months ended December 31, 2019. However, it is recognized by the Joint Petitioners that this is a black box settlement that is a compromise of Joint Petitioners' positions on various issues.

37. Columbia will preserve and provide to I&E, OCA and OSBA as a part of its next base rate case the following: (1) all documentation supporting debt issued between this base rate case and the next base rate case; and (2) for each issuance the prevailing

yield on U.S. utility bonds as reported by Bloomberg Finance L.P. for companies with a credit risk profile equivalent to that of NiSource Finance Corp.

38. Tariff rates will go into effect on December 16, 2018.

B. REVENUE ALLOCATION AND RATE DESIGN

39. The Residential customer charge will be set at \$16.75/month.

40. Columbia's Weather Normalization Adjustment ("WNA") pilot will continue as a pilot and will include a 3% deadband.⁵ Columbia's proposal to exclude the month of October from the operation of the revised WNA also is accepted. For informational purposes, the Company shall continue to maintain and provide to the OCA, I&E and OSBA by October 1 of each year all reports and records supporting the operation of its WNA for the preceding year, including the Company's monthly computation of the WNA and all data underlying the Company's monthly WNA computation.

41. Columbia's Revenue Normalization Adjustment (RNA) proposal has been withdrawn.

42. The Company's Gas Procurement Charge ("GPC") shall continue at the current rate of \$0.00695/therm.

43. The Merchant Function Charge ("MFC") shall be 1.40342% for residential customers and 0.29613% for non-residential customers. These are the charges as filed by Columbia. The revised MFC rates shall be reflected in the Purchase of Receivables ("POR") discount rates.

⁵ The 5% deadband will continue to be effective through January 2019 billing cycles. The 3% deadband will take effect on January 31, 2019.

44. The C&I Network will not be placed in service in 2019, and no charges will be imposed on customers in this proceeding related to the C&I Network, provided, further, that the foregoing is subject to the provisions of Paragraph 62.

45. In its next base rate case, the Company agrees to make available for review, subject to an appropriate confidentiality agreement, updated competitive alternative analyses for the six flex-rate customers that have not had their alternative supply verified since 2008 and one customer that has not had their alternative supply verified since 2010 as described in I&E Statement No. 3, and justify the flex rate granted to each customer.

46. In its next base rate proceeding, the Company agrees to segregate flex rate customers into a separate category in each of its filed cost allocation studies. The Company shall not be required, however, to allocate the revenue shortfall from the flex rate customer class to the regular rate classes as part of its cost allocation analysis.

47. Revenue allocation to the classes is set forth in Appendix "A." Rate design for all classes shall be as set forth in Appendix "B." Revenue allocation and rate design reflect a compromise and do not endorse any particular cost of service study.

C. UNIVERSAL SERVICE AND CONSERVATION

48. Columbia's proposal to use the residential portion of pipeline credits and refunds as a funding source for the Hardship Fund, while it continues to seek out additional funding from voluntary sources, is approved, consistent with the Order of the Pennsylvania Public Utility Commission entered June 14, 2018 at Docket No. P-2018-3000160. Columbia will provide a report in its next base rate proceeding on ideas developed and implemented to increase voluntary contributions to the Hardship Fund. In accordance with the terms of the Commission's Order at Docket No. P-2018-300160,

Columbia will place the residential portion of future federal pipeline credits and refunds toward the Hardship Fund, up to a maximum of \$750,000. If the balance of credits and refunds exceeds \$750,000, Columbia will flow the residential portion of future credits and refund proceeds in excess of the amounts needed to maintain the balance at \$750,000 to residential customers through Columbia's Purchased Gas Cost ("PGC") rates. In the first PGC filing in which future pipeline credits and refunds are utilized to replenish the Hardship Fund balance, the Company shall provide, in testimony, the exact annual cost impact on an individual customer basis for the average usage customer and a comparison of the residential price-to-compare with and without utilized pipeline credits and refunds. All parties have the right to challenge usage of these funds in future proceedings and all parties retain the right to support continued use of those funds to support the Hardship Fund.

49. Beginning with the 2020 Low Income Usage Reduction Program ("LIURP") program year, the Company will increase its annual funding for LIURP by \$125,000. Any unspent funds at the end of the year will be rolled over and added to the budget for the following year. This increase is incremental to the increase in operating revenues shown in Paragraph 1. LIURP funding will continue to be recovered under Columbia's Rider USP. Parties agree not to propose a change to Columbia's LIURP budget which would increase the budget amount prior to the end of LIURP program year 2021.

50. The Company's procedures with respect to medical certifications have been, or shall be, revised as follows:

- a) The medical certificate language on termination notices has been revised to include the following language: “Make some equitable arrangement to pay the Company your current bills for service.”
- b) The Company’s policy on medical certificates has been revised to no longer require a medical certificate in the form provided by the Company, and now accept any written document from a doctor, physician’s assistant or nurse practitioner, as long as the required content for medical certification is provided.
- c) The Company’s call center scripts will be revised only to require that the customer make an equitable arrangement for payment of the current bill when a medical certificate is used, rather than to request household size and income information.
- d) Requests to use a third or subsequent medical certificate renewal will be granted if the customer’s current bill or budget bill amount is paid in full by the due date. Customers with medical certificates will be advised that if they continue to pay their current bill or budget bill, they can continue to renew their medical certificates.

51. By January 1, 2020, the Company will design and implement a process, in co-ordination with its Customer Assistance Program (“CAP”) administrator, to facilitate the electronic submission of income verification to enroll in CAP and/or to comply with recertification requirements.

52. The Company will allow year-round rolling enrollment for its budget billing program and shall modify its related tariff language accordingly in its compliance filing. Columbia agrees to further review the budget billing proposals of Mr. Colton and

provide an analysis in its next rate case of the costs and timing to adopt further modifications.

53. Columbia will promote the budget plan to each customer upon successful completion of a deferred payment plan. The nature of the promotion will be discussed and agreed to within the Universal Services Advisory Council.

54. Columbia agrees to engage in specific budget billing outreach to accounts, both low-income and residential generally, that experience short-term arrears during the Company's high cost months. The nature of the outreach will be discussed and agreed to within Columbia's Universal Services Advisory Council ("USAC").

55. Columbia agrees to continue to review the list of customers with high CAP credits (over \$1,000) from the prior year and prioritize those customers for weatherization when possible. Once this list has been exhausted, Columbia will use the high usage CAP customer list as well as eligible customers requesting weatherization. This prioritization will continue unless and until Columbia evaluates the cost-effectiveness of the prioritization; reviews that evaluation with stakeholders; and all parties agree that the prioritization is not cost-effective.

56. Columbia's proposal to decline to impose a limitation on the eligibility to receive a Hardship Fund grant to households with income between 151% and 200% of Poverty is approved.

57. Following release of the Commission's Energy Burden Study, Columbia will present information to its USAC about how Columbia's then-current payment selection options address the issues raised by the Energy Burden Study. By no later than its next Universal Service and Energy Conservation Plan ("USECP") filing following issuance of the Energy Burden Study or earlier date dictated by the Commission's

Energy Burden Study (whichever is sooner), Columbia will make such filing as required by the Energy Burden Study to modify or change its CAP rate selection. Columbia will serve a copy of this filing on all parties to this proceeding. In the interim, Columbia agrees to conduct a bi-annual review of accounts enrolled on the average of payments and percent of bill CAP payment plan options that exceed the maximum energy burden recommended by the Commission in the CAP Policy Statement. The Company will change each account to a lower payment plan option, if available.

58. To the extent terms of the settlement warrant changes to the Company's USECP, within 90 days of receiving a final order in this proceeding, the Company will submit a Petition to the Commission to modify its USECP consistent with the provisions of this Settlement.

59. Other universal service issues raised by CAUSE-PA, CAAP and OCA, not addressed by this Settlement, shall be presented to Columbia's USAC for discussion and identification of potential solutions.

D. NATURAL GAS SUPPLIER ISSUES

60. Within sixty (60) days of the filing of a settlement in this proceeding, Columbia shall convene a collaborative (Collaborative-I) with the parties to this proceeding and all interested General Delivery Service customers/Suppliers on its system to discuss operational and/or rule and tariff changes relative to operational orders, delivery quantities, and supplier access to customer usage information which would be in lieu of the current installation of the C&I Network.

(a) Such operational and/or rule/tariff changes could include, but would not be limited to:

(i) A revised operational order process for customers with daily read meters. Specifically, Columbia proposes that on an annual basis customers with daily read meters, or their agents, shall have the right to elect to be subject to Operational Flow Orders (“OFOs”), rather than Operational Matching Orders (“OMOs”), on days when operational orders are issued. Daily metered customers or their agents that elect to be subject to OFOs will be required to schedule supplies equal to the percentage of the customer’s Maximum Daily Quantity (“MDQ”) called by Columbia, subject to the provisions of Elective Balancing Service (“EBS”) and Columbia’s Rules Applicable to Distribution Service.

(ii) A revised method for establishing MDQs, which may include the use of multiple years of usage data and/or design day usage and creating a more uniform methodology as between sales and transportation customers.

(iii) Parameters for establishing the needed % of MDQ to satisfy OFOs, with timelines and triggers for the elimination or amelioration of the OFO.

In addition, the Collaborative-I will also consider ways in which to improve the accuracy and timeliness of customer usage data including installing telemetering or equivalent equipment.

61. Within 150 days of convening Collaborative-I, Columbia will file tariff changes to implement the solutions which Columbia and a general consensus of the participants (but not necessarily all) agree to. All parties retain their rights to support or oppose the tariff filing.

62. If: (1) despite the good faith efforts of participants no tariff is filed within the timeline set forth above (or any extension to which all collaborative participants

agree); or (2) a tariff is filed that is not supported by Direct Energy; or (3) the Commission does not approve the tariff filing, Direct Energy retains the right to file a complaint against Columbia with the sole issue being an allegation that Columbia has failed to comply with the C&I Network Installation provisions of the 2016 Rate Case Settlement and remedies for the alleged non-compliance. The Parties agree that they shall treat such complaint as if it were filed in the context of Columbia's rate case, including:

- (a) Columbia shall retain the burden of proof to show that it has complied or should not be required to comply with the 2016 Settlement;
- (b) The testimony and exhibits developed in the above proceeding will be used to resolve the complaint, with the right for Columbia to submit rejoinder testimony on the issue and the rights of parties to cross-examination;
- (c) Neither Columbia nor any other Party shall raise any procedural objection to the complaint including, but not limited to an allegation that Direct has waived its right to raise this issue, a claim that the issue should have been raised in some other form or proceeding or a claim that no remedy can be provided because no Columbia rate case is pending; provided, however, that Columbia may continue to contend that implementation should be conditioned upon a Commission Order authorizing the recovery of C&I Network Installation costs; and
- (d) All parties will request expedited treatment of the complaint.

63. Upon completion of the above Collaborative-I, Columbia shall continue to hold quarterly Collaborative Meetings (Collaborative-II) for a minimum of two years, and thereafter as appropriate, to which all parties to this proceeding, all interested Suppliers and representatives of interstate pipelines shall be invited. At these meetings,

Suppliers shall raise issues encountered on the Columbia system. Columbia shall also notify participants about any changes it is planning to make in GTS or Choice transportation rules. At the end of each meeting, Columbia shall produce minutes of the meeting consisting of a short summary together with action items, which shall be shared with all participants.

64. Columbia agrees to reduce the penalty multiple for violation of OMO/OFOs from three times to one and one half times. This change may be further reviewed in the collaborative as a component of alternative proposals for managing OFO/OMOs. If Columbia experiences substantially higher non-compliance with OFO/OMO requirements as a result of the lower multiplier, it reserves the right to seek to modify the penalty multiplier in a subsequent base rate case.

65. Columbia agrees to change the rate structure for bank balance transfers from a per unit fee to a flat \$10 per transaction fee and gas transfers through the electronic bulletin board to a flat \$15 per transaction fee.

E. OTHER

66. Except as otherwise modified by this Settlement, the Company's proposed tariff changes are approved, as set forth in Appendix "C".

F. RESERVED ISSUE FOR LITIGATION

67. Joint Petitioners have reserved for litigation the issue of whether Columbia will be permitted to continue to include on its bills a separate line item charge for non-commodity services elected by customers and offered by unaffiliated entities who are not NGSs, without being required to allow NGSs access to Columbia's bills to charge customers for non-commodity products and services that may be offered by NGSs.

IV. SETTLEMENT IS IN THE PUBLIC INTEREST

68. This Settlement was achieved by the Joint Petitioners after an extensive investigation of Columbia's filing, including informal and formal discovery and the submission of direct, rebuttal and surrebuttal by a number of the Joint Petitioners that were admitted into the record by stipulation.

69. Acceptance of the Settlement will avoid the necessity of further administrative and possibly appellate proceedings regarding the settled issues at what would have been a substantial cost to the Joint Petitioners and Columbia's customers.

70. Joint Petitioners have submitted, along with this Settlement, their respective Statements in Support setting forth the basis upon which each believes the Settlement to be fair, just and reasonable and therefore in the public interest. The Joint Petitioners' Statements in Support are attached hereto as Appendices "D" through "M."

V. CONDITIONS OF PARTIAL SETTLEMENT

71. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission modifies the Settlement, then any Joint Petitioner may elect to withdraw from this Settlement and may proceed with litigation and, in such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of any Order modifying the Settlement.

72. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated these proceedings resulting in the establishment of rates that are Commission-made, just and reasonable rates.

73. This Settlement and its terms and conditions may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

74. The Commission's approval of the Settlement shall not be construed to represent approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement in these and future proceedings involving Columbia.

75. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise, and does not necessarily represent the position(s) that would be advanced by any Joint Petitioner in these proceedings if they were fully litigated.

76. This Settlement is being presented only in the context of these proceedings in an effort to resolve the proceedings in a manner which is fair and reasonable. The Settlement is the product of compromise between and among the Joint Petitioners. This Settlement is presented without prejudice to any position that any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of this Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings involving other public utilities under Section 1308 of the Public Utility Code, 66 Pa.C.S. § 1308, or any other proceeding.

77. The Joint Petitioners recognize that the proposed Settlement does not bind Formal Complainants that do not choose to join herein. A copy of the proposed

Settlement and attached Appendices hereto, including Statements in Support, are simultaneously being served upon all Formal Complainants in this proceeding.

78. If the ALJ adopts the Settlement without modification, the Joint Petitioners waive their individual rights to file exceptions with regard to the Settlement. Joint Petitioners retain their rights to file briefs, exceptions and replies to exceptions with respect to the issue reserved for litigation.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

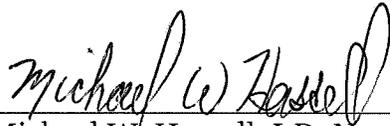
1. That the Honorable Administrative Law Judge Jeffrey A. Watson and the Commission approve this Settlement including all terms and conditions thereof, without modification;

2. That the Commission's investigation at Commission Docket R-2018-2647577 and P-2018-2641257, and the Complaints of the OCA (C-2018-3000582), OSBA (C-2018-3000773), PSU (C-2018-3001034), and CII (C-2018-3001047) be marked closed.

3. That the customer complaints of Patricia Southorn (C-2018-3000779), G. Blair Bauer (C-2018-3001319), Philip L. Bloch (C-2018-3001634), and Robin A. Harrison (C-2018-3002595) associated with this proceeding be dismissed.

4. That the Commission enter an Order ruling on the reserved issue and authorizing Columbia Gas of Pennsylvania, Inc. to file a tariff or tariff supplement in compliance with the Commission's Order, effective for service rendered on and after December 16, 2018.

Respectfully submitted,

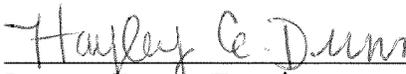

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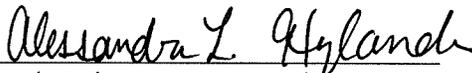
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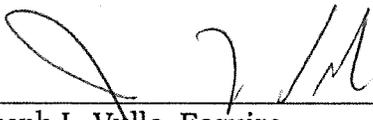
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Appendix A

Columbia Gas of Pennsylvania, Inc.
Increase by Rate Class
For the 12 Months Ending December 31, 2019

Appendix A

	<u>Amount</u>	<u>RS/RDS</u>	<u>SGSS/SCD/SGDS</u>	<u>SDS/LGSS</u>	<u>LDS/LGSS</u>	<u>MDS/NSS</u>
Settlement Increase	\$26,000,000	\$18,799,197	\$4,198,609	\$2,002,266	\$999,929	\$0

Appendix B

Columbia Gas of Pennsylvania, Inc.
 Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
 For the 12 Months Ended December 31, 2019

Witness: P. A. Strauss

Line No.	Description	Adjusted Bills (1) (Exh. 103, Sch. 2)	Adjusted Volumes (2) DTH (Exh. 103, Sch. 3)	Revenue @ Current Rates (3) \$ (Exh. 103, Sch. 1)	Proposed Revenue Increase (4) \$	Total Proposed Revenue (5 = 3 + 4) \$ (Exh. 103, Sch. 7)	Proposed Increase by Rate Schedule (6) %	Proposed Increase by Rate Class (7) %
1	Total Revenues							
2	Residential Sales - RS, CAP	3,905,732	27,512,601.0	\$357,399,795	\$14,688,016	\$372,087,811	4.11%	4.42%
3	Small General Service (≤ 6,440 Therms Annually) - SGSS	287,206	4,812,979.1	\$46,057,112	\$2,007,059	\$48,064,171	4.36%	4.81%
4	Small General Service (> 6,440 to ≤ 64,400 Therms Annually) - SGSS	31,073	4,055,013.8	\$33,295,383	\$658,534	\$33,953,917	1.98%	2.79%
5	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS	818	766,053.2	\$5,272,920	\$229,791	\$5,502,711	4.36%	9.56%
6	Large General Sales Service (> 540,000 Therms Annually) - LGSS	0	0.0	\$0	\$0	\$0	0.00%	5.57%
7	Negotiated Sales Service - NSS	12	72,700.0	\$288,617	\$0	\$288,617	0.00%	0.00%
8	Residential Distribution Service (Choice) - RDS	922,450	6,925,000.0	\$66,540,226	\$4,070,515	\$70,610,741	6.12%	4.42%
9	Small Commercial Distribution Service (Choice ≤ 6,440 Therms Annually) - SCD	92,997	1,392,058.1	\$8,956,800	\$595,395	\$9,552,195	6.65%	4.81%
10	Small Commercial Distribution Service (Choice > 6,440 to ≤ 6,440 Therms Annually) - SC	7,782	973,921.5	\$4,811,112	\$158,165	\$4,969,277	3.29%	2.79%
11	Small General Distribution Service (≤ 6,440 Therms Annually) - SGDS	11,047	251,883.5	\$1,277,480	\$102,371	\$1,379,851	8.01%	4.81%
12	Small General Distribution Service (> 6,440 to ≤ 64,400 Therms Annually) - SGDS	19,124	3,806,544.7	\$15,139,499	\$668,194	\$15,807,693	4.41%	2.79%
13	Small Distribution Service - SDS	4,350	6,235,631.5	\$15,635,794	\$1,768,049	\$17,403,843	11.31%	9.56%
14	Large Distribution Service - LDS	1,082	20,651,944.0	\$17,913,965	\$997,383	\$18,911,348	5.57%	5.57%
15	Main Line Distribution Service Class I - MLDS	74	2,424,000.0	\$399,245	\$0	\$399,245	0.00%	0.00%
16	Main Line Distribution Service Class II - MLDS	48	2,239,000.0	\$784,207	\$0	\$784,207	0.00%	0.00%
17	Other Gas Department Revenue			\$1,590,724	\$56,468	\$1,647,192	3.55%	3.55%
18	Total Revenues	5,283,795	82,119,330.4	\$575,362,879	\$ 25,999,940	\$ 601,362,819	4.52%	4.52%
19	Base Rates Revenue Only							
20	Residential Sales - RS, CAP	3,905,732	27,512,601.0	\$217,609,715	\$13,611,028	\$231,220,743	6.25%	6.41%
21	Small General Service (≤ 6,440 Therms Annually) - SGSS	287,206	4,812,979.1	\$25,773,774	\$2,007,059	\$27,780,833	7.79%	7.80%
22	Small General Service (> 6,440 to ≤ 64,400 Therms Annually) - SGSS	31,073	4,055,013.8	\$16,206,338	\$658,534	\$16,864,872	4.06%	4.33%
23	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS	818	766,053.2	\$2,051,972	\$229,791	\$2,281,763	11.20%	11.30%
24	Large General Sales Service (> 540,000 Therms Annually) - LGSS	0	0.0	\$0	\$0	\$0	0.00%	5.57%
25	Negotiated Sales Service - NSS	12	72,700.0	\$20,600	\$0	\$20,600	0.00%	0.00%
26	Residential Distribution Service (Choice) - RDS	922,450	6,925,000.0	\$53,757,368	\$3,772,048	\$57,529,416	7.02%	6.41%
27	Small Commercial Distribution Service (Choice ≤ 6,440 Therms Annually) - SCD	92,997	1,392,058.1	\$7,665,527	\$595,395	\$8,260,922	7.77%	7.80%
28	Small Commercial Distribution Service (Choice > 6,440 to ≤ 6,440 Therms Annually) - SC	7,782	973,921.5	\$3,907,702	\$158,165	\$4,065,867	4.05%	4.33%
29	Small General Distribution Service (≤ 6,440 Therms Annually) - SGDS	11,047	251,883.5	\$1,228,844	\$102,371	\$1,331,215	8.33%	7.80%
30	Small General Distribution Service (> 6,440 to ≤ 64,400 Therms Annually) - SGDS	19,124	3,806,544.7	\$14,159,309	\$668,194	\$14,827,503	4.72%	4.33%
31	Small Distribution Service - SDS	4,350	6,235,631.5	\$15,635,794	\$1,768,049	\$17,403,843	11.31%	11.30%
32	Large Distribution Service - LDS	1,082	20,651,944.0	\$17,913,965	\$997,383	\$18,911,348	5.57%	5.57%
33	Main Line Distribution Service Class I - MLDS	74	2,424,000.0	\$399,245	\$0	\$399,245	0.00%	0.00%
34	Main Line Distribution Service Class II - MLDS	48	2,239,000.0	\$784,207	\$0	\$784,207	0.00%	0.00%
35	Total Base Rates Revenues	5,283,795	82,119,330.4	\$377,114,360	\$24,568,017	\$401,682,377	6.51%	6.51%
36	C&I Network Revenue Only							
37	Small General Service (> 6,440 to ≤ 64,400 Therms Annually) - SGSS	300		\$0	\$0	\$0		
38	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS	818		\$0	\$0	\$0		
39	Large General Sales Service (> 540,000 Therms Annually) - LGSS	0		\$0	\$0	\$0		
40	Negotiated Sales Service - NSS	12		\$0	\$0	\$0		
41	Small Commercial Distribution Service (Choice > 6,440 to ≤ 6,440 Therms Annually) - SC	156		\$0	\$0	\$0		
42	Small General Distribution Service (> 6,440 to ≤ 64,400 Therms Annually) - SGDS	1,176		\$0	\$0	\$0		
43	Small Distribution Service - SDS	4,342		\$0	\$0	\$0		
44	Large Distribution Service - LDS	936		\$0	\$0	\$0		
45	Main Line Distribution Service Class I - MLDS	72		\$0	\$0	\$0		
46	Main Line Distribution Service Class II - MLDS	36		\$0	\$0	\$0		
47	Total C&I Network Revenues	7,848	0.0	\$0	\$0	\$0		

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2019

Exhibit No. 103
Schedule No. 8
Page 2 of 10
Witness: P. A. Strauss

Line No.	Description	Adjusted Bills (1) (Exh. 103, Sch. 2)	Adjusted Volumes (2) DTH (Exh. 103, Sch. 3)	Revenue @ Current Rates (3) \$ (Exh. 103, Sch. 1)	Proposed Revenue Increase (4) \$	Total Proposed Revenue (5 = 3 + 4) \$ (Exh. 103, Sch. 7)	Proposed Increase by Rate Schedule (6) %	Proposed Increase by Rate Class (7) %
1	STAS							
2	Residential Sales - RS, CAP			\$0	\$0	\$0	0.00%	0.00%
3	Small General Service (≤ 6,440 Therms Annually) - SGSS			\$0	\$0	\$0	0.00%	0.00%
4	Small General Service (> 6,440 to ≤ 64,400 Therms Annually) - SGSS			\$0	\$0	\$0	0.00%	0.00%
5	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
6	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
7	Negotiated Sales Service - NSS			\$0	\$0	\$0	0.00%	0.00%
8	Residential Distribution Service (Choice) - RDS			\$0	\$0	\$0	0.00%	0.00%
9	Small Commercial Distribution Service (Choice ≤ 6,440 Therms Annually) - SCD			\$0	\$0	\$0	0.00%	0.00%
10	Small Commercial Distribution Service (Choice > 6,440 to ≤ 6,440 Therms Annually) - SCD			\$0	\$0	\$0	0.00%	0.00%
11	Small General Distribution Service (≤ 6,440 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
12	Small General Distribution Service (> 6,440 to ≤ 64,400 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
13	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
14	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
15	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
16	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
17	Total STAS			\$0	\$0	\$0	0.00%	0.00%
18	Rider CC							
19	Residential Sales - RS, CAP			\$24,988	\$0	\$24,988	0.00%	0.00%
20	Small General Service (≤ 6,440 Therms Annually) - SGSS			\$4,813	\$0	\$4,813	0.00%	0.00%
21	Small General Service (> 6,440 to ≤ 64,400 Therms Annually) - SGSS			\$4,055	\$0	\$4,055	0.00%	0.00%
22	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
23	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
24	Negotiated Sales Service - NSS			\$0	\$0	\$0	0.00%	0.00%
25	Residential Distribution Service (Choice) - RDS			\$6,925	\$0	\$6,925	0.00%	0.00%
26	Small Commercial Distribution Service (Choice ≤ 6,440 Therms Annually) - SCD			\$1,392	\$0	\$1,392	0.00%	0.00%
27	Small Commercial Distribution Service (Choice > 6,440 to ≤ 6,440 Therms Annually) - SCD			\$974	\$0	\$974	0.00%	0.00%
28	Small General Distribution Service (≤ 6,440 Therms Annually) - SGDS			\$251	\$0	\$251	0.00%	0.00%
29	Small General Distribution Service (> 6,440 to ≤ 64,400 Therms Annually) - SGDS			\$3,779	\$0	\$3,779	0.00%	0.00%
30	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
31	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
32	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
33	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
34	Total Rider CC			\$47,177	\$0	\$47,177	0.00%	0.00%

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2019

Exhibit No. 103
Schedule No. 8
Page 3 of 10
Witness: P. A. Strauss

Line No.	Description	Adjusted Bills (1) (Exh. 103, Sch. 2)	Adjusted Volumes (2) DTH (Exh. 103, Sch. 3)	Revenue @ Current Rates (3) \$ (Exh. 103, Sch. 1)	Proposed Revenue Increase (4) \$	Total Proposed Revenue (5 = 3 + 4) \$ (Exh. 103, Sch. 7)	Proposed Increase by Rate Schedule (6) %	Proposed Increase by Rate Class (7) %
1	Gas Procurement Charge							
2	Residential Sales - RS, CAP			\$1,912,126	\$0	\$1,912,126	0.00%	0.00%
3	Small General Service (≤ 6,440 Therms Annually) - SGSS			\$334,502	\$0	\$334,502	0.00%	0.00%
4	Small General Service (> 6,440 to ≤ 64,400 Therms Annually) - SGSS			\$281,823	\$0	\$281,823	0.00%	0.00%
5	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$53,241	\$0	\$53,241	0.00%	0.00%
6	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
7	Negotiated Sales Service - NSS			\$0	\$0	\$0	0.00%	0.00%
8	Residential Distribution Service (Choice) - RDS			\$0	\$0	\$0	0.00%	0.00%
9	Small Commercial Distribution Service (Choice ≤ 6,440 Therms Annually) - SCD			\$0	\$0	\$0	0.00%	0.00%
10	Small Commercial Distribution Service (Choice > 6,440 to ≤ 6,440 Therms Annually) - SCD			\$0	\$0	\$0	0.00%	0.00%
11	Small General Distribution Service (≤ 6,440 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
12	Small General Distribution Service (> 6,440 to ≤ 64,400 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
13	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
14	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
15	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
16	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
17	Total Gas Procurement Charge			\$2,581,692	\$0	\$2,581,692	0.00%	0.00%
18	Universal Service Plan Rider							
19	Residential Sales - RS			\$22,946,588	\$1,076,988	\$24,023,576	4.69%	4.69%
20	Small General Service (≤ 6,440 Therms Annually) - SGSS			\$0	\$0	\$0	0.00%	0.00%
21	Small General Service (> 6,440 to ≤ 64,400 Therms Annually) - SGSS			\$0	\$0	\$0	0.00%	0.00%
22	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
23	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
24	Negotiated Sales Service - NSS			\$0	\$0	\$0	0.00%	0.00%
25	Residential Distribution Service (Choice) - RDS			\$6,359,228	\$298,467	\$6,657,695	4.69%	4.69%
26	Small Commercial Distribution Service (Choice ≤ 6,440 Therms Annually) - SCD			\$0	\$0	\$0	0.00%	0.00%
27	Small Commercial Distribution Service (Choice > 6,440 to ≤ 6,440 Therms Annually) - SCD			\$0	\$0	\$0	0.00%	0.00%
28	Small General Distribution Service (≤ 6,440 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
29	Small General Distribution Service (> 6,440 to ≤ 64,400 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
30	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
31	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
32	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
33	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
34	Total Universal Service Charge			\$29,305,816	\$1,375,455	\$30,681,271	4.69%	4.69%

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2019

Exhibit No. 103
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Line No.	Description	Adjusted Bills (1) (Exh. 103, Sch. 2)	Adjusted Volumes (2) DTH (Exh. 103, Sch. 3)	Revenue @ Current Rates (3) \$ (Exh. 103, Sch. 1)	Proposed Revenue Increase (4) \$	Total Proposed Revenue (5 = 3 + 4) \$ (Exh. 103, Sch. 7)	Proposed Increase by Rate Schedule (6) %	Proposed Increase by Rate Class (7) %
1	Merchant Function Charge							
2	Residential Sales - RS, CAP			\$1,139,022	\$0	\$1,139,022	0.00%	0.00%
3	Small General Service (≤ 6,440 Therms Annually) - SGSS			\$41,873	\$0	\$41,873	0.00%	0.00%
4	Small General Service (> 6,440 to ≤ 64,400 Therms Annually) - SGSS			\$35,279	\$0	\$35,279	0.00%	0.00%
5	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
6	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
7	Negotiated Sales Service - NSS			\$0	\$0	\$0	0.00%	0.00%
8	Residential Distribution Service (Choice) - RDS			\$0	\$0	\$0	0.00%	0.00%
9	Small Commercial Distribution Service (Choice ≤ 6,440 Therms Annually) - SCD			\$0	\$0	\$0	0.00%	0.00%
10	Small Commercial Distribution Service (Choice > 6,440 to ≤ 6,440 Therms Annually) - SCD			\$0	\$0	\$0	0.00%	0.00%
11	Small General Distribution Service (≤ 6,440 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
12	Small General Distribution Service (> 6,440 to ≤ 64,400 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
13	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
14	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
15	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
16	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
17	Total Merchant Function Charge			\$1,216,174	\$0	\$1,216,174	0.00%	0.00%
18	Gas Cost							
19	Residential Sales - RS, CAP			\$113,767,356	\$0	\$113,767,356	0.00%	0.00%
20	Small General Service (≤ 6,440 Therms Annually) - SGSS			\$19,902,150	\$0	\$19,902,150	0.00%	0.00%
21	Small General Service (> 6,440 to ≤ 64,400 Therms Annually) - SGSS			\$16,767,888	\$0	\$16,767,888	0.00%	0.00%
22	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$3,167,707	\$0	\$3,167,707	0.00%	0.00%
23	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
24	Negotiated Sales Service - NSS			\$268,017	\$0	\$268,017	0.00%	0.00%
25	Residential Distribution Service (Choice) - RDS			\$6,416,705	\$0	\$6,416,705	0.00%	0.00%
26	Small Commercial Distribution Service (Choice ≤ 6,440 Therms Annually) - SCD			\$1,289,881	\$0	\$1,289,881	0.00%	0.00%
27	Small Commercial Distribution Service (Choice > 6,440 to ≤ 6,440 Therms Annually) - SCD			\$902,436	\$0	\$902,436	0.00%	0.00%
28	Small General Distribution Service (≤ 6,440 Therms Annually) - SGDS			\$48,385	\$0	\$48,385	0.00%	0.00%
29	Small General Distribution Service (> 6,440 to ≤ 64,400 Therms Annually) - SGDS			\$976,411	\$0	\$976,411	0.00%	0.00%
30	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
31	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
32	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
33	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
34	Total Gas Cost			\$163,506,936	\$0	\$163,506,936	0.00%	0.00%

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2019

Exhibit No. 103
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Witness: P. A. Strauss

Line No.	Description	RS/RDG/RGSS						
		Total (1)	RDS/ RDGDS/RCC (2)	SGSS1/SCD1/SGDS1 (3)	SGSS2/SCD2/SGDS2 (3)	SDS/LGS (4)	LDS/LGS (5)	MDS/NSS (6)
1	Determination of Revenue Distribution							
2	Rate Base (Exhibit 111, Schedule 1, Page 2, Line 12)	\$1,915,996,457	\$1,366,314,386	\$171,552,028	\$149,335,682	\$97,757,522	\$130,152,235	\$884,604
3								
4	Unitized Return @ Current Rates (Exhibit 111, Schedule 1, Page 2, Line 14)	1.00000	0.93288	1.12329	1.67201	1.04983	0.64408	13.75231
5	Proposed Unitized Return	1.00000	0.97580	1.00000	1.43200	1.04882	0.64877	11.61670
6	Change in Unitized Return	0.00000	0.04292	(0.12329)	(0.24001)	(0.00001)	0.00469	(2.13561)
7	Rate of Return Requested	8.100%	7.904%	8.100%	11.599%	8.504%	5.255%	94.095%
8	Net Operating Income @ Requested Return (Line 2 x Line 7)	\$155,195,713	\$107,993,489	\$13,895,714	\$17,321,446	\$8,313,300	\$6,839,396	\$832,368
9	Net Operating Income @ Current Rates (Exhibit 111, Sch. 1, Page 2, Line 11)	\$120,752,883	\$80,320,085	\$12,144,540	\$15,735,825	\$6,474,807	\$5,276,277	\$801,350
10	Income Deficiency (Line 8 - Line 9)	\$34,442,830	\$27,673,404	\$1,751,174	\$1,585,621	\$1,838,493	\$1,563,119	\$31,018
11	Gross Conversion Factor	<u>1.36275815</u>	<u>1.36275815</u>	<u>1.36275815</u>	<u>1.36275815</u>	<u>1.36275815</u>	<u>1.36275815</u>	<u>1.36275815</u>
12	Revenue Required Increase (Exhibit 102 Sch. 3 Page 3)	46,937,246	37,712,156	2,386,426	2,160,818	2,505,422	2,130,154	42,270
13	Revenue Requirement Change Due to Settlement	<u>(20,937,246)</u>	<u>(18,912,960)</u>	<u>324,444</u>	<u>(673,079)</u>	<u>(503,156)</u>	<u>(1,130,225)</u>	<u>(42,270)</u>
14	Revenue Required Increase per Settlement	26,000,000	18,799,196	2,710,870	1,487,739	2,002,266	999,929	0
15	Percent Distribution to Rate Classes	100.00%	72.30%	10.43%	5.72%	7.70%	3.85%	0.00%
16	Less: Proposed Change in STAS (Page 1 Line 1 through Line 17)	0	0	0	0	0	0	0
17	Less: Proposed Change Other Gas Department Revenue (Page 1 Line 17)	56,468	40,828	5,888	3,231	4,349	2,172	0
18	Less: Proposed Change in Rider CC (Page 2 Line 18 through Line 34)	0	0	0	0	0	0	0
19	Less: Proposed Change in Gas Procurement Revenue (Page 2 Line 5 through Line 17)	0	0	0	0	0	0	0
20	Proposed Increase to Base Revenue	\$25,943,532	\$18,758,368	\$2,704,982	\$1,484,508	\$1,997,917	\$997,757	\$0
21	Percent Distribution to Rate Classes	100.00%	72.30%	10.43%	5.72%	7.70%	3.85%	0.00%
22	Current Base Revenue	\$377,114,360	\$271,367,083	\$34,668,145	\$34,273,349	\$17,687,766	\$17,913,965	\$1,204,052
23	Current Percent Distribution of Rate Classes	100.00%	71.96%	9.19%	9.09%	4.69%	4.75%	0.32%
24	Proposed Base Revenue	\$403,057,892	\$290,125,451	\$37,373,127	\$35,757,857	\$19,685,683	\$18,911,722	\$1,204,052
25	Proposed Percent Distribution of Rate Classes	100.00%	71.98%	9.27%	8.87%	4.88%	4.69%	0.30%

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2019

Exhibit No. 103
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Witness: P. A. Strauss

Line No.	Bills	Dth	Proposed Rate \$	Proposed Revenue \$	Current Revenue \$	Percent of Current Revenue %	Current Rate \$	Proposed Inc. (Dec.) \$		
1	Residential Rate Design (RS, RDS, RCC)									
2	Total Revenue @ Current Rates				\$423,940,021					
3	Less: STAS				0					
4	Less: Gas Cost Revenue				120,184,061					
5	Less: Gas Procurement Charge				1,912,126					
6	Less: Rider CC				31,913					
7	Less: Merchant Function Charge				1,139,022					
8	Less: Rider USP				29,305,816					
9	Plus: Proposed Increase to Base Rates				<u>18,758,368</u>					
10	Proposed Base Revenue				\$290,125,451					
11	Less: Customer Charge Revenue (Exhibit 103, Sch. 1)	4,828,182	16.75	<u>80,872,050</u>	80,872,050	29.80%	16.75	-		
12	Net Volumetric Gas Revenue				<u>\$209,253,401</u>					
13	All Gas Consumed (Exhibit 103, Sch. 1)			34,437,601.0	6.0763	\$209,253,195	\$190,495,033	<u>70.20%</u>	5.5316	<u>18,758,162</u>
14	Total Base Revenue Charge						100.00%	\$18,758,162		
15	Rider USP - Universal Service Plan									
16	Universal Service Plan Rider @ Current Rate				29,305,816					
17	Plus: Redistribution of CAP shortfall resulting from proposed rates				<u>1,375,087</u>					
18	Expected Change in Universal Service Plan Rider Rate			31,913,117.4	0.9614	\$30,680,903	0.9183			

Columbia Gas of Pennsylvania, Inc.
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For the 12 Months Ended December 31, 2019

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Line No.	Bills	Dth	Proposed Rate \$	Proposed Revenue \$	Current Revenue \$	Percent of Current Revenue %	Current Rate \$	Proposed Inc. (Dec.) \$	
1	Small General Service Rate Design ≤ 6,440 Thms Annually (SGSS1, SCD1, SGDS1)								
2	Total Revenue @ Current Rates				\$56,291,392				
3	Less: STAS				0				
4	Less: Gas Cost Revenue				21,240,416				
5	Less: Gas Procurement Charge				334,502				
6	Less: Rider CC				6,456				
7	Less: Merchant Function Charge				41,873				
8	Less: Rider USP				0				
9	Plus: Proposed Increase to Base Rates				<u>2,704,982</u>				
10	Proposed Base Revenue				\$37,373,127				
11	Less: Less Flex Revenue (SGDS1)				\$2,678				
12	Less: Customer Charge Revenue (Exhibit 103, Sch. 1) ≤ 6,440 Thms	391,250	22.75	<u>8,900,938</u>	8,314,063	23.98%	21.25	586,875	
13	Net Volumetric Gas Revenue				\$28,469,511				
14	All Gas Consumed Rate			6,455,990.7	4.4098			28,469,628	
15	SGSS1,SCD1 @ uniform rate			6,205,037.2	4.4098			27,362,973	
16	SGDS1 @ uniform rate			250,953.5	4.4098			1,106,655	
17	Intra-Class Adjustment - SGDS1 to SGSS1/SCD1 (Exhibit MPB-4)				29,428				
18	Less Than 6,440 Therms Annually - SGSS1, SCD1			6,205,037.2	4.4145		25,359,987	73.16% 4.087	2,032,414
19	Less Than 6,440 Therms Annually - SGDS1			250,953.5	4.2925		<u>991,417</u>	<u>2.86%</u> 3.9506	<u>85,810</u>
20	Total Base Revenue Charge				37,370,566	\$34,665,467	100.00%	\$2,705,099	

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2019

Exhibit No. 103
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Line No.	Bills	Dth	Proposed Rate \$	Proposed Revenue \$	Current Revenue \$	Percent of Current Revenue %	Current Rate \$	Proposed Inc. (Dec.) \$
1	Small General Service Rate Design > 6,440 to ≤ 64,400 Thms Annually (SGSS2, SCD2, SGDS2)							
2	Total Revenue @ Current Rates				\$53,245,994			
3	Less: STAS				0			
4	Less: Gas Cost Revenue				18,646,735			
5	Less: Gas Procurement Charge				281,823			
6	Less: Rider CC				8,808			
7	Less: Merchant Function Charge				35,279			
8	Less: Rider USP				0			
9	Plus: Proposed Increase to Base Rates				<u>1,484,508</u>			
10	Proposed Base Revenue				\$35,757,857			
11	Less: C&I Network Charge (Exhibit 111, Schedule 1, Page 31 Lines 23 - 25)	1,632	0.00	-	0	0.00%	0.00	-
12	Less: Flex Revenue (SGDS2)			\$43,793				
13	Less: Customer Charge Revenue (Exhibit 103, Sch. 1) > 6,440 to ≤ 64,440 Thms	57,955	48.00	<u>2,781,840</u>	2,781,840	8.13%	48.00	-
14	Net Volumetric Gas Revenue				\$32,932,224			
15	All Gas Consumed Rate			8,808,311.7	3.7388	32,932,516		
16	SGSS2,SCD2 @ uniform rate			5,028,935.3	3.7388	18,802,183		
17	SGDS2 @ uniform rate			3,779,376.4	3.7388	14,130,332		
18	Intra-Class Adjustment - SGDS2 to SGSS2/SCD2 (Exhibit MPB-4)				263,465	292,893		
19	6,440 - 64,400 Therms Annually - SGSS2, SCD2			5,028,935.3	3.7912	19,065,648	53.31%	3.6288
20	6,440 - 64,400 Therms Annually - SGDS2			3,779,376.4	3.6691	<u>13,866,867</u>	<u>38.56%</u>	3.4923
					\$32,932,515	\$31,447,716	100.00%	
21	Total Base Revenue Charge							<u>1,484,799</u>

Columbia Gas of Pennsylvania, Inc.
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Line No.	Bills	Dth	Proposed Rate \$	Proposed Revenue \$	Current Revenue \$	Percent of Current Revenue %	Current Rate \$	Proposed Inc. (Dec.) \$
1	Small Distribution Service Rate Design (SDS/LGSS)							
2	Total Revenue @ Current Rates				\$20,908,714			
3	Less: STAS				0			
4	Less: Gas Cost Revenue				3,167,707			
5	Less: Gas Procurement Charge				53,241			
6	Plus: Proposed Increase to Base Rates				<u>1,997,917</u>			
7	Proposed Base Revenue				\$19,685,683			
8	C&I Network Charge (Exhibit 111, Schedule 1, Page 31 Lines 23 - 25)	5,160	0.00	-	0		0.00	-
9	Less: Flex Revenue				163,647			
10	Less: Customer Charge Revenue (Exhibit 103, Sch. 1) > 64,400 to ≤ 110,000 Thms	2,469	229.75	567,253	567,253		229.75	-
11	Less: Customer Charge Revenue (Exhibit 103, Sch. 1) > 110,000 to ≤ 540,000 Thms	2,699	757.34	<u>2,044,061</u>	2,044,061		757.34	-
12	Net Volumetric Gas Revenue				\$16,910,722			
13	> 64,400 to ≤ 110,00 Therms Annually (Exhibit 103, Sch. 1)			4,769,453	4,205,966	28.20%	2.305	563,487
14	> 110,000 to ≤ 540,000 Therms Annually (Exhibit 103, Sch. 1)	4,968,370.5	2.4437	<u>12,141,269</u>	10,706,839	71.80%	2.155	<u>1,434,430</u>
				\$16,910,722	\$14,912,805	100.00%		\$1,997,917
15	Total Base Revenue Charge							\$1,997,917
16	Large Distribution Service Rate Design (LDS/LGSS)							
17	Total Revenue @ Current Rates				\$17,913,965			
18	Less: STAS				0			
19	Less: Gas Cost Revenue				0			
20	Less: Gas Procurement Charge				0			
21	Plus: Proposed Increase to Base Rates				<u>997,757</u>			
22	Proposed Base Revenue				\$18,911,722			
23	C&I Network Charge (Exhibit 111, Schedule 1, Page 31 Lines 23 - 25)	936	0.00	-	0		0.00	-
24	Less: Flex Revenue				4,035,621			
25	Less: Customer Charge Revenue (Exhibit 103, Sch. 1)							
26	> 540,000 to ≤ 1,074,000 Thms	530	1,947.06	1,031,942	1,031,942		1,947.06	-
27	> 1,074,000 to ≤ 3,400,000 Therms Annually	312	3,028.76	944,973	944,973		3,028.76	-
28	> 3,400,000 to ≤ 7,500,000 Therms Annually	60	5,841.18	350,471	350,471		5,841.18	-
29	> 7,500,000 Therms Annually	12	8,653.60	<u>103,843</u>	103,843		8,653.60	-
30	Net Volumetric Gas Revenue				\$12,444,872			
31	Usage Charge (Exhibit 103, Sch. 1)							
32	> 540,000 to ≤ 1,074,000 Thms	3,260,291.1	1.4131	4,607,450	4,238,052	37.02%	1.2999	369,398
33	> 1,074,000 to ≤ 3,400,000 Therms Annually	4,629,000.0	1.2535	5,802,443	5,337,237	46.63%	1.1530	465,206
34	> 3,400,000 to ≤ 7,500,000 Therms Annually	1,214,000.0	1.1249	1,365,613	1,256,126	10.97%	1.0347	109,487
35	> 7,500,000 Therms Annually	1,000,000.0	0.6693	<u>669,366</u>	<u>615,700</u>	5.38%	0.6157	<u>53,666</u>
				\$12,444,872	\$11,447,115	100.00%		\$997,757
36	Total Base Revenue Charge							\$997,757

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2019

Exhibit No. 103
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Line No.	Bills	Dth	Proposed Rate \$	Proposed Revenue \$	Current Revenue \$	Percent of Current Revenue %	Current Rate \$	Proposed Inc. (Dec.) \$
1	Main Line Service Rate Design - Class I (NSS and MLDS-I) and MDS Class II							
2	Total Revenue @ Current Rates				\$1,472,069			
3	Less: STAS				0			
4	Less: Gas Cost Revenue				268,017			
5	Plus: Proposed Increase to Base Rates				0			
6	Proposed Base Revenue				\$1,204,052			
7	Less: C&I Network Charge (Exhibit 111, Schedule 1, Page 31 Lines 23 - 25)			120	0.00	-	0	0.00
8	Less: Flex Revenue				848,996			-
9	Less: MDS I Customer Charge Revenue (Exhibit 103, Sch. 1)							
10	> 274,000 to ≤ 540,000 Therms			12	469.34	5,632	5,632	469.34
11	> 540,000 to ≤ 1,074,000 Therms Annually			38	1,149.00	43,662	43,662	1,149.00
12	> 1,074,000 to ≤ 3,400,000 Therms Annually			24	2,050.00	49,200	49,200	2,050.00
13	> 3,400,000 to ≤ 7,500,000 Therms Annually			0	4,096.00	0	0	4,096.00
14	> 7,500,000 Therms Annually			12	7,322.00	87,864	87,864	7,322.00
15	Less: MDS II Customer Charge Revenue (Exhibit 103, Sch. 1)							
16	> 2,146,000 to ≤ 3,400,000 Therms Annually			0	2,050.00	0	0	2,050.00
17	> 3,400,000 to ≤ 7,500,000 Therms Annually			36	4,096.00	147,456	147,456	4,096.00
18	> 7,500,000 Therms Annually			0	7,322.00	0	0	7,322.00
19	Net Volumetric Gas Revenue					\$21,246		
20	MDS I Usage Charge (Exhibit 103, Sch. 1)			226,700.0	0.0937	21,246	21,242	100.00%
21	MDS II Usage Charge (Exhibit 103, Sch. 1)							
22	> 2,146,000 to ≤ 3,400,000 Therms Annually			0.0	0.4479	0	0	0.00%
23	> 3,400,000 to ≤ 7,500,000 Therms Annually			0.0	0.3874	0	0	0.00%
24	> 7,500,000 Therms Annually			0.0	0.3355	0	0	0.00%
25								100.00%
26	Total Base Revenue Charge							4

Appendix C

COLUMBIA GAS OF PENNSYLVANIA, INC.

121 Champion Way, Suite 100

Canonsburg, Pennsylvania

RATES AND RULES

FOR

FURNISHING GAS SERVICE

IN

THE TERRITORY AS DESCRIBED HEREIN

ISSUED:

EFFECTIVE:

ISSUED BY: M. A. HUWAR, PRESIDENT
121 CHAMPION WAY, SUITE 100
CANONSBURG, PENNSYLVANIA 15317

NOTICE

This Tariff Supplement Makes Changes to the Existing Tariff - See List of Changes Made by This Tariff Supplement on Page Nos. 2 – 2a.

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
Cover	Tariff Cover Page	Supplement No., Issue and Effective Date.
2 – 2a	List of Changes	List of Changes.
7	Description of Territory	Added "Venango Township" under "Butler County".
15	Rates Available Under This Tariff	Deleted item number 6 under "Rate SGDS – Small General Distribution Service".
16	Rate Summary	The Usage Charge, Pass-through Charge and Gas Supply Charge increased. The DSIC was removed. The Federal Tax Adjustment Credit was added.
17	Rate Summary	The Customer Charge increased for annual throughput < 6,440 therms. The Usage Charge increased. The Gas Supply Charge increased for SGSS. The Pass-through Charge increased for SGSS, SCD and SGDS P1. The DSIC was removed. The Federal Tax Adjustment Credit was added.
18	Rate Summary	The Usage Charge increased. The Pass-through Charge and Gas Supply Charge increased for Rate Schedule LGSS. The DSIC was removed. The Federal Tax Adjustment Credit was added.
19	Rate Summary	The DSIC was removed. The Federal Tax Adjustment Credit (FTAC) was added.
20	Other Rates Summary	The Price to Compare changed. The Federal Tax Adjustment Credit (FTAC) was added.
21	Rider Summary	The Rider USP decreased.
21a	Gas Supply Charge Summary	The MFC increased for CAP and RSS and decreased for SGSS.
21b	Pass-through Charge Summary	The USP Rider decreased.
21c	Price-to-Compare	The Rider MFC increased for Residential and decreased for Commercial.
26	Definitions	Revised the definition of "Medical Certificate".

Issued:

**M. A. Huwar
 President**

Effective:

Columbia Gas of Pennsylvania, Inc.

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
41	4. Customer Installations	Format change to subparagraph 4.9.1.
56	14. Customer's Use of Service	Revised paragraph 14.1 – Precautions to be Taken by Customer. Corrected a misspelling in paragraph 14.4 Liability for Damages.
60	17. Payment Terms	Revised paragraph 17.2 Payment Period.
89	Rate SGDS	Deleted item number 6 under "Availability".
137	Rate DGDS	Corrected the last sentence in the first paragraph of "Availability".
152	Rider PGC	Added a paragraph to the "Computation of Purchased Gas Commodity Costs per Thm".
154	Rider PGC	Added a paragraph to the "Computation of Purchased Gas Demand Costs per Thm".
157	Purchased Gas Cost Rider	Revised the description of "Maximum Daily Quantity".
161	Rider MFC	The Merchant Function Charge percentages have decreased.
162	Rider WNA	Revised the applicable period and revised the deadband.
163	Rider WNA	Revised subparagraph "(j)".
164	Federal Tax Adjustment Credit	All new text.
169	Full Balancing Service	Revised the Bank Balance Transfer fee.
170	Full Balancing Service	Revised the Gas Transfer fee.
177	Rider DSIC	Revised the DSIC percentage.
202	RADS 3.3 Character of Service to be Rendered	Added "winter" to paragraph 3.3.1.
205	RADS 3.6 Seasonal Flow Orders (SFOs)	Corrected reference reflecting "Paragraph 2" to "Paragraph 3".
207	Rules Applicable Only to General Distribution Service	Revised the OFO penalty calculation.
208	Rules Applicable Only to General Distribution Service	Revised the OMO penalty calculation.

Issued:

M. A. Huwar
 President

Effective:

DESCRIPTION OF TERRITORY

ADAMS COUNTY

Abbottstown
 Arendtsville
 Aspers
 Bendersville
 Berwick Township
 Biglerville
 Butler Township
 Caledonia
 Cashtown
 Conewago Township*
 Cumberland Township
 East Berlin
 Fairfield
 Fayetteville
 Franklin Township
 Freedom Township
 Germany Township
 Gettysburg
 Hamilton Township
 Hamiltonban Township
 Hemptom
 Littlestown
 McSherrystown*
 Menallen Township
 Mt. Joy Township
 Mt. Pleasant Township
 New Oxford
 Oxford Township
 Reading Township
 Strabane Township
 Table Rock
 Two Taverns
 Tyrone Township
 Union Township

ALLEGHENY COUNTY

The Company is certified to serve in all cities, boroughs and townships in Allegheny County.

ARMSTRONG COUNTY

Distant
 Hovey Township
 Madison Township
 Mahoning Township
 McWilliams
 New Salem
 Oakland
 Oak Ridge
 Parker City
 Perry Township
 Red Bank Township
 South Bethlehem

BEAVER COUNTY

The Company is certified in serve in all cities, boroughs and townships in Beaver County.

BEDFORD COUNTY

Cumberland Valley Township
 Londonderry Township
 Mann Township
 Southampton Township
 State Line

BUTLER COUNTY

Adams Township
 Allegheny Township
 Annandale
 Annisville
 Brady Township
 Bruin
 Center Township
 Cherry Township
 Clay Township
 Concord Township
 Cranberry Township

**BUTLER COUNTY
 (continued)**

Criders Corners
 Deegan
 Eau Claire
 Fairview
 Fairview Township
 Fallowfield Township
 Forestville
 Franklin Township
 Harrisville
 Karns City **
 Marion Township
 Mercer Township
 Muddy Creek Township
 North Washington
 Parker Township
 Slippery Rock Township
 Valencia
 Valencia Township
 Venango Township
 Washington Township
 West Liberty
 Wick
 Worth Township

CENTRE COUNTY ***

Bellefonte
 Benner Township
 Boggs Township
 Burnside Township
 College Township
 Ferguson Township
 Harris Township
 Patton Township
 Potter Township
 Snow Shoe Township
 Spring Township
 State College
 Union Township

(C)

* Territory formerly served under Tariff Gas-Pa. P.U.C. No. 7.

** Limited to industrial service to Permanent Service Identification (PSID) 400473084.

*** Territory formerly served under Tariff Gas-Pa. P.U.C. No. 6.

(C) Indicates Change

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RATES AVAILABLE UNDER THIS TARIFF (Continued)

Rate SGDS - Small General Distribution Service (pp. 89-92)

Available, at one location, for the total requirements of any commercial or industrial customer meeting all of the following conditions:

1. The Customer's total annual throughput requirements, as determined under the Customer Charge provisions are less than or equal to 64,400 thm annually.
2. The Customer does not take service under any other rate schedule except Rate SS – Standby Service.
3. Customer acquires its own gas and executes an application and agreement with the Company, as specified in the Rules Applicable to Distribution Service section of this Tariff, for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.
4. The customer is a member of an aggregation group pursuant to the provisions of the Rules Applicable to Distribution Service.
5. Priority One customers, as defined in the Service Limitations section of this tariff, must buy distribution service at the Priority One distribution rate, which includes recovery of purchased gas demand costs pursuant to the Purchased Gas Cost Rider as set forth in this tariff. All other SGDS customers wishing to contract for standby service may execute a contract for service under Rate SS - Standby Service.

Rate SGSS - Small General Sales Service (pp. 86-88)

This rate schedule is available, at one location, for the total requirements of any commercial or industrial customer whose total throughput requirements are less than or equal to 64,400 thm annually and who does not contract for distribution service.

Rate SS - Standby Service (pp. 134-136)

Available to any qualified customer receiving General Distribution Service or Negotiated Sales Service who executes a contract with the Company for service under this rate schedule for a period of not less than one (1) year.

(C) Indicates Change

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Columbia Gas of Pennsylvania, Inc.

Rate Summary							
Rate per thm							
Residential Rate Schedules	Distribution Charge	Gas Supply Charge 1/	Gas Cost Adjustment	Pass-Through Charge 2/	State Tax Adjustment Surcharge 3/	Federal Tax Adjustment Credit (FTAC) 4/	Total Effective Rate
<u>Rate RSS - Residential Sales Service</u>							
Customer Charge	\$ 16.75				0.00	(0.59)	16.16
Usage Charge	\$ 0.60763	0.30612	(0.00525)	0.21997	0.00000	(0.02147)	1.10700
<u>Rate RDS - Residential Distribution Service</u>							
Customer Charge	\$ 16.75				0.00	(0.59)	16.16
Usage Charge:							
Customers Electing CHOICE	\$ 0.60763	-	-	0.18890	0.00000	(0.02147)	0.77506
<p>1/ Please see Page No. 21a for rate components. 2/ Please see Page No. 21b for rate components. 3/ The STAS percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge. 4/ The FTAC percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.</p>							

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Effective:

Columbia Gas of Pennsylvania, Inc.

Rate Summary							
Rate per thm							
Commercial / Industrial Rate Schedules ≤ 64,400 therms - 12 Months Ending October	Distribution Charge	Gas Supply Charge 1/	Gas Cost Adjustment	Pass-through Charge 2/	State Tax Adjustment Surcharge 3/	Federal Tax Adjustment Credit (FTAC) 4/	Total Effective Rate
Rate SGSS - Small General Sales Service							
Customer Charge:							
Annual Throughput ≤ 6,440 thm	\$ 22.75				0.00	(0.80)	21.95
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 48.00				0.00	(1.70)	46.30
Usage Charge							
Annual Throughput ≤ 6,440 thm	\$ 0.44145	0.30285	(0.00525)	0.12277	0.00000	(0.01560)	0.84622
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 0.37912	0.30285	(0.00525)	0.12277	0.00000	(0.01339)	0.78610
Rate SCD - Small Commercial Distribution							
Customer Charge:							
Annual Throughput ≤ 6,440 thm	\$ 22.75				0.00	(0.80)	21.95
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 48.00				0.00	(1.70)	46.30
Usage Charge: Customers Electing CHOICE							
Annual Throughput ≤ 6,440 thm	\$ 0.44145	-	-	0.09170	0.00000	(0.01560)	0.51755
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 0.37912	-	-	0.09170	0.00000	(0.01339)	0.45743
Rate SGDS - Small General Distribution Service							
Customer Charge:							
Annual Throughput ≤ 6,440 thm	\$ 22.75				0.00	(0.80)	21.95
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 48.00				0.00	(1.70)	46.30
Usage Charge - Priority One							
Annual Throughput ≤ 6,440 thm	\$ 0.42925	-	-	0.12277	0.00000	(0.01517)	0.53685 5/
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 0.36691	-	-	0.12277	0.00000	(0.01296)	0.47672 5/
Usage Charge - Non-Priority One							
Annual Throughput ≤ 6,440 thm	\$ 0.42925	-	-	0.00010	0.00000	(0.01517)	0.41418 5/
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 0.36691	-	-	0.00010	0.00000	(0.01296)	0.35405 5/

1/ Please see Page No. 21a for rate components.

2/ Please see Page No. 21b for rate components.

3/ The STAS percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.

4/ The FTAC percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.

5/ Plus Rider EBS Option 1 or 2 - See Page 21.

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Effective:

Columbia Gas of Pennsylvania, Inc.

Rate Summary							
Rate per thm							
Commercial / Industrial Rate Schedules > 64,400 therms - 12 Months Ending October	Distribution Charge	Gas Supply Charge 1/	Gas Cost Adjustment	Pass-through Charge 2/	State Tax Adjustment Surcharge 3/	Federal Tax Adjustment Credit (FTAC) 4/	Total Effective Rate
Rate LGSS - Large General Sales Service							
Customer Charge:							
Annual Throughput > 64,400 thm and <= 110,000 thm	\$ 229.75				0.00	(8.12)	221.63
Annual Throughput > 110,000 thm and <= 540,000 thm	\$ 757.34				0.00	(26.76)	730.58
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 1,947.06				0.00	(68.79)	1,878.27
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 3,028.76				0.00	(107.01)	2,921.75
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 5,841.18				0.00	(206.37)	5,634.81
Annual Throughput > 7,500,000 thm	\$ 8,653.60				0.00	(305.73)	8,347.87
Usage Charge:							
Annual Throughput > 64,400 thm and <= 110,000 thm	\$ 0.26138	0.30198	(0.00525)	0.12267	0.00000	(0.00923)	0.67155
Annual Throughput > 110,000 thm and <= 540,000 thm	\$ 0.24437	0.30198	(0.00525)	0.12267	0.00000	(0.00863)	0.65514
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 0.14131	0.30198	(0.00525)	0.12267	0.00000	(0.00499)	0.55572
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 0.12535	0.30198	(0.00525)	0.12267	0.00000	(0.00443)	0.54032
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 0.11249	0.30198	(0.00525)	0.12267	0.00000	(0.00397)	0.52792
Annual Throughput > 7,500,000 thm	\$ 0.06693	0.30198	(0.00525)	0.12267	0.00000	(0.00236)	0.48397
Rate SDS - Small Distribution Service							
Customer Charge:							
Annual Throughput > 64,400 thm and <= 110,000 thm	\$ 229.75				0.00	(8.12)	221.63
Annual Throughput > 110,000 thm and <= 540,000 thm	\$ 757.34				0.00	(26.76)	730.58
Usage Charge:							
Annual Throughput > 64,400 thm and <= 110,000 thm	\$ 0.26138	-	-	-	0.00000	(0.00923)	0.25215 5/
Annual Throughput > 110,000 thm and <= 540,000 thm	\$ 0.24437	-	-	-	0.00000	(0.00863)	0.23574 5/
Rate LDS - Large Distribution Service							
Customer Charge:							
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 1,947.06				0.00	(68.79)	1,878.27
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 3,028.76				0.00	(107.01)	2,921.75
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 5,841.18				0.00	(206.37)	5,634.81
Annual Throughput > 7,500,000 thm	\$ 8,653.60				0.00	(305.73)	8,347.87
Usage Charge:							
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 0.14131	-	-	-	0.00000	(0.00499)	0.13632 5/
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 0.12535	-	-	-	0.00000	(0.00443)	0.12092 5/
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 0.11249	-	-	-	0.00000	(0.00397)	0.10852 5/
Annual Throughput > 7,500,000 thm	\$ 0.06693	-	-	-	0.00000	(0.00236)	0.06457 5/
1/ Please see Page No. 21a for rate components.							
2/ Please see Page No. 21b for rate components.							
3/ The STAS percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.							
4/ The FTAC percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.							
5/ Plus Rider EBS Option 1 or 2 - See Page 21.							

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Columbia Gas of Pennsylvania, Inc.

Rate Summary							
Rate per thm							
Main Line Service Rate Schedules Commercial / Industrial	Distribution Charge	Gas Supply Charge 1/	Gas Cost Adjustment	Pass-through Charge 2/	State Tax Adjustment Surcharge 3/	Federal Tax Adjustment Credit (FTAC) 4/	Total Effective Rate
Rate MLSS - Main Line Sales Service							
Customer Charge:							
Annual Throughput > 274,000 thm and <= 540,000 thm	\$ 469.34				0.00	(16.58)	452.76
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 1,149.00				0.00	(40.59)	1,108.41
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 2,050.00				0.00	(72.43)	1,977.57
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 4,096.00				0.00	(144.71)	3,951.29
Annual Throughput > 7,500,000 thm	\$ 7,322.00				0.00	(258.69)	7,063.31
Usage Charge:							
MLS Class I Annual Throughput > 274,000 thm	\$ 0.00937	0.30198	(0.00525)	0.12267	0.00000	(0.00033)	0.42844
MLS Class II:							
Annual Throughput > 2,146,000 thm and <= 3,400,000 thm	\$ 0.04479	0.30198	(0.00525)	0.12267	0.00000	(0.00158)	0.46261
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 0.03874	0.30198	(0.00525)	0.12267	0.00000	(0.00137)	0.45677
Annual Throughput > 7,500,000 thm	\$ 0.03355	0.30198	(0.00525)	0.12267	0.00000	(0.00119)	0.45176
Rate MLDS - Main Line Distribution Service							
Customer Charge:							
Annual Throughput > 274,000 thm and <= 540,000 thm	\$ 469.34				0.00	(16.58)	452.76
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 1,149.00				0.00	(40.59)	1,108.41
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 2,050.00				0.00	(72.43)	1,977.57
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 4,096.00				0.00	(144.71)	3,951.29
Annual Throughput > 7,500,000 thm	\$ 7,322.00				0.00	(258.69)	7,063.31
Usage Charge:							
MLS Class I Annual Throughput > 274,000 thm	\$ 0.00937	-	-	-	0.00000	(0.00033)	0.00904 5/
MLS Class II:							
Annual Throughput > 2,146,000 thm and <= 3,400,000 thm	\$ 0.04479	-	-	-	0.00000	(0.00158)	0.04321 5/
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 0.03874	-	-	-	0.00000	(0.00137)	0.03737 5/
Annual Throughput > 7,500,000 thm	\$ 0.03355	-	-	-	0.00000	(0.00119)	0.03236 5/
1/ Please see Page No. 21a for rate components.							
2/ Please see Page No. 21b for rate components.							
3/ The STAS percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.							
4/ The FTAC percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.							
5/ Plus Rider EBS Option 1 or 2 - See Page 21.							

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Columbia Gas of Pennsylvania, Inc.

Other Rates Summary		
Rate per thm		
Description	Rate \$/ thm	Applicable Rate Schedules
Penalty Credit/Pipeline Refund Passback - Non-Residential	\$ (0.00106) ^{1/}	SGSS/SGDS-P1/SCD/LGSS/MLSS
Price to Compare for Residential Gas Supply	\$ 0.33194 ^{2/}	RSS
Price to Compare for Commercial Gas Supply	\$ 0.32867 ^{2/}	SGSS (< = 64,400 thms)
State Tax Adjustment Surcharge Percentage	0.000%	Customer and Distribution Charges on all rates
Federal Tax Adjustment Credit (FTAC)	-3.533%	Customer and Distribution Charges on all rates
Rate SS - Standby Service	\$ 0.77466	Per therm based on a customer's Maximum Daily Firm Requirement. See Pages 134 - 136 herein for detail.
<p>^{1/} Includes Penalty Credit and Pipeline Refund passback rate of (\$0.00106) effective October 2017-September 2018 and Penalty Credit and Pipeline Refund passback rate of (\$0.00314) effective April 2018-March 2019.</p> <p>^{2/} Please see Page No. 21c for rate components.</p>		

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Columbia Gas of Pennsylvania, Inc.

Rider Summary		
<u>Riders</u>	<u>Rate</u>	<u>Applicable Rate Schedules</u>
Customer Choice - Rider CC	\$ 0.00010 /thm	RSS/RDS/SGSS/SGDS/SCD/DGDS
Universal Service Plan - Rider USP	\$ 0.09614 /thm	RSS/RDS
Distribution System Improvement Charge - Rider DSIC	0.00%	This percentage is applied to the Distribution Charge and the Customer Charge. See Pages 177-180 for Rider DSIC details.
Elective Balancing Service - Rider EBS:		
Option 1 - Small Customer	\$ 0.01618 /thm	SGDS/SDS
Option 1 - Large Customer	\$ 0.00843 /thm	LDS/MLDS
Option 2 - Small Customer	\$ 0.00697 /thm	SGDS/SDS
Option 2 - Large Customer	\$ 0.00226 /thm	LDS/MLDS
Gas Procurement Charge - Rider GPC	\$ 0.00695 /thm	RSS/SGSS/LGSS/MLSS
Merchant Function Charge - Rider MFC	\$ 0.00414 /thm	RSS
Merchant Function Charge - Rider MFC	\$ 0.00087 /thm	SGSS
Purchased Gas Cost - Rider PGC	Pg. 21a & 21b	Rate Schedules specified on Page 21a & 21b

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Columbia Gas of Pennsylvania, Inc.

Gas Supply Charge Summary				
Rate per thm				
Rate Schedule	PGCC	Rider GPC	Rider MFC	Total Gas Supply Charge
Rate CAP - Customer Assistance Plan	\$ 0.29503	0.00695	0.00414	0.30612
Rate RSS - Residential Sales Service	\$ 0.29503	0.00695	0.00414	0.30612
Rate SGSS - Small General Sales Service	\$ 0.29503	0.00695	0.00087	0.30285
Rate LGSS - Large General Sales Service	\$ 0.29503	0.00695	-	0.30198
Rate MLSS - Main Line Sales Service	\$ 0.29503	0.00695	-	0.30198

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Columbia Gas of Pennsylvania, Inc.

Pass-through Charge Summary							
Rate per thm							
Rate Schedule	PGDC	PGDC "E" Factor	Capacity Assignment Factor	Pipeline Refund/ Penalty Credits	Rider CC	Rider USP	Total Pass- through
Rate CAP - Customer Assistance Plan	\$ 0.11516	0.00857	-	-	-	-	0.12373
Rate RSS - Residential Sales Service	\$ 0.11516	0.00857	-	-	0.00010	0.09614	0.21997
Rate SGSS - Small General Sales Service	\$ 0.11516	0.00857	-	(0.00106)	0.00010	-	0.12277
Rate LGSS - Large General Sales Service	\$ 0.11516	0.00857	-	(0.00106)	-	-	0.12267
Rate MLSS - Main Line Sales Service	\$ 0.11516	0.00857	-	(0.00106)	-	-	0.12267
Rate RDS - Residential Distribution Service	\$ 0.11516	0.00857	(0.03107)	-	0.00010	0.09614	0.18890
Rate SCD - Small Commercial Distribution (Choice)	\$ 0.11516	0.00857	(0.03107)	(0.00106)	0.00010	-	0.09170
Rate SGDS - Small General Distribution Service							
Priority One (P1)	\$ 0.11516	0.00857	-	(0.00106)	0.00010	-	0.12277
Non-Priority One (NP1)	-	-	-	-	0.00010	-	0.00010
Rate SDS - Small Distribution Service	\$ -	-	-	-	-	-	-
Rate LDS - Large Distribution Service	\$ -	-	-	-	-	-	-
Rate MLDS - Main Line Distribution Service	\$ -	-	-	-	-	-	-

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Columbia Gas of Pennsylvania, Inc.

Price-to-Compare (PTC) Summary							
Rate per thm							
Customer Class	PGCC	Gas Cost Adjustment	Capacity Assignment Factor	Rider GPC	Rider MFC	Total Price-to-Compare	
Residential	\$ 0.29503	(0.00525)	0.03107	0.00695	0.00414	0.33194	
Commercial < = 64,400 thm/year	\$ 0.29503	(0.00525)	0.03107	0.00695	0.00087	0.32867	

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Effective:

**RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF GAS (Continued)**

1. The Gas Tariff - continued

1.6 Definitions - continued

29. Industrial Customer

A customer using gas for creating or changing raw or unfinished material into another form or product through the application of heat or heat treating, steam agitation, evaporation, baking, drying, distilling, etc.

Typical industrial users are manufacturing plants, machine shops, steel and iron mills, foundries, lumber planing and saw mills, canneries, dairies, meat packers, breweries, distilleries, potteries, railroad repair shops, refineries, creameries, flour mills, pump stations, ice plants, quarries, milk plants, mines, shipbuilders, chemical plants, grain elevators, food processing facilities, petrochemical operations in which the gas is the raw material, etc. If gas service is supplied through a single meter and is used for both industrial and commercial purposes, the service shall be considered industrial if the industrial usage is the predominant usage factor.

30. "Local Market Area" shall mean a continuous physically interconnected system of Company owned distribution piping through which the Company provides natural gas service to customers in a discrete geographic area, utilizing one or more common Points of Delivery from interstate pipeline supplier(s) or local gas supplier(s).

31. "Maximum Daily Quantity" or "MDQ" shall mean a Customer's maximum usage during a 24-hour period based on the most recent historical Customer consumption data. The Company will establish a winter MDQ for the November through March time period and a summer MDQ for the April through October time period. However, an adjustment may be made at any time upon agreement of the Customer and the Company.

32. "Mcf" shall mean one thousand (1,000) cubic feet of gas.

33. "Month" shall mean calendar month.

34. "Medical Certificate" shall mean a written document: 1) certifying that a customer or member of the customer's household is seriously ill or has been diagnosed with a medical condition which requires the continuation of service to treat the medical condition; and 2) signed by a licensed physician, nurse practitioner or physician's assistant. (C)

35. "Pass-through Charge" shall mean the charge that appears as a line item on a residential, commercial and industrial bill for an account served pursuant to Rate Schedules CAP, RDS, RSS, SGSS, SCD, SGDS, LGSS, MLSS and PS. Pass-through Charges may include: 1) the Purchased Gas Demand Charge ("PGDC"); 2) the PGDC "E" Factor; 3) the Capacity Assignment Factor ("CAF"); 4) the Rider Customer Choice charge ("Rider CC"); and 5) the Rider Universal Service Plan charge ("Rider USP").

(C) Indicates Change

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President

Effective:

**RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF GAS (Continued)**

4. Customer's Installations – Continued

4.8 Temporary Service

The customer shall pay the cost for all material, labor and all other necessary expense incurred by the Company in supplying gas service to the customer for any temporary purpose or use, and shall pay the cost of removing material after service is discontinued, in addition to the regular payments for gas used. The Company will credit the customer with the reasonable salvage value of any material recovered.

4.9 Service Lines

- 4.9.1 The customer shall install at his expense the service line to the point of connection designated by the Company. (See Rule 8.1 Service Connections)
- 4.9.2 The service line to be installed by the customer shall be in accordance with the Company's requirements as to diameter. All material and construction must be of a quality accepted by the best gas fitting practices, and must conform with the Company's Rules and Regulations governing the installation of service lines.
- 4.9.3 In those cases where the service connection of the Company has been installed, the customer shall connect the service line installed by him to the service connection of the Company in a manner required by the Company. In those cases where the service connection of the Company has not been installed, the Company shall connect the service line installed by the customer to the service connection of the Company.
- 4.9.4 When feasible and practical to do so, a building may not have more than one service line. No additional tap or service lines shall be made or meter set for gas service to a garage, or other building on any lot where there already exists a service line to the residence or main building of the customer.
- 4.9.5 When feasible and practical to do so, a service line must terminate at the inlet valve of the meter set in the building in which the service line enters.
- 4.9.6 When feasible and practical to do so, the customer's service line must be installed in a straight line perpendicular to the main.

4.10 Regulators

Except as otherwise provided herein, the pressure of gas flowing into a customer's meter shall be controlled by a device owned by the Company and referred to as a regulator. The Company shall determine the type and size of the regulator as well as procure, install and maintain the regulator. The Company may from time to time change or alter the regulator to ensure adequate pressure to serve the customer.

In rural areas, where gas service is obtained from a high pressure line, the necessary regulator or regulators and safety devices required to reduce the pressure from the maximum pressure at the high pressure line to a suitable utilization pressure are to be installed at the customer's expense.

(C) Indicates Change

Issued:

M. A. Huwar
President

Effective:

**RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF GAS (Continued)**

14. Customer's Use of Service

14.1 Precautions to be Taken by Customer

A customer shall take due care to prevent any waste of gas. The responsibility of detection of defects and leaks on the customer's premises, and in the service line when owned by the customer (See the "Service Connections" paragraph under Rule 8. Extensions of this tariff), is upon the customer. Defects among other things shall mean failure or deficiency of gas, irregular supply, leakage and excessive pressure. In case of detection of any defect within his premises, the customer shall immediately vacate the premises and then, immediately thereafter, notify the Company so that the conditions existing may receive prompt and proper attention. When gas has been shut off because of a leak in house lines or fixtures or other hazardous conditions of service, it shall not be turned on again until such leak or other hazardous conditions have been repaired and made safe either by a competent plumber or gas-fitter.

(C)

14.2 Sale of Gas by Customer

The customer shall not sell gas purchased by him from the Company to other occupants of the premises or to other premises without the written permission of the Company.

14.3 Fluctuations

Gas service must not be used in such a manner as to cause unusual fluctuations or disturbances in the Company's supply system, and in the case of a violation of this rule, the Company may discontinue service or require the customer to modify his installation and/or equip it with approved controlling devices.

14.4 Liability for Damages

In the absence of proof of causal negligence, the Company shall not be liable for any injury to persons or damage to property arising or accruing in any manner whatsoever from the use of gas.

14.5 Residential Appliance Efficiency Information

The Company shall maintain a list of the names and telephone numbers of the major manufacturers of residential gas appliances. Upon request from a customer, which can come via e-mail (cpacustserv@nisource.com), letter, or phone call, the Company will provide the customer with a particular manufacturer's telephone number and address so that the customer may contact the manufacturer directly for energy efficiency information.

(C) Indicates Change

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M. A. Huwar
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**RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF GAS (Continued)**

17. Payment Terms

17.1 Billing Period

Bills for service to all customers will be rendered monthly at the rates set forth from time to time in the Company's then effective Tariff on file with the Pennsylvania Public Utility Commission.

The Company will offer each customer participating in the Choice program, the option of a consolidated bill by the Company which contains the NGS charges in a format that complies with the Commission's Customer Information and Disclosure Guidelines. If the NGS provides billing services for its charges, the customer can choose to receive one bill containing only the Company's charges and a second bill from the NGS containing only the NGS's charges. The conditions under which the Company will exchange data with the NGS to effectuate either of these billing options is set forth in more detail in the Rules Applicable to Distribution Service.

17.2 Payment Period

Bills are due upon transmittal and payment may be made by the customer by mailing a check to the address for payment designated on the bills, or at a Columbia authorized collection agency, or any other method designated by the Company. The final date for payment will not fall on a Saturday, Sunday or holiday, and will be at least twenty (20) days after transmittal for residential customers and at least fifteen (15) days after transmittal for other than residential customers. Failure to receive the bill will not excuse customers from payment obligations and payments must be made without regard to any counter claims whatsoever.

(C)

17.3 Payments by Mail

Any remittance received by mail at the address for payment designated by the Company on the customer's bill, bearing U.S. Post Office stamp date corresponding with or previous to the last date of payment, will be accepted by the Company as compliance with the terms of payment.

17.4 Payment of Cash Deposits

Upon reconnection of service at a premise previously terminated for non-payment, the Applicant may be required to pay a deposit and shall have up to 90 days to pay the deposit in accordance with the provisions of Chapter 56. Applicants requesting service at a premise not previously terminated for non-payment may be required to pay the full amount of the deposit prior to connection.

(C) Indicates Change

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M. A. Huwar
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RATE SGDS - SMALL GENERAL DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any commercial or industrial customer meeting all of the following conditions:

1. The Customer's total annual throughput requirements, as determined under the Customer Charge provisions below, are less than or equal to 64,400 thm annually.
2. The Customer does not take service under any other rate schedule except Rate SS – Standby Service.
3. Customer acquires its own gas and executes an application and agreement with the Company, as specified in the Rules Applicable to Distribution Service section of this Tariff, for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.
4. The customer is a member of an aggregation group pursuant to the provisions of the Rules Applicable to Distribution Service.
5. Priority One customers, as defined in the Service Limitations section of this Tariff, must buy distribution service at the Priority One distribution rate, which includes recovery of purchased gas demand costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff. All other SGDS customers wishing to contract for Standby Service may execute a contract for service under Rate SS – Standby Service.

CHARACTER OF SERVICE

Distribution Service furnished pursuant to this rate schedule shall be considered firm service on the Company's system; provided, however, that it is the customer's obligation to deliver sufficient gas supplies to the mutually agreed upon receipt point in the Company's facilities.

RATE

The customers under this rate schedule shall be subject to a Customer Charge, a Distribution Charge a Pass-through Charge.

The rate information is detailed in the Rate Summary pages of this Tariff.

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

(C) Indicates Change

Issued:

M. A. Huwar
President

Effective:

RATE DGDS - DISTRIBUTED GENERATION DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the distribution requirements of any commercial or industrial customer using distributed generation equipment such as reciprocating engines, gas turbines, microturbines, and fuel cells used for electrical power generation. Service is available when such customer executes a contract with the Company for a period mutually agreed to between the Company and the customer for distribution service in accordance with all terms and conditions of such contract, provided that the Company's facilities are adequate to provide the requested service. (C)

Service under this rate schedule shall not be available to a single customer who is a Priority 1 Customer, as defined in the Service Limitations section of this Tariff, unless such customer also contracts for firm service under Rate SS-Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be subject to termination at the Company's discretion based on its inability to distribute such natural gas. The Company may decline to serve a qualified distribution customer if, in the Company's sole discretion, continuation or initiation of distribution service will jeopardize the supply of gas to the Company's firm customers. If service is terminated under this schedule, the Company will attempt to provide service to a customer under an otherwise applicable rate schedule. In the event of termination, the Company will notify the customer as soon as possible.

A Distributed Generation Distribution Service account may be returned to the applicable Sales Service rate if, for a period of at least five (5) consecutive days in one billing cycle, the Company:

- (1) has not received gas supply for the account;
- (2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
- (3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

RATE

The customers under this rate schedule shall be subject to a Customer Charge a Distribution Charge. The Distribution Charge may be subject to an escalation clause.

If a potential customer and the Company cannot agree to terms under this rate schedule, the customer may apply to be classified as a customer under any other rate schedule for which the customer would be eligible.

ELECTIVE BALANCING SERVICES RIDER

Distribution Service under this rate schedule may be subject to the provisions of Rider EBS as set forth in this Tariff.

(C) Indicates Change

Issued:

M. A. Huwar
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Columbia Gas of Pennsylvania, Inc.

RIDER PGC - PURCHASED GAS COST (Continued)

COMPUTATION OF PURCHASED GAS COMMODITY COSTS PER THM

Purchased gas commodity costs, per thm, shall be computed to the nearest one-thousandth cent (0.001¢) in accordance with the formula set forth below:

$$PGCC = [(CC - CE) \div S]$$

Purchased gas commodity costs, so computed, shall be included in rates charged to customers for gas service under the Rate RSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules for twelve consecutive billing cycles beginning October 1 of each year unless such period is revised by the Commission. The amount of purchased gas commodity costs, per thm, will vary, if appropriate, based upon annual filings, by the Company, pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) of the Commission's Regulations adopted pursuant thereto.

In computing purchased gas commodity costs per thm, pursuant to the formula above, the following definitions shall apply:

"PGCC" - purchased gas commodity costs determined to the nearest one-thousandth cent (0.001¢) to be included in rates for each thm of gas supplied under this Rider for the Rate RSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules.

"CC" - the estimated current commodity cost of gas, which shall be determined as follows:

1. for all types of purchased gas, the projected commodity cost for each purchase (adjusted for net current gas stored), for the projected period when rates will be in effect; plus
2. the arithmetic difference of (a) the projected book value of noncurrent gas at the beginning of the computation year minus (b) the projected book value of noncurrent gas at the end of the computation year; plus
3. any other purchased gas costs not defined as demand costs.

"CE" - experienced net overcollection or undercollection of purchased gas commodity costs.

Such experienced net overcollection or undercollection shall be determined for the most recent period permitted under law which shall begin with the month following the last month which was included in the previous over-under collection calculation reflected in rates.

Supplier refunds received that are specifically identifiable as refunds of commodity costs will be in the calculation of "CE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded. The period over which such refunds will be made shall be established by the Commission.

The portion of commodity cost Supplier Refunds that would otherwise be credited to residential customers shall be credited to the Hardship Fund (mentioned in the USP Rider section of this tariff) when the balance of the Hardship Fund falls below \$750,000. The non-residential portion of commodity cost Supplier Refunds will be credited to applicable non-residential customers through the PGC. When the Hardship Fund balance is \$750,000 or more, any Supplier Refunds received by the Company will be included in the calculation of the PGCC as specified above. (C)

"S" - projected thm of gas to be billed to customers subject only to Rider PGC under the commodity charges of the Rate RSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules of this tariff during the period when rates will be in effect.

(C) Indicates Change

Issued:

M. A. Huwar
President

Effective:

RIDER PGC - PURCHASED GAS COST (Continued)

COMPUTATION OF PURCHASED GAS DEMAND COSTS PER THM – Continued

Supplier Refunds that are not included in "CE" will be included in the calculation of "DE". Supplier Refunds will include interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded. The period over which such refunds will be made shall be established by the Commission. (C)

"S" - projected thms of gas to be billed to customers under the distribution charges of the Rate RSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules plus the projected thm of gas to be distributed to customers under Rate RDS, Rate SCD and SGDS Priority One Distribution rate schedules of this Tariff during the period when rates will be in effect.

The portion of Supplier Refunds and Penalty Credits that would otherwise be credited to residential customers shall be credited to the Hardship Fund (mentioned in the USP Rider section of this tariff) when the balance of the Hardship Fund falls below \$750,000. The non-residential portion of Supplier Refunds and Penalty Credits will be credited to applicable non-residential customers through the PGC. When the Hardship Fund balance is \$750,000 or more, any Pipeline Supplier Refunds and Pipeline Penalty Credits received by the Company will be included in the calculation of the PGDC as specified above. (C)

PROVISION OF PURCHASED GAS DEMAND COST CREDIT DUE TO CUSTOMERS ELECTING CHOICE DISTRIBUTION SERVICE – CAPACITY ASSIGNMENT FACTOR (CAF)

The Purchased Gas Demand Cost (PGDC) rate included in the Pass-through Charge billed to Choice Distribution Service customers served under Rate RDS or Rate SCD shall be \$0.09266 per thm. Such rate shall be equal to the PGDC component of \$0.12373 per thm as calculated above, less the CAF of \$0.03107 per thm. The CAF shall be equal to the projected annual cost of assigned Firm Capacity less estimated annual storage commodity costs (storage injection, withdrawal, shrinkage and commodity transportation cost) with the net divided by the estimated, normalized annual usage of customers electing Choice Distribution Service. The CAF of \$0.03107 per thm representing costs not assignable to CHOICE customers shall be included in the Price-to-Compare.

DETERMINATION OF OVER/UNDERCOLLECTION OF GAS COSTS

Commodity E-factor

In computing the experienced over/under collection of purchased gas commodity costs for a period defined by the Commission, the following procedure shall be used:

- (a) All experienced purchased gas commodity costs actually incurred by the Company to service customers pursuant to all rate schedules of this Tariff.

Experienced purchased gas commodity costs shall include, but not be limited to, the following:

- (1) payments to suppliers to accept assignment of capacity on interstate pipelines other than Columbia Gas Transmission, LLC to the extent permitted under the Rules Applicable to Distribution Service;
- (2) costs paid for employing futures, options and other risk management tools, including but not limited to, supplier related costs associated with the fixed price contracts or financial contracts utilized by the Company to lessen the impact of price volatility for PGC customers; and
- (3) the index price of gas purchased from distribution customers under the provisions of the Deliveries in Excess of Consumption section of Paragraph 3 of the Rules Applicable to Distribution Service.

(D) Indicates Decrease (I) Indicates Increase (C) Indicates Change

Issued:

M. A. Huwar
President

Effective:

Columbia Gas of Pennsylvania, Inc.

PURCHASED GAS COST RIDER (Continued)

GAS PROCUREMENT INCENTIVE PROGRAM

The gas procurement incentive program will be limited to spot gas purchased for the months of April through October. Each month the Company's actual cost will be compared to an adjusted NYMEX index for such month.

The adjusted NYMEX index will be determined by averaging the month end closing prices reported for the last three days of trading on NYMEX after adjusting these prices for the differential between the average of indices representing cash prices paid on such days at the Henry Hub, for gas to be delivered on the first day of the month, and the average of indices prices representing the specific delivery points where Columbia takes title to its gas supply. In any instances where indices are not published in any one of the three chosen publications for a receipt point where the Company purchases spot gas, then the index used will be (1) Columbia Gas Transmission, LLC's Appalachian Index average used at points of delivery into Columbia Gas Transmission, LLC; (2) Columbia Gas Transmission, LLC's Appalachian Index average plus Columbia Gas Transmission, LLC's Storage Service Transportation commodity costs used at points of delivery out of Columbia Gas Transmission, LLC; or (3) if the first two are not appropriate, the price paid will be adjusted by deducting a 100% load factor firm transportation rate to the most applicable receipt point where an index is available. The index and Henry Hub prices utilized will be an average of first of the month prices reported in *Inside F.E.R.C.'s Gas Market Report*, *Natural Gas Week* and *Natural Gas Intelligence*.

A band of ninety-nine (99%) to one-hundred one percent (101%) will be applied monthly to the average indexed prices, as described above, to be compared to the Company's actual prices paid for spot gas purchased to flow during the month to determine the appropriate monthly retention of savings or absorption of losses. The Company will share savings 50%/50% between customers and the Company for increments of actual gas purchases below ninety-nine percent (99%) of the adjusted NYMEX index. The Company will absorb losses 50%/50% between customers and the Company for increments of actual gas purchases above one-hundred one percent (101%) of the adjusted NYMEX index. If the actual gas purchases fall within the band, there will be no sharing.

This program will be in effect from October 1, 2002 through September 30, 2004, unless extended by the Company with approval of the Commission.

RATE NGV GAS COST CREDIT

The following purchased gas cost credits shall be provided for all gas sold under the NGV rate schedule:

1. Demand Costs

For firm sales under Rate NGV, an amount per thm for recovery of demand costs determined as follows:

$$\frac{\text{Annual Demand Costs}}{(\text{Maximum Daily Quantity} \times 365) \times \text{Average NGV Load Factor}}$$

Where:

- a. Annual Demand Costs equal the total annual demand charges for supply and capacity included in the Company's purchased gas cost rates under the Purchased Gas Cost Rider, and
- b. Maximum Daily Quantity equals the highest usage in a single billing cycle during the prior November through October period divided by 20 days.

(C)

(C) Indicates Change

Issued:

M. A. Huwar
President

Effective:

Columbia Gas of Pennsylvania, Inc.

RIDER MFC – MERCHANT FUNCTION CHARGE

APPLICABILITY

This Rider shall be applicable to residential customers taking service under Rate Schedules RSS, or CAP (unless an NGS is serving the CAP aggregation) and commercial or industrial customers taking service under Rate Schedule SGSS.

CHARACTER OF RATE

This Rider was established in compliance with the Pennsylvania Public Utility Commission's Revised Final Rulemaking Order dated June 23, 2011 in Docket No. L-2008-2069114 and is addressed in the PA Code Title 52, § 62.223.

The Merchant Function Charge reflects the cost of uncollectibles associated with natural gas costs billed to applicable customers by the Company.

RATE

The MFC is a component of the Price-to-Compare calculation as described in the Definitions section of this tariff.

The uncollectible expense ratios as specified below and determined in the most recent base rate case are used in the calculation of the MFC rate:

Residential uncollectible expense ratio	1.40342%	(D)
Non-residential uncollectible expense ratio	0.29613%	(D)

The current MFC rates may be found in the Rate Summary pages of this Tariff.

CALCULATION OF RATE

The Rider MFC rate is calculated as follows:

$$\text{MFC} = \text{PGCC} \times \text{the uncollectible expense ratio}$$

where:

PGCC is the current Purchased Gas Commodity Cost as detailed in the Purchased Gas Cost Rider of this tariff.

(C) Indicates Change (D) Indicates Decrease (I) Indicates Increase

Issued:

M. A. Huwar
President

Effective:

RIDER WNA – WEATHER NORMALIZATION ADJUSTMENT

A Weather Normalization Adjustment (WNA) shall be applied to bills of Residential customers under Rate Schedules RSS, RDS, and CAP, for the heating season November through May. The WNA shall continue until a final Order is entered in the Company's first rate case filed after May 31, 2020. The WNA will be applied to November through May billing cycles and shall be calculated as follows:

(C)

$$\text{WNBT} = \text{BLMT} + [(\text{NHDD} / \text{AHDD}) \times (\text{AMT} - \text{BLMT})]$$

$$\text{WNAT} = \text{WNBT} - \text{AMT}$$

$$\text{WNA} = \text{WNAT} \times \text{Distribution Usage Charge}$$

- (a) Weather Normalized Billing Therms (WNBT) will be calculated as the Base Load Monthly Therms (BLMT) added to the product of the Normal Heating Degree Days (NHDD) divided by the Actual Heating Degree Days (AHDD) and the Actual Monthly Therms (AMT) less the Base Load Monthly Therms (BLMT).
- (b) Base Load Monthly Therms (BLMT) are established for each customer using the customer's actual average daily consumption from the billing system, measured in therms, for the two months with the lowest consumption per billing day for the three billing months of July, August and September. The average baseload per day information will be updated annually. If actual BLMT information is not available for the year, the Company will use the most recently available base load information for the premise. If no history is available, the Company shall use the overall base load average for the residential class reflected in the most recent rate case.
- (c) Normal Heating Degree Days (NHDD) shall be updated annually by September 1st using the same methodology established in the Company's most recent Rate Case. NHDD for any given day are based upon the 20 year average for the given day.
- (d) Actual Heating Degree Days (AHDD) are the actual experienced heating degree days for the billing cycle. The degree day data is provided by the National Oceanic and Atmospheric Administration (NOAA). Customers will be assigned to weather stations based on their geographic locations.
- (e) Actual Monthly Therms (AMT) are measured for each customer and billing cycle.
- (f) Actual Monthly Therms (AMT) will be subtracted from the Weather Normalized Billing Therms (WNBT) to compute the Weather Normalized Adjustment Therms (WNAT).
- (g) The WNAT is then multiplied by the residential Distribution Usage Charge to compute the WNA amount that will be charged or credited to each residential customer.
- (h) A 5% deadband shall be effective through the January 2019 cycle billing. The WNA for a billing cycle will apply only if the AHDD for the billing cycle are lower than 95% or higher than 105% of the NHDD for the billing cycle. A billing adjustment will only occur if the variation of AHDD is lower than 95% or higher than 105% of the NHDD for an individual billing cycle. Beginning with the February 2019 cycle billing, the deadband will be 3%. At that time, the WNA for a billing cycle will apply only if the AHDD for the billing cycle are lower than 97% or higher than 103% of the NHDD for the billing cycle. A billing adjustment will only occur if the variation of AHDD is lower than 97% or higher than 103% of the NHDD for an individual billing cycle.

(C)

(C) Indicates Change

Issued:

M. A. Huwar
President

Effective:

RIDER WNA –WEATHER NORMALIZATION ADJUSTMENT (Continued)

- (i) Effective through the January 2019 cycle billing, the WNA factor will be calculated by first adjusting the NHDD for the billing cycle by the deadband percentage of 5%. The deadband percentage is multiplied by the NHDD and then added to NHDD for the billing period when the weather is colder than normal (i.e., AHDD>NHDD) or subtracted from NHDD for the billing period when the weather is warmer than normal (i.e., AHDD<NHDD). Beginning with the February 2019 cycle billing, the WNA factor will be calculated by first adjusting the NHDD for the billing cycle by the deadband percentage of 3%. The deadband percentage is multiplied by the NHDD and then added to NHDD for the billing period when the weather is colder than normal (i.e., AHDD>NHDD) or subtracted from NHDD for the billing period when the weather is warmer than normal (i.e., AHDD<NHDD). (C)
- (j) The Company will file weather normalization information with the Commission annually by October 1st.

The Purchased Gas Cost shall be applied to actual (or non-adjusted) sales therms.

(C) Indicates Change

Issued:

M. A. Huwar
President

Effective:

FEDERAL TAX ADJUSTMENT CREDIT (FTAC)

(C)

There shall be applied to the non-Purchased Gas Cost portion of charges for gas service under all of the Company's rate schedules contained in this Tariff unless otherwise specified below, a credit of (3.533%).

The FTAC represents the passback of the 2018 effects of the Tax Cuts and Jobs Act ("TCJA") to customers.

The credit will be calculated as follows:

$$FTAC = (TxR + i) / TDRp, \text{ where}$$

TxR = The actual revenue associated with the 14% tax differential based on rates effective January 1, 2018 through December 15, 2018 and the TCJA, plus interest as noted below.

i = actual regulatory liability balance x residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41. P.S. §§ 101, et. Seq.) / number of days in the year x number of days in the month.

TDRp = Projected total distribution revenues at expected effective rates for the period of refund.

Period of refund = Eighteen months beginning December 16, 2018.

The refund shall include interest using the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41. P.S. §§ 101, et. Seq.), computed monthly on the actual regulatory liability balance from January 2018 until the month the balance is returned.

Any over/under passback of the FTAC, calculated 30 days after the conclusion of the June 2020 cycle billing shall be credited/debited during the September 2020 cycle billing.

Any charges billed under Rate Schedules CDS, DGDS, EGDS or NCS or charges flexed in accordance with the Flexible Rate Provisions contained in Tariff Rule 20 shall not be subject to the Federal Tax Adjustment Credit.

(C) Indicates Change

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M. A. Huwar
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RIDER EBS – ELECTIVE BALANCING SERVICES (Continued)

Option 1: FULL BALANCING SERVICE - CHARACTER OF SERVICE (Continued)

During SFOs/OFOs/OMOs - Continued

During periods when there is an SFO, OFO or OMO restriction of GDS over-deliveries, Shippers will be entitled to deliver to the Company up to one hundred two and one-half percent (102.5%) of the Company's maximum prescribed daily SFO, OFO or OMO quantity. However, should daily deliveries exceed one hundred two and one-half percent (102.5%) of the customer's maximum daily prescribed SFO, OFO, or OMO quantity, or if the cumulative excess deliveries exceed the bank tolerances described above, those excess daily deliveries shall be considered imbalance gas purchased by the Company pursuant to the Deliveries in Excess of Consumption or the Seasonal Flow Order paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS and the Customer Proxy shall be charged in accordance with the Seasonal Flow Order, Operational Flow Order or Operational Matching Order paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS.

Option 1: IMBALANCE TRADING SERVICES

A) Bank Balance Transfers

During Normal Operations, subject to the Limitations of Distribution Service in the Rules Applicable to All Distribution Service section of the RADS, Customer Proxies who subscribe to Rider EBS-Option 1 may transfer a bank balance that existed at the beginning of the month to another Customer Proxy that has also subscribed to Rider EBS-Option 1 and that also schedules deliveries to the Company's city-gates within the same Pipeline Scheduling Point. No pre-arranged contract is required. The Customer Proxy must submit all requests for Bank Balance Transfers to the Company in writing (e.g. fax, e-mail, electronic bulletin board) no later than the third business day following the last business day of the calendar month in which the trade is to apply. A \$10.00 fee per transfer shall be charged to the Customer Proxy transferring the bank balance. EBS-Option 1 Customer Proxies who successfully transfer bank balances to eliminate an imbalance will not be subject to the Consumption in Excess of Deliveries or Deliveries in Excess of Consumption paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS. (C)

During any month in which an SFO, OFO, or OMO was in effect, Customer Proxies who subscribe to Rider EBS-Option 1 may transfer a bank balance that existed at the beginning of the month to another Customer Proxy whose customer is located in the same Pipeline Scheduling Point that has also subscribed to Rider EBS-Option 1 and that schedules deliveries to the Company's city-gates on the same transmission company. Provided, however, that bank balance transfers will apply to the SFO, OFO, or OMO period only up to the level of daily access to banked quantities authorized by the OFO, OMO, or SFO. No pre-arranged contract is required. The Customer Proxy must submit all requests for Bank Balance Transfers to the Company in writing (e.g. fax, e-mail, electronic bulletin board) no later than the first business day following the last business day of the calendar month in which the trade is to apply. A \$10.00 fee per transfer, for transfers within a Pipeline Scheduling Point shall be charged to the Customer Proxy transferring the bank balance. EBS –Option 1 Customer Proxies who successfully transfer bank balances to eliminate an imbalance will not be subject to the Seasonal Flow Orders, Operational Flow Orders, Operational Matching Orders, Consumption in Excess of Deliveries and Deliveries in Excess of Consumption paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS. (C)

(C) Indicates Change

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M. A. Huwar
President

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RIDER EBS – ELECTIVE BALANCING SERVICES (Continued)

Option 1: FULL BALANCING SERVICE - IMBALANCE TRADING SERVICES (Continued)

The imbalance trading services set forth in this Rider do not relieve Shippers of their obligation to deliver gas to Columbia in the Pipeline Scheduling Point in which they or their customers reside.

B) Gas Transfer Service

Availability

During Normal Operations or periods during which an SFO, OFO or OMO is in effect, subject to The Limitations on Distribution Service paragraphs of the RADS, this optional service is available to Customer Proxies who subscribe to Rider EBS-Option 1. This service provides for the transfer of gas quantities from one Customer Proxy ("Transferor") to another Customer Proxy ("Transferee").

Character of Service

- a. Each transfer must occur such that gas is transferred from the Transferor to the Transferee on the same Gas Day. Transferor must request the transfer at the end of the current month, as described in subparagraph (e) below.
- b. Transfers may only occur between a Transferor and a Transferee located within the same Local Market Area with confirmed deliveries on the same transmission pipeline.
- c. Quantities eligible for transfer shall not exceed the Transferor's confirmed deliveries for the day of transfer. A transfer request may not be accepted by the Company if such transfer would cause the Transferor to incur imbalance charges.
- d. Customer Proxies must rely on customer usage posted daily on the Company's website. The Company shall post customer usage on its Internet-based website as soon as practicable after the end of each Gas Day throughout the billing cycle. All customer usage will be posted on a best efforts basis by 5:00 P.M. Eastern time on the second business day following the end of the previous calendar month.
- e. All gas transfer requests must be accurately completed and executed by both the Transferor and the Transferee and submitted to the Company on the Company's standard Gas Transfer Request Form by 5:00 P.M. Eastern time on the third business day following the end of the previous calendar month.
- f. The Company is not involved in any arrangement or agreement for compensation for the value of the gas being transferred, or for any other fees between the Transferor and Transferee. The Company's role in administering this rate schedule is limited to transferring the approved gas quantities from the Transferor's to the Transferee's account with the Company.

Rate

The Company will charge the Transferor \$15.00 per transaction.

(C)

(C)Indicates Change

Issued:

M. A. Huwar
President

Effective:

RIDER DSIC - DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

In addition to the net charges provided for in this Tariff, a charge of 0.0% will apply consistent with the Commission Order dated March 14, 2013 at Docket No. P-2012-2338282, approving the DSIC.

(D)

GENERAL DESCRIPTION

Purpose

To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Utility with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

Eligible Property

The DSIC-eligible property will consist of the following:

- Piping (account 376);
- Couplings (account 376);
- Gas services lines (account 380) and insulated and non-insulated fittings (account 378);
- Valves (account 376);
- Excess flow valves (account 376);
- Risers (account 376);
- Meter bars (account 382);
- Meters (account 381);
- Unreimbursed costs related to highway relocation projects where a natural gas distribution company or city natural gas distribution operation must relocate its facilities; and
- Other related capitalized costs.

(I) Indicates Increase (D) Indicates Decrease

Issued:

M. A. Huwar
President

Effective:

3.2.5 The NGS is not required to complete an application to provide General Distribution Service; provided that the Customer's NGS submitted an Initial NGS Application which was approved by the Company.

3.3 CHARACTER OF SERVICE TO BE RENDERED

3.3.1 The Company shall receive the quantities of gas supplied by the Shipper and shall redeliver said gas to Customer's facilities. For Customers who purchase 100% Standby Service, the Company will provide Firm Service up to the Customer's currently effective winter Maximum Daily Quantity. For Priority One Customers, the Company will provide Firm Service. (C)

3.3.2 Special Conditions for Customers with less than 100% Standby Service:

3.3.2.1 Customers may request to take General Distribution Service with less than 100% Standby Service provided that the Customer agrees to the following conditions:

3.3.2.1.1 Interruption of gas distribution may occur if the Shipper fails to deliver sufficient quantities of gas to the Company, including sufficient quantities to cover peak day usage, whether or not such failure is due to the fault of Shipper. Interruptions or limitations may be necessary during peak day conditions even if all of the Customer's gas has been delivered to the Company.

3.3.2.1.2 An interruption of gas deliveries may require or result in (1) the temporary closing of the Customer's facilities, (2) lost production, sales, or business, and (3) damage to Customer's physical facilities. The Customer assumes the risk of any such losses or damage. A failure of the Customer to interrupt after notification to the Customer Proxy by the Company may also subject the Customer Proxy to liability for fines or penalties incurred by the Company as a result of such failure.

(C) Indicates Change

Issued:

M. A. Huwar
President

Effective:

3.6 SEASONAL FLOW ORDERS (SFOs)

- 3.6.1 An SFO is a demand for specific actions on the part of Shippers that are serving GDS customers.
- 3.6.2 An SFO will be issued, to the extent possible, with a minimum of two business days notice to the affected parties.
- 3.6.3 The Company will have the authority to direct Customer Proxies to direct their Shippers to adjust daily scheduled quantities to a specified level (the SFO Level). The SFO Level may be necessary to restrict under-deliveries or over-deliveries as the Company deems appropriate.
- 3.6.3.1 For Customers without daily measuring devices, and for Customers that have elected to be governed as an OFO customer pursuant to the provisions of the Operational Matching Orders section of this Paragraph, the SFO Level will be determined by the Company based upon the Company's projection of usage by GDS customers during the period. Issuance of an SFO shall not prohibit issuance of an OFO/OMO if conditions warrant. To meet the daily SFO level, the Shipper may use gas quantities which are: 1) scheduled and delivered on that day to the Company in the same Pipeline Scheduling Point in which the Shipper's customer(s)'s facilities are located; 2) contracted for under Rate SS – Standby Service; 3) available on that day pursuant to the Rider EBS-Option 1; or 4) additional quantities that may be made available by the Company at its sole discretion including quantities delivered to a Local Market Area other than the Local Market Area where the Customer is located in accordance with Paragraph 2 of the RADS .
- 3.6.3.2 For Customers with daily measuring devices, the Company shall have the authority to direct Customer Proxies to direct their Shippers to adjust Customer's daily consumption quantities or daily scheduled deliveries in order that daily scheduled deliveries (the SFO Level) match Customer's consumption. In order to determine the SFO Level the Company will include quantities: 1) scheduled and delivered on that day to the Company in the same Pipeline Scheduling Point in which the Shipper's customer(s)'s facilities are located; 2) contracted for under Rate SS – Standby Service; 3) available on that day pursuant to the Rider EBS-Option 1; or 4) additional quantities that may be made available to the Shipper by the Company at its sole discretion including quantities delivered to a Local Market Area other than the Local Market Area where the Customer is located in accordance with Paragraph 2 of the RADS.
- 3.6.4 At the end of the normal billing cycle, the Company shall calculate the deliveries that the Shipper was required to deliver each day during the SFO as provided in the Seasonal Flow Order section in Paragraph 3 of the RADS. When a difference between the daily SFO Level and actual daily quantities available to meet the SFO Level exists, the following charges will be assessed on the difference: (C)
- (1) If a Shipper under-delivers during an SFO that restricts under-deliveries, the charge for under-deliveries shall be calculated using the gas supply index identified in the Consumption in Excess of Deliveries section in Paragraph 3 of the RADS. The "Adjustment to Index Price" shall be the adjustment shown in the following table:

(C) Indicates Change

Issued:

M. A. Huwar
President

Effective:

3.7 OPERATIONAL FLOW ORDERS (OFOs) - continued

3.7.4 When a difference between the Daily OFO Level and actual daily OFO compliance quantities delivered to the Company exists, the following charges will be assessed to the Customer Proxy:

- (1) A rate equal to one and one-half (1½) times the highest of the midpoint prices reflected in Platts Gas Daily for the day of the OFO non-compliance and based on pipeline scheduling point applicable indices as specified in the Platts "Gas Daily", Daily Price Survey – Designation by Pipeline Scheduling Point paragraph of Rule 2. Rules Applicable to All Distribution Service in the Rules Applicable to Distribution Service of this tariff. (D)

The charge will be multiplied by the therm difference, except however, the charge will not be assessed if the difference results from the Shipper delivering more than the Daily OFO Level during an OFO that restricts under-deliveries, or from the Shipper delivering less than the Daily OFO Level during an OFO that restricts over-deliveries; and,

- (2) The payment of all other charges incurred by the Company on the date of the OFO that results from the Shipper's failure to comply with the OFO, including a proportionate share of any pipeline penalties that are incurred by the Company.
- (3) In the event midpoint prices referenced in subparagraph (1) above, are not published in Platts Gas Daily for the day of the OFO non-compliance, the highest price paid by the Company on that day shall be used as the index price.
- (4) The Company shall update the applicable indices on 60 days' notice to Customer Proxies in the event of a change in applicable indices. Applicable indices are subject to change based upon changes in market circumstances.

3.8 OPERATIONAL MATCHING ORDERS (OMOs)

3.8.1 An OMO is a demand for specific actions on the part of Shippers that are serving Customers with daily measuring devices. All Customers with daily measuring devices, except as specified in the Operational Matching Order section in Paragraph 3 of the RADs, are subject to the Company's issuance of OMOs.

3.8.2 Customers that presently have daily measurement through a charted meter, but not an electronic meter, shall have the option of choosing to be governed by Operational Flow Orders as specified in this Paragraph 3 of the RADs. Customers will be able to exercise this option no more than one time each calendar year by notifying the Company in writing prior to November 1st of each year. Once an election is made, the customer's option will remain in effect until changed.

3.8.3 An OMO will be issued, to the extent possible, with a minimum of eight (8) hours notice to the affected parties. Notice shall be made by the medium most reasonably expected to reach the Customer Proxy with as much notice as reasonably expected to reach the Customer Proxy in a timely manner, including but not limited to: e-mail, facsimile, or Nomination EBB. The notice will include the circumstance that warrant the issuance of the OMO and explain why the actions required are necessary. The notice will be provided via e-mail to the PA PUC.

(C) Indicates Change (D) Indicates Decrease

Issued:

M. A. Huwar
President

Effective:

Columbia Gas of Pennsylvania, Inc.

- 3.8.5 When a difference exists between the Daily OMO Level and actual daily OMO compliance quantities delivered, charges will be assessed for non-compliance.
- 3.8.5.1 The non-compliance charges will be equal to one and one-half (1½) times the highest of the midpoint prices reflected in Platts Gas Daily for the day of the OMO non-compliance and based on pipeline scheduling point applicable indices as specified in the Platts "Gas Daily", Daily Price Survey – Designation by Pipeline Scheduling Point paragraph of Rule 2. Rules Applicable to All Distribution Service in the Rules Applicable to Distribution Service of this tariff. (D)
- 3.8.5.2 The charge will be multiplied on the therm difference, except however, the charge will not be assessed if the difference results from the Shipper delivering more than the Daily OMO Level during an OMO that restricts under-deliveries, or from the Shipper delivering less than the Daily OMO Level during an OMO that restricts over-deliveries; and
- 3.8.5.3 Payment of all other charges incurred by the Company on the date of the OMO that result from the Shipper's failure to comply with the OMO, including a proportionate share of any pipeline penalties that are incurred by the Company.
- 3.8.5.4 In the event midpoint prices referenced in subparagraph (1) above, are not published in Platt Gas Daily for the day of the OMO non-compliance, the highest price paid by the Company on that day shall be used as the index price.
- 3.8.5.5 The Company shall update the applicable indices on 60 days' notice to Customer Proxies in the event of a change in applicable indices. Applicable indices are subject to change based upon changes in market circumstances.

(C) Indicates Change (D) Indicates Decrease

Issued:

Mark Kempic M. A. Huwar
President

Effective:

Appendix D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No. R-2018-2647577
Office of Consumer Advocate	:	C-2018-3000582
Office of Small Business Advocate	:	C-2018-3000773
Patricia Southorn	:	C-2018-3000779
The Pennsylvania State University	:	C-2018-3001034
Columbia Industrial Intervenors	:	C-2018-3001047
G. Blair Bauer	:	C-2018-3001319
Philip L. Bloch	:	C-2018-3001634
Robin A. Harrison	:	C-2018-3002595
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	
	:	
Petition of Columbia Gas of Pennsylvania, Inc. For Authorization to Defer, For Accounting Purposes, Certain Costs Associated With a Prepayment to the NiSource, Inc. Pension Trust	:	Docket No. P-2018-2641257

**STATEMENT OF COLUMBIA GAS OF PENNSYLVANIA, INC.
IN SUPPORT OF THE JOINT PETITION FOR PARTIAL SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

I. INTRODUCTION

Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Partial Settlement (“Settlement”) entered into by Columbia, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Columbia Industrial Intervenors (“CII”), Dominion Retail, Inc. (“Dominion”), Shipley Energy Company (“Shipley”), Interstate Gas Supply, Inc. (“IGS”) (collectively, the “NGS

Parties”), Direct Energy Business, LLC, Direct Energy Services, LLC and Direct Energy Business Marketing, LLC (the “Direct Energy Companies”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Community Action Association of Pennsylvania (“CAAP”), The Pennsylvania State University (“PSU”) (hereinafter collectively referred to as the “Joint Petitioners” or “Parties”), parties to the above-captioned proceedings. Columbia respectfully requests that Administrative Law Judge Jeffrey A. Watson (the “ALJ”) recommend approval of, and the Commission approve, the Settlement, including the terms and conditions thereof, without modification.

The Settlement, if approved, will resolve all but one issue raised by the Joint Petitioners in this proceeding. The settled issues include revenue requirement, revenue allocation, rate design, universal service matters, natural gas supplier issues, and other issues. The issue reserved for litigation is whether Columbia will be permitted to continue to include on its bills a separate line item charge for non-commodity services elected by customers and offered by unaffiliated entities who are not Natural Gas Suppliers (“NGSs”), without being required to allow NGSs access to Columbia’s bills to charge customers for other non-commodity products and services that may be offered by NGSs. The Settlement is in the best interest of Columbia, its customers, and the Joint Petitioners, and is in the public interest. Accordingly, it should be approved.

The Settlement was achieved only after a comprehensive investigation of Columbia’s claims and operations. In addition to informal discovery, Columbia responded to over 574 formal discovery requests (many of which had multiple subparts). The active parties filed multiple rounds of testimony and accompanying exhibits, including direct, rebuttal, and surrebuttal testimony. Moreover, the active

parties participated in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.

Finally, the active parties in this proceeding, and their counsel and experts, have considerable experience in rate proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong foundation upon which to build a consensus on the settled issues. All of the active parties to this proceeding were active parties in Columbia's last base rate proceeding, and were therefore familiar with many of the issues that are addressed in this case.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners to this proceeding. For these reasons and the reasons set forth below, the Settlement is just and reasonable and should be approved.

II. SPECIFIC SETTLEMENT TERMS

A. REVENUE REQUIREMENT

The Settlement provides for rates to be designed to produce an increase in operating revenues of \$26 million over current base rates based upon the pro forma level of operations for the twelve months ended December 31, 2019. (Settlement ¶ 26.) The \$26 million increase in tariff rates will go into effect on December 16, 2018, which is the effective date of rates under the Commission's April 5, 2018 suspension order. (Settlement ¶ 38.) The Settlement increase is approximately 55% of Columbia's original request of \$46.9 million. (Columbia Exhibit 102, Sch. 3, p. 3.) The \$26 million increase, although less than that requested by the Company, will enable the Company to continue to provide safe and reliable service to its customers.

As explained by Michael Huwar, President of Columbia, one primary reason in support of the revenue increase is to provide the Company with an opportunity to earn a

return on the significant capital investments made to its distribution system. (Columbia Statement No. 1, pp. 6-12.) Columbia has made, and continues to make, unprecedented and substantial capital investments in its system. (Columbia Statement No. 1, pp. 6-12.) Indeed, since Columbia started its accelerated pipeline replacement program in 2007, Columbia has replaced over 931 miles of cast iron and bare steel (“CIBS”) pipe. (Columbia Statement No. 1, p. 7.) In 2017 alone, Columbia replaced over 96 miles of CIBS pipe. (Columbia Statement No. 1, p. 7.) Columbia plans to maintain or increase its capital expenditures in the 2018 to 2022 timeframe, with a planned spending program ranging between \$284 and \$345 million budgeted annually for line replacement over the 5-year period. (Columbia Statement No. 1, p. 9; Standard Data request GAS-ROR-014.)

The Company will continue to accelerate its pipeline replacement program in order to take advantage of the current low price of gas in Pennsylvania. By increasing capital investment now, while gas prices are low, the Company is attempting to reduce the need to increase capital spending during periods when gas prices may be high. (Columbia Statement No. 1, p. 11)

In addition to capital costs associated with Columbia’s accelerated pipeline replacement effort, the Company is incurring operating and maintenance costs associated with maintaining pipeline safety on its system. These costs further contribute to the level of the revenue increase in this case. (Columbia Statement No. 1, pp. 6-7.) Columbia is implementing a customer value initiative focusing on long-term affordability to ensure that every dollar of revenue delivers the maximum value possible for Columbia’s customers. (Columbia Statement No. 1, p. 12.)

In order to provide ongoing information concerning Columbia's capital investments, Columbia has agreed that on or before April 1, 2019, it will provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA and OSBA with an update to Columbia Exhibit No. 108, Schedule 1, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2018. (Settlement ¶ 36.) On or before April 1, 2020, Columbia will update Exhibit No. 108, Schedule 1 for the twelve months ending December 31, 2019. (Settlement ¶ 36.) Also, as part of the Company's next base rate proceeding, the Company will prepare a comparison of its actual revenue, expenses and rate base additions for the twelve months ended December 31, 2019. (Settlement ¶ 36.) However, and as described more fully below, it is recognized by the Joint Petitioners that this is a black box settlement that is a compromise of Joint Petitioners' positions on various issues.

In this proceeding, Columbia, I&E and OCA presented testimony on Columbia's overall revenue requirement and related issues. The Settlement revenue increase of \$26 million reflects a reasonable compromise of Joint Petitioners' positions in this proceeding. Columbia notes that in its rebuttal testimony, it took issue with virtually all of the proposed adjustments advanced by I&E and OCA. The Joint Petitioners, while supporting their revenue requirement positions for litigation purposes, recognized that the Commission likely would have accepted certain adjustments proposed by Joint Petitioners, but would not have accepted all of the adjustments.

Under the Settlement, with only a few select exceptions further explained herein, the settlement revenue requirement is a "black box" amount. Under a "black box" settlement, parties do not specifically identify revenues, expenses and return that are

allowed or disallowed. Columbia believes that “black box” settlements facilitate agreements, as parties are not required to identify a specific return on equity or identify specific revenues and/or expenses that are allowed or disallowed.

Given the entire Settlement, Columbia believes that the revenue requirement is reasonable and will provide the Company with the additional revenues that are necessary to provide reliable service to customers. In addition, Columbia believes that the Settlement appropriately balances the need of the Company to have an opportunity to earn a reasonable rate of return with its customers’ need for reasonable rates. Finally, Columbia notes that the Commission’s resolution of the issue reserved for litigation does not affect or otherwise alter the agreed upon revenue requirement amount identified in the Settlement. This is because the reserved issue concerns the billing of third-party non-commodity charges on Columbia’s bills and does not affect base rates.

1. Return of Income Tax Expense Differential

On March 15, 2018, the Commission issued an order at Docket No. M-2018-2641242, establishing the then-current rates of certain public utilities as temporary rates, in response to the Tax Cuts and Jobs Act of 2017 (“TCJA”). On April 20, 2018, Columbia filed supplemental direct testimony, which calculated the effect of the TCJA on Columbia’s 2018 tax liability. Columbia’s original rate filing had included the prospective effect of the TCJA in calculating Columbia’s proposed revenue requirement. On May 17, 2018, at Docket No. M-2018-2641242, the Commission issued a further order directing certain utilities to establish temporary rates in the form of a negative surcharge effective July 1, 2018. In that Order, the Commission exempted Columbia from filing a negative surcharge because of Columbia’s pending base rate case. The Commission further stated:

Accordingly, the Commission expects the public utility and the parties in each such proceeding to address the effects of the federal tax reduction on the justness and reasonableness of the consumer rates charged during the term of the suspension period, and, in particular, whether a retroactive surcharge or other measure is necessary to account for the tax rate changes that became effective on January 1, 2018.

(May 17 Order at pp. 20-21.)

Columbia, I&E, and OCA presented testimony on how to address the impact of the federal tax reduction through a rate refund. These proposals included different time periods for commencing the refund and completing the return of the full amount of the refund to customers. Specifically, Columbia proposed to defer the start of the refund period for up to three years, due to concerns with cash flow and adverse credit ratings, while OCA advocated a one-time credit and I&E proposed a one-year refund beginning with the effective date of rates. (Columbia Statement No. 10-S, pp. 3-6; OCA Statement No. 1, pp. 57-59; I&E Statement No. 1, pp. 50-57.) After several rounds of negotiations, the Joint Petitioners ultimately reached a compromise that is in best interests of ratepayers while also minimizing the potential for a possible credit rating downgrade and associated increase in the cost of debt based on the availability of cash funding for Columbia's operations.

In compromise, the Settlement provides that the Company's 2018 income tax expense differential of approximately \$23.8 million associated with the TCJA will be returned to customers in full over an eighteen (18) month period beginning no later than December 16, 2018. There was no disagreement with the Company's calculation of the estimated differential, but the actual amount to be returned will be based on actual experience. The actual amount to be returned will be based on the actual liability booked by the Company in revenues for service rendered from January 1, 2018 through

December 15, 2018, the date prior to the effective date of rates in this case. This amount will be refunded via a negative surcharge applied on a percentage basis to customers with interest using the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41. P.S. §§ 101, et. seq.). Interest will be computed monthly on the actual regulatory liability balance from January 2018 until the month the balance is returned. The tax liability for December 2018 will be estimated and trued up in the final reconciliation of the refund. (Settlement ¶ 27.)

The revenue requirement agreed upon above also reflects a reduction to rate base for the excess accumulated deferred income taxes (“ADIT”) amount as of the end of the FPFTY. The Company agrees to continue such treatment in future base rate filings until the entire amount has been refunded in future years. (Settlement ¶ 28.) The Settlement provisions addressing the federal tax reduction comply with the Commission’s directive in the May 17 Order at Docket No. M-2018-2641242 and are in the public interest.

2. Distribution System Improvement Charge (“DSIC”)

The Commission approved Columbia’s DSIC by Order entered May 22, 2014, at Docket No. P-2012-2338282. With the DSIC, plant additions not included in base rates may be reflected in the DSIC calculation. Therefore, for future DSIC purposes, it is necessary to establish relevant plant balances for the Company out of this proceeding. The Settlement provides that following the effective date of rates in this proceeding, Columbia will be eligible to include plant additions in the DSIC once eligible account balances exceed the levels projected by Columbia at December 31, 2019. (Settlement ¶ 29.) The Joint Petitioners agree that this provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the

projected additions to be included in rate base in a fully-projected future test year (“FPFTY”) filing. (Settlement ¶ 29.)

The Settlement also provides that, for purposes of calculating its DSIC, Columbia shall use the equity return rate for gas utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1). (Settlement ¶ 30.)¹

3. Tax Repair Allowance and Mixed Service Cost Normalization Treatment

In 2008, Columbia sought and obtained permission from the Internal Revenue Service to change its definition of “unit of property” for tax purposes. This enabled Columbia to deduct certain expenditures on its tax return rather than capitalize them and resulted in a tax refund of \$37.4 million for Columbia’s customers. As agreed in the settlement of Columbia’s 2010 rate case at Docket No. R-2009-2149262, a refund of the \$37.4 million was made to customers, which reflects the cash benefit received in 2009 for the tax year 2008 method change.

Under the Settlement, Columbia will continue to use normalization accounting with respect to the benefits of the tax repairs deduction. The Settlement reflects the Joint Petitions’ agreement that Columbia has completed the amortization of the \$37.4 million tax refund previously received by Columbia, which is attributable to the change

¹ In the Order entered December 10, 2014, approving the settlement in Columbia’s 2014 base rate proceeding at Docket No. R-2014-2406274, the Commission stated that base rate settlements must stipulate a Return on Equity (“ROE”) for DSIC purposes. (Order at p. 15.) The Commission noted that one option is to stipulate that the ROE for DSIC purposes will track the equity return rate from the most recent Commission staff Quarterly Report.

in method for the repairs deduction. Changes in the refund amount, above or below the \$37.4 million, shall be reflected in accumulated deferred income taxes to be created under the normalization method of accounting. (Settlement ¶ 31.) The Settlement continues prior agreements that subsequent changes in the refund amount, above or below the \$37.4 million, shall be reflected in ADIT to be created under the normalization method of accounting. (Settlement ¶ 31.)

As reflected in the Settlement, Columbia has completed the amortization of the full amount of the \$37.4 million tax refund previously received by Columbia and has done so in a manner consistent with prior Commission-approved settlement agreements, which provided that the amortization would be without interest and without a deduction of the unamortized balance from rate base. This Settlement provision acknowledges that the full amount of the \$37.4 million has been returned to Columbia's customers. As such, it is in the public interest and should be approved.

The Joint Petitioners have also agreed that Columbia will continue to use normalization accounting with respect to the tax treatment of Internal Revenue Code Section 263A mixed service costs ("MSC"). (Settlement ¶ 32.) This is similar to the treatment of book versus tax time differences for the repairs deduction. (Columbia Statement No. 9, p. 11.) This treatment was established in the settlement of Columbia's 2012 rate case at Docket No. R-2012-2321748, and was unopposed in this proceeding. The Parties have agreed that such treatment will continue.

4. Amortizations

i. Blackhawk Storage

The Settlement specifies the continued amortization of costs related to Blackhawk Storage. This amortization was established in Columbia's 2008 rate case

settlement at Docket No. R-2008-2011621 and will continue. (Settlement ¶ 33(i).) No party objected to the Company's inclusion of this amortization amount in its rate filing.

This amortization is a continuation of a previously approved amortization, and was unopposed by any party. The amortization is in the public interest and should be approved.

ii. Other Post-Employment Benefits ("OPEB") Expense

The Settlement includes provisions concerning accounting for Columbia's ongoing contributions to trusts for OPEBs which were established in the settlement of Columbia's 2012 base rate case at Docket No. R-2012-2321748. (Columbia Statement No. 4, p. 22.) These provisions were unopposed by any party, and are in the public interest as they confirm the ongoing treatment of OPEB expense. Columbia will continue to defer the difference between the annual OPEB expense calculated pursuant to FASB Accounting Standards Codification ("ASC") 715, "Compensation – Retirement Benefits" (SFAS No. 106) and the annual OPEB expense allowance in rates of \$0. Only those amounts attributable to operation and maintenance would be deferred and recognized as a regulatory asset or liability. To the extent the cumulative balance recorded commencing with the effective date of rates reflects a regulatory asset, such amount will be collected from customers in the next rate proceeding over a period to be determined in that rate proceeding. In addition, to the extent the cumulative balance recorded commencing with the effective date of rates reflects a regulatory liability, there will be no amortization of the (non-cash) negative expense, and the cumulative balance will continue to be maintained. (Settlement ¶ 34.) The Settlement provides that Columbia will deposit amounts in the OPEB trusts when the cumulative gross annual

accruals calculated by its actuary pursuant to ASC 715 are greater than \$0. If annual amounts deposited into OPEB trusts, pursuant to this Settlement, exceed allowable income tax deduction limits, any income taxes paid will be recorded as negative deferred income taxes, to be added to rate base in future proceedings. (Settlement ¶ 35.)

Pursuant to the Opinion and Order entered on May 24, 2012, at Docket No. P-2011-2275383, Columbia deferred, for accounting and financial reporting purposes, the one-time expense of \$903,131 associated with its allocated share of NiSource Corporate Services Company's ("NCSC") OPEB regulatory asset resulting from NCSC's transition from cash basis to accrual. In the settlement of the 2012 Columbia base rate case at Docket No. R-2012-2321748, Columbia was allowed to recover the total deferred amount of \$903,131 over a ten-year period that began on July 1, 2013. This Settlement continues the ten-year amortization established in the 2012 rate proceeding. (Settlement ¶ 33 (ii).)

iii. Pension Prepayment

On January 5, 2018, Columbia filed a Petition for Authorization to Defer, for Accounting Purposes, Certain Costs Associated with a Prepayment of \$8.45 million to the NiSource, Inc. Pension Trust, at Docket No. P-2018-2641257 ("Accounting Deferral Petition"). The Accounting Deferral Petition was consolidated with the 2018 Base Rate Filing, which included a claim to recover the prepayment. In the 2018 Base Rate Filing, Columbia requested that it be permitted to amortize and recover the \$8.45 million over a period of three years. (Columbia Statement No. 10, pp. 16-17.)

NiSource, Columbia's ultimate parent Company, and its subsidiaries operate a combined pension plan. Each subsidiary makes an annual contribution to the plan based on information from NiSource's pension actuary. In mid-2017, it was determined

that Nisource's qualified pension plans were 82% underfunded, with an underfunded balance of approximately \$381 million at December 31, 2016. Two options were considered to address the underfunded balance. One option was to increase the annual funding amount. Anticipated contributions for the combined pension plans from 2018 through 2024 would have averaged \$45 million per year. The other option was to fully fund the pension with a prepayment to the pension plan trust. Columbia's share of this prepayment contribution was \$14.824 million. This option would reduce the likelihood of anticipated future contributions, as well as future debt issuances and intercompany financing that would be needed if the annual funding amount were increased. For these reasons and the reasons set forth below, Nisource elected to make the one-time prepayment contribution. For ratemaking purposes, Columbia's \$8.45 million claim for pension expense is based upon the O&M proportion of a normalized pension contribution, with the remaining portion of the pension cost being capitalized. (Columbia Statement No. 10, pp. 17-20.)

The OCA and I&E filed Answers to the Accounting Deferral Petition opposing Columbia's request for deferred accounting treatment. Throughout this proceeding, the OCA and I&E maintained their respective positions that the Company's claim for pension deferral amortization be denied. However, the OCA recommended a ten-year amortization period if the Accounting Deferral Petition were granted. (OCA Statement No. 1, p. 41.)

For settlement purposes, the Joint Petitioners agreed to grant the Accounting Deferral Petition. The Joint Petitioners agreed that the pension prepayment in the amount of \$8.45 million will be amortized over a ten-year period as recommended by the OCA, rather than the three-year period proposed by the Company, beginning

December 16, 2018. Any unamortized balance shall not be permitted to be included in rate base in future rate base cases. (Settlement ¶ 33 (ii).)

This Settlement provision is in the public interest and should be approved. The decision to make a large, one-time payment to the pension plan is in the ratepayers' best interest. By electing to make the prepayment contribution, the requirements for future contributions and Pension Benefit Guaranty Corporation ("PBGC") premiums associated with an underfunded pension trust will decrease. The return on pension trust assets will help further reduce the remaining underfunded pension obligation and, ultimately, these savings will be passed on to Columbia's customers. The prepayment also improves Nisource's credit metrics due to reduced cash contributions, which support's NiSource's continued ability to attract capital at favorable rates. In turn, this supports the cost effective execution of Columbia's aggressive infrastructure replacement program. (Columbia Statement No. 10, pp. 18-19.)

The benefits of the prepayment will be realized in future rate proceedings. Increasing pension trust assets and reducing PBGC premiums reduces cash funding needs by approximately \$54 million. Prefunding the pension liability will reduce PBGC premiums by \$31.9 million through 2023. Columbia and its customers will benefit from reduced future premiums through reduced expense. By making the prepayment, Columbia's cash contribution savings approximate \$3.028 million in total over the nine year horizon beginning in 2017, with \$1.301 million allocated to capital and \$1.727 million allocated to O&M expense. In addition, financing costs associated with the prepayment will be borne by Columbia and are not reflected in the claim for cost recovery. Thus, customers will receive the benefit of trust earnings from the

prepayment, without sharing in the financing costs of the prepayment. (Columbia Statement No. 10, pp. 20-22).

5. Future Debt Issuances

I&E proposed that certain information be provided to the statutory parties following the actual issuances of debt projected for the Future Test Year and FPFTY. (I&E Statement No. 2, pp. 12-13.) Under the Settlement, Columbia agrees that, Columbia will preserve and provide to I&E, OCA and OSBA as a part of its next base rate case the following: (1) all documentation supporting debt issued between this base rate case and the next base rate case; and (2) for each issuance the prevailing yield on U.S. utility bonds as reported by Bloomberg Finance L.P. for companies with a credit risk profile equivalent to that of NiSource Finance Corp. (Settlement ¶ 37.)

B. REVENUE ALLOCATION AND RATE DESIGN

Appendices A and B to the Settlement set forth the agreed to revenue allocation and rate design to the classes. (Settlement ¶ 47.) As described below, these items were the subject of extensive litigation and negotiation, and reflect a compromise of the positions of all the Parties to this proceeding. The Settlement strikes a balance that is in the best interest of all of Columbia's customers, and should be approved.

1. Revenue Allocation

As in many base rate cases, the revenue allocation issues were among the most contentious issues in this proceeding. The Joint Petitioners proposed a variety of class cost of service studies and cost allocation methodologies. Moreover, even to the extent certain Joint Petitioners agreed on the basic overall methodology, *i.e.* the Design Day demand allocation versus the Peak & Average methodology, these Joint Petitioners still disagreed on how to allocate certain other costs to the different rate classes, as well as

how much movement toward cost of service was appropriate. Despite the fact that the Joint Petitioners were not able to agree on a specific class “cost of service” in the Settlement, they were able to agree to a revenue allocation that is within the range of revenue allocations proposed by the Joint Petitioners in this proceeding, and Columbia believes that this revenue allocation meets the “cost of service” standards adopted by the Courts and the Commission.

All Parties supported their respective cost of service studies for litigation purposes. However, the Parties were willing to compromise in order to achieve a settlement of the revenue allocation issues. Therefore, the revenue allocation set forth in the Settlement is not based upon a specific agreed to formulaic approach. Moreover, the Settlement rates are not based upon any specific cost of service study results. Instead, the Settlement reflects a compromise of the Parties’ revenue allocation and rate design proposals. (Settlement Appendices “A” and “B”.) The resulting class increases, as compared to the Company’s as-filed increases, are as follows:

Customer Group	As Filed	Percentage of Proposed Increase²	As Settled	Percentage of Settled Increase
Residential (RS/RDS)	\$37,712,156	79.22%	\$18,799,197	72.3%
Small General Service (SGSS/SGDS/SCD)	\$4,547,224	10.81%	\$4,198,609	16.15%
Small Distribution Service (SDS/LGSS)	\$2,505,422	5.34%	\$2,002,266	7.7%
Large Distribution Service (LDS/LGSS)	\$2,130,154	4.54%	\$999,929	3.85%

² Columbia Exhibit No. 103, Schedule 8, p. 5.

Mainline Distribution Service (MLDS/NSS)	\$42,270	0%	\$0	0%
Total	\$46,937,246	100%	\$26,000,000	100%

As noted above, the revenue allocation under the Settlement represents a compromise and falls within the litigation positions of the Joint Petitioners. In particular, I&E and OCA proposed substantial increases to the Small General Service class. (I&E Statement No. 3; p. 63; OCA Statement No. 3, p. 35.) Columbia notes that because of the disagreement over cost allocation studies and the “black box” nature of the Settlement, it is not possible to precisely calculate the extent to which the Settlement moves rates closer to cost of service for all Joint Petitioners. However, Columbia believes that the Settlement achieves progress in the movement toward cost-based rates.

2. Rate Design

a. Residential Rate Design

In this proceeding, Columbia proposed to increase the customer charges for residential customers from \$16.75 to \$18.25. (Columbia Statement No. 12, p. 22.) I&E indicated that it supported the Company’s requested increase in the residential customer charge because it is consistent with the concept of gradualism. (I&E Statement No. 3, pp. 59-60) However, the requested increase was opposed by OCA, CAUSE-PA, and CAAP. (OCA Statement No. 3, pp. 36-37; CAUSE-PA Statement No. 1, pp. 12-20; CAAP Statement No. 1, pp. 2-3.) As part of the Settlement, the Joint Petitioners have agreed that the residential customer charge will remain at the current rate of \$16.75/month. (Settlement ¶ 39.)

b. Commercial and Industrial Rate Design

In this proceeding, Columbia proposed to increase the customer charges for small commercial and industrial customers. Specifically, Columbia proposed a modest increase to the customer charge for customers under Rate Schedules Small General Sales Service (“SGSS”), Small Commercial Distribution (“SCD”), and Small General Distribution Service (“SGDS”) using up to 6,440 therms annually by \$1.50 to \$22.75 per month. The Company proposed that the customer charge for customers under Rates Schedules SGSS, SCD, and SGDS using more than 6,440 therms annually remain at \$48. (Columbia Statement No. 12, pp. 23-24.) The OSBA supported Columbia’s proposed customer charges for customers on these Rate Schedules. (OSBA Statement No. 1, p. 27). No party opposed the proposed customer charges for customers on these Rate Schedules.

The Settlement adopts the customer charges for these Rate Classes as proposed by the Company. This is consistent with the Company’s and OSBA’s positions in this case, and should be approved.

In this proceeding, Columbia initially proposed a 4.54% rate increase for the Large Distribution Service (“LDS”)/ Large General Sales Service (“LGSS”) class. (Columbia Exhibit No. 103, Schedule 8, p. 5.) Witnesses for CII and PSU testified that the LDS rate increase, as proposed, was burdensome, in part because the LDS rate class includes customers who are on flex rates, and therefore are not subject to the increase. (CII Statement No. 1, pp. 7-8; PSU Statement No. 1, pp. 28-29.) As a result of negotiations, the Parties agreed to reduce the total increase to the LDS/LGSS class from the Company’s proposal of \$2,130,154 to \$999,929, which represents a slightly lower

percentage (3.85%) of the total Settlement increase than originally proposed by Columbia. (Settlement Appendix A.)

c. Other Charges and Riders

Consistent with the Commission's June 23, 2011 Final Rulemaking Order at Docket No. L-2008-2069114, Columbia designed a gas procurement charge ("GPC") in order to remove natural gas procurement costs from base rates and to recover those fuel acquisition costs as part of the "price to compare," on a revenue neutral basis via an automatic adjustment charge only to be recalculated in a base rate case. In the settlement of Columbia's 2015 base rate case at Docket No. R-2015-2468056, parties to the settlement agreed not to propose a change to the Company's GPC for a period of two base rate cases, or five years, whichever occurred first. (Columbia Statement No. 12, p. 22.) No party proposed a change to Columbia's GPC in this proceeding. The Settlement in this proceeding provides that the GPC will continue at the current rate of \$0.00695/therm. (Settlement ¶ 42.) Continuation of the GPC at the current rate honors the Commission-approved agreement of the parties in Columbia's prior base rate proceeding and should be approved.

The Merchant Function Charge ("MFC") is a component of the "price to compare". Columbia proposed a MFC of 1.40342% for residential customers and 0.29613% for non-residential customers, which represent a decrease from the currently-effective MFC rates. No party opposed the MFC as filed by Columbia. The Settlement provides that the MFC shall be 1.40342% % for residential customers and 0.29613% for non-residential customers. (Settlement Appendix C.) The revised MFC rates shall be reflected in the Purchase of Receivables ("POR") discount rates. (Settlement ¶ 43.) No

party opposed Columbia's MFC as filed, and Columbia therefore submits that this settlement provision is in the public interest and should be approved.

In Columbia's 2012 base rate proceeding, the Commission approved the establishment of a pilot Weather Normalization Adjustment ("WNA") program. Rider WNA adjusts a residential customer's monthly charges based on the actual temperature experienced during the month. By adjusting the temperature-sensitive portion of customers' bills to reflect normal weather levels, the WNA helps protect customers from weather related usage variations. Columbia's existing WNA includes a 5% deadband, which means that a billing adjustment occurs only if the variation of actual heating degree days is lower than 95% or higher than 105% of the normal heating degree days for an individual billing cycle. Columbia's currently-effective pilot WNA is set to continue until a final order is entered in the Company's first base rate case filed after May 31, 2016. The current proceeding is the Company's first base rate case filed after May 31, 2016. In the 2018 Base Rate Filing, the Company proposed to maintain Rider WNA with some modifications. (Columbia Statement No. 12, pp. 4-7.)

Columbia proposed to make Rider WNA a permanent tariff provision with the following modifications: (1) discontinue weather adjustments in the month of October and (2) eliminate the 5% deadband. (Columbia Statement No. 12, p. 7.) While generally supportive of the Company maintaining a WNA, the OCA and I&E opposed eliminating the 5% deadband (OCA Statement No. 3, p. 41; I&E Statement No. 3, p. 8.)

In the Settlement, the Joint Petitioners agreed that the WNA will continue as a pilot and will include a 3% deadband. The Settlement accepts Columbia's proposal to exclude the month of October from the operation of the revised WNA. In addition, the Company has agreed to maintain and provide to the OCA, I&E and OSBA by October 1

of each year all reports and records supporting the operation of its WNA for the preceding year, including the Company's monthly computation of the WNA and all data underlying the Company's monthly WNA computation. (Settlement ¶ 40.)

These Settlement provisions are in the public interest and should be approved. The Company's nearly five years of experience with Rider WNA is that the WNA has been successful in mitigating the impacts of colder and warmer than normal weather and providing bill stability for residential customers. (Columbia Statement No. 12, pp. 6-7.) Continuing Rider WNA as a pilot will allow stakeholders an opportunity to reevaluate the WNA in the future based on the information provided by the Company. The modifications to Rider WNA that are adopted in the Settlement represent a compromise of the parties' positions in this proceeding. Therefore, continuing Rider WNA with the modifications provided for in the Settlement is in the public interest and should be approved.

The Company also proposed a Revenue Normalization Adjustment ("RNA") in this proceeding. The RNA proposed by the Company would provide benchmark distribution revenue levels regardless of changes in customers' actual usage levels and would adjust actual non-gas distribution revenue for the non-CAP residential customer class. (Columbia Statement No. 12, p. 9.) The OCA, I&E, CAUSE-PA, and CAAP opposed the concept of implementing Rider RNA in this proceeding. (OCA Statement No. 3, pp. 41-43; CAAP Statement No. 1, p. 8; CAUSE-PA, Statement No. 1, pp. 21-23; I&E Statement No. 3, pp. 10-12.)

In the interest of resolving the issues in this proceeding through settlement, the Company has agreed to withdraw the RNA proposal. (Settlement ¶ 41.)

d. Conclusions as to Rate Design

The proposed changes to the rate design for all customer classes, as set forth in Appendix “B” to the Settlement, reflect an accord reached between the Joint Petitioners as to the rate design to be used to recover the rate increases allocated under the Settlement to the Company’s customers. Columbia submits that the Settlement reflects an acceptable compromise of the competing litigation positions of the Joint Petitioners relative to rate design.

C. UNIVERSAL SERVICE AND CONSERVATION

The Settlement includes several provisions related to Columbia’s Universal Service Programs.

Columbia currently funds its Hardship Fund by matching voluntary contributions with contributions from shareholder funds. Pursuant to the Commission-approved Settlement in Columbia’s 2016 base rate proceeding, the Company funds the remaining portion of the Hardship Fund using the residential portion of pipeline credits and supplier refunds. As described in the direct testimony of Deborah Davis, Columbia has undertaken extensive efforts to increase voluntary funding for its Hardship Fund. In the 2018 Base Rate Filing, Columbia proposed to continue using the residential portion of pipeline credits and refunds, up to \$750,000, as a funding source for the Hardship Fund while it continues its efforts to obtain additional voluntary funding sources. (Columbia Statement No. 14, pp. 2-24.) The OCA and CAUSE-PA supported the Company’s proposal. (CAUSE-PA Statement No. 1, pp. 40-41; OCA Statement No. 4, pp. 36-37.) In addition, Columbia has previously received Commission approval for its request to contribute the residential portion of certain supplier refunds and pipeline penalty credits to the Hardship Fund. *See, e.g., Petition of Columbia Gas of*

Pennsylvania Inc. For Approval to Use Penalty Credit and Refund Proceeds for Its Residential Hardship Fund, Docket No. P-2018-3000160 (Order entered June 14, 2018).

The Settlement adopts Columbia's proposal with respect to funding for the Hardship Fund. Specifically, the Settlement provides that Columbia's proposal to use the residential portion of pipeline credits and refunds as a funding source for the Hardship Fund, while it continues to seek out additional funding from voluntary sources, is approved, consistent with the Order of the Commission entered June 14, 2018 at Docket No. P-2018-3000160. (Settlement ¶ 48.)

In accordance with the terms of the Commission's Order at Docket No. P-2018-300160, Columbia will place the residential portion of future federal pipeline credits and refunds toward the Hardship Fund, up to a maximum of \$750,000. If the balance of credits and refunds exceeds \$750,000, Columbia will flow the residential portion of future credits and refund proceeds in excess of the amounts needed to maintain the balance at \$750,000 to residential customers through Columbia's Purchased Gas Cost ("PGC") rates. In the first PGC filing in which future pipeline credits and refunds are utilized to replenish the Hardship Fund balance, the Company shall provide, in testimony, the exact annual cost impact on an individual customer basis for the average usage customer and a comparison of the residential price-to-compare with and without utilized pipeline credits and refunds. (Settlement ¶ 48.)

In addition, Columbia will provide a report in its next base rate proceeding on ideas developed and implemented to increase voluntary contributions to the Hardship Fund. (Settlement ¶ 48.) Further, the Settlement maintains that all parties have the right to challenge usage of these funds in future proceedings and all parties retain the

right to support continued use of those funds to support the Hardship Fund. (Settlement ¶ 48.) This Settlement provision ensures that the appropriate level of funding for the Company's Hardship Fund is maintained while the Company continues its efforts to increase voluntary funding. In addition, it is consistent with previous Commission-approved requests by the Company to contribute the residential portion of pipeline penalty credits and supplier refunds to the Hardship Fund. As such, it is in the public interest and should be approved.

The Settlement also provides that Columbia's proposal to decline to impose a limitation on the eligibility to receive a Hardship Fund grant to households with income between 151% and 200% of Poverty is approved. (Settlement ¶ 56.) No party opposed this proposal from Columbia. The proposal ensures that low-income customers not eligible for Columbia's Customer Assistance Program ("CAP") may receive Hardship Fund assistance. The provision is in the public interest and should be approved.

In direct testimony, the OCA, CAUSE-PA, and CAAP expressed concern with the effect of a rate increase on low-income customers and proposed a number of efforts Columbia could undertake to mitigate the effects of a rate increase upon low-income customers. (OCA Statement No. 4; CAUSE-PA Statement No. 1; CAAP Statement No. 1.) In the Settlement, Columbia has agreed to undertake several initiatives to address the OCA's, CAUSE-PA's and CAAP's concerns.

Beginning with the 2020 Low Income Usage Reduction Program ("LIURP") program year, the Company will increase its annual funding for LIURP by \$125,000. Any unspent funds at the end of the year will be rolled over and added to the budget for the following year. LIURP funding will continue to be recovered under Columbia's Rider USP. The Joint Petitioners have agreed not to propose a change to Columbia's

LIURP budget which would increase the budget amount prior to the end of LIURP program year 2021. (Settlement ¶ 49.)

CAUSE-PA and OCA raised concerns regarding affordability of Columbia's CAP Program for certain customers. (OCA Statement No. 4, pp. 16-21; CAUSE-PA Statement No. 1, pp. 13-17.) Columbia explained in response that its CAP payment provisions are reasonable, and an appropriate balance between payment affordability and the cost of the CAP Program paid by other non-CAP customers. (Columbia Statement No. 14-R, pp. 12-13.) In response to these concerns, the Settlement includes provisions to further review the payment options under Columbia's CAP. Following release of the Commission's Energy Burden Study, Columbia has agreed that it will present information to its Universal Service Advisory Council ("USAC") about how Columbia's then-current payment selection options address the issues raised by the Energy Burden Study. By no later than its next Universal Service and Energy Conservation Plan ("USECP") filing following issuance of the Energy Burden Study or earlier date dictated by the Commission's Energy Burden Study (whichever is sooner), Columbia will make such filing as required by the Energy Burden Study to modify or change its CAP rate selection. Columbia will serve a copy of this filing on all parties to this proceeding. In the interim, Columbia agrees to conduct a bi-annual review of accounts enrolled on the average of payments and percent of bill CAP payment plan options that exceed the maximum energy burden recommended by the Commission in the CAP Policy Statement. The Company will change each account to a lower payment plan option, if available. (Settlement ¶ 57.) This provision is reasonable and should be approved.

To the extent terms of the Settlement warrant changes to the Company's USECP, within 90 days of receiving a final order in this proceeding, the Company will submit a

Petition to the Commission to modify its USECP consistent with the provisions of this Settlement. (Settlement ¶ 58.) In addition, the Settlement provides that universal service issues raised by CAUSE-PA, CAAP and OCA, not addressed by this Settlement, shall be presented to Columbia's USAC for discussion and identification of potential solutions. (Settlement ¶ 59.)

OCA witness Colton raised concerns regarding the Company's existing budget billing procedures. (OCA Statement No. 4, pp. 22-31.) In response to these concerns, the Settlement provides that the Company will allow year-round rolling enrollment for its budget billing program and shall modify any related tariff language accordingly in its compliance filing. (Settlement ¶ 52.) As part of the Settlement, Columbia has agreed to further review the budget billing proposals of Mr. Colton and provide an analysis in its next rate case of the costs and timing to adopt further modifications. (Settlement ¶ 52.) In addition, Columbia will promote the budget plan to each customer upon successful completion of a deferred payment plan. The nature of the promotion will be discussed and agreed to within the USAC. (Settlement ¶ 53.) Columbia has also agreed to engage in specific budget billing outreach to accounts, both low-income and residential generally, that experience short-term arrears during the Company's high cost months. The nature of the outreach will be discussed and agreed to within Columbia's USAC. (Settlement ¶ 54.)

In direct testimony, CAUSE-PA witness Mitchell Miller recommended that the Company add an electronic application option for CAP recertification. (CAUSE-PA Statement No. 1, pp-27-28.) In the Settlement, Columbia has committed that by January 1, 2020, the Company will design and implement a process, in co-ordination with its CAP administrator, to facilitate the electronic submission of income verification

to enroll in CAP and/or to comply with recertification requirements. (Settlement ¶ 51.) These Settlement provisions demonstrates the Company's continued support for facilitating eligible customers' enrollment in low-income programs.

Mr. Miller also recommended that Columbia's medical certification process be revised. (CAUSE-PA Statement No. 1, pp. 42-43.) In Settlement, the Company has agreed to revise its procedures, or has already revised its procedures, with respect to medical certifications as follows:

a) The medical certificate language on termination notices has been revised to include the following language: "Make some equitable arrangement to pay the Company your current bills for service."

b) The Company's policy on medical certificates has been revised to no longer require a medical certificate in the form provided by the Company, and now accept any written document from a doctor, physician's assistant or nurse practitioner, as long as the required content for medical certification is provided.

c) The Company's call center scripts will be revised only to require that the customer make an equitable arrangement for payment of the current bill when a medical certificate is used, rather than to request household size and income information.

d) Requests to use a third or subsequent medical certificate renewal will be granted if the customer's current bill or budget bill amount is paid in full by the due date. Customers with medical certificates will be advised that if they continue to pay their current bill or budget bill, they can continue to renew their medical certificates.

(Settlement ¶ 50.)

Finally, pursuant to the Settlement, Columbia will to continue to review the list of customers with high CAP credits (over \$1,000) from the prior year and prioritize those customers for weatherization when possible. Once this list has been exhausted, Columbia will use the high usage CAP customer list as well as eligible customers requesting weatherization. This prioritization will continue unless and until Columbia evaluates the cost-effectiveness of the prioritization; reviews that evaluation with stakeholders; and all parties agree that the prioritization is not cost-effective.

(Settlement ¶ 55.) As part of the Settlement, Columbia reaffirms that it will continue its efforts to coordinate low income and energy conservation programs.

Columbia is an industry leader in programs to assist low income customers including, but not limited to, energy conservation programs. The commitments to Universal Service and Energy Conservation contained in the Settlement reflect the Company's continued support for these programs, are in the public interest and should be approved.

D. NATURAL GAS SUPPLIER ISSUES

The Settlement contains several terms intended to address concerns raised by the NGS Parties, Direct Energy Companies, and PSU.

One of the primary areas of concern for the NGS Parties, Direct Energy Companies, and PSU concerned penalties and imbalance charges. (NGS Parties' Statement No. 1, pp. 2-7; PSU Statement No. 1, pp. 11-27; Direct Energy Statement No. 1, pp. 5-6.) The Settlement includes various changes to Columbia's tariff rules to reduce penalties and imbalance charges, while continuing to maintain provisions to encourage compliance with Columbia's delivery requirements.

The Company's tariff provides significant flexibility for marketers to deliver supply onto its system. In addition, General Delivery Service ("GDS") customers are provided with generous banking and balancing tolerances. If left unchecked, particularly in periods of high demand resulting from cold weather, imbalances between transportation customers' supplies and requirements could place the Company in a position of incurring penalty costs as the system operator or, in the alternative to avoid such penalties, higher commodity costs that would be borne by sales customers. (Columbia Statement No. 16-R, p. 5.)

Because natural gas suppliers and GDS customers are not required to deliver an amount equal to their demand each day, it is sometimes necessary for Columbia to take certain actions to manage its system in response to operational conditions. One way Columbia controls deliveries to its system is through the issuance of Operational Flow Orders (“OFOs”) and Operational Matching Orders (“OMOs”). OMOs and OFOs impose certain requirements and limitations on deliveries to Columbia’s system and are necessary for Columbia to maintain a balanced system. (Columbia Statement No. 16-R, p. 4.) Oftentimes, these OMOs and OFOs are issued by Columbia in response to an upstream pipeline order. Columbia imposes penalties for noncompliance with OMOs and OFOs. (Columbia Statement No. 16-R, pp. 5-8.)

Issues related to penalties for non-compliance with OMOs and OFOs were previously raised in Columbia’s 2016 base rate proceeding. As a result of the Commission-approved Settlement in that proceeding, Columbia filed Tariff Supplement No. 255, which provided for the installation of equipment necessary for daily transmission of usage information for all customers eligible to be served on rate schedules SDS, LDS, and MLDS. In that filing, Columbia also requested to create a regulatory asset to defer one-time O&M expenses associated with the daily measurement proposal via a fixed network (the “C&I Network”). (Columbia Statement No. 10, pp. 23-23.) Supplement No. 255 was approved by the Commission by Order entered March 16, 2017 at Docket No. R-2017-2586190.

At the time of the filing, Columbia estimated that the C&I Network would result in one-time costs of \$4.3 million in capital and \$1.3 million in O&M, as well as ongoing annual capital cost of \$136,000 and \$1.4 million in O&M costs. Due to changes in the equipment provided by the vendor and IT programming changes, Columbia now

estimates that the C&I Network would result in one-time costs of \$6.0 million in capital and \$0.7 million in O&M and ongoing annual costs of approximately \$205,000 in capital and \$1.2 million in O&M. (Columbia Statement No. 10, pp. 23-24.)

In the 2018 Base Rate Filing, Columbia recommended that, due to the level of costs associated with the C&I Network and resulting rate impact on customers receiving the service, further investigation be conducted into alternative solutions to address the issues raised by transportation customers and their suppliers. (Columbia Statement No. 10, pp. 26-27.) The Direct Energy Companies opposed this proposal. (Direct Energy Statement No. 1, pp. 9-10.) Further, the Direct Energy Companies, the NGS Parties and PSU also challenged the levels of penalties imposed.

To resolve these issues, the Settlement provides that within sixty (60) days of the filing of the Settlement, Columbia shall convene a collaborative (Collaborative-I) with the parties to this proceeding and all interested GDS customers/Suppliers on its system to discuss operational and/or rule and tariff changes relative to operational orders, delivery quantities, and supplier access to customer usage information which would be in lieu of the current installation of the C&I Network. Such operational and/or rule/tariff changes could include, but would not be limited to:

(i) A revised operational order process for customers with daily read meters. Specifically, Columbia proposes that on an annual basis customers with daily read meters, or their agents, shall have the right to elect to be subject to Operational Flow Orders (“OFOs”), rather than Operational Matching Orders (“OMOs”), on days when operational orders are issued. Daily metered customers or their agents that elect to be subject to OFOs will be required to schedule supplies equal to the percentage of the customer’s Maximum Daily Quantity (“MDQ”) called by Columbia, subject to the provisions of Elective Balancing Service (“EBS”) and Columbia’s Rules Applicable to Distribution Service.

(ii) A revised method for establishing MDQs, which may include the use of multiple years of usage data and/or design day usage and creating a

more uniform methodology as between sales and transportation customers.

(iii) Parameters for establishing the needed % of MDQ to satisfy OFOs, with timelines and triggers for the elimination or amelioration of the OFO.

In addition, the Collaborative-I will also consider ways in which to improve the accuracy and timeliness of customer usage data including installing telemetering or equivalent equipment. (Settlement ¶ 60.)

Within 150 days of convening Collaborative-I, Columbia will file tariff changes to implement the solutions which Columbia and a general consensus of the participants (but not necessarily all) agree to. The Settlement provides that all parties retain their rights to support or oppose the tariff filing. (Settlement ¶ 61.)

The Collaborative will provide an opportunity to develop solutions to OMO violations in lieu of the expensive C&I Network. The Collaborative also provides an opportunity to review and improve Columbia's entire OFO/OMO process.

The Settlement also addresses what will happen in the event that Collaborative-I does not result in a tariff filing supported by a general consensus of the participants. If: (1) despite the good faith efforts of participants no tariff is filed within the timeline set forth above (or any extension to which all collaborative participants agree); or (2) a tariff is filed that is not supported by Direct Energy; or (3) the Commission does not approve the tariff filing, Direct Energy retains the right to file a complaint against Columbia with the sole issue being an allegation that Columbia has failed to comply with the C&I Network Installation provisions of the 2016 Rate Case Settlement and remedies for the alleged non-compliance. The Parties agree that they shall treat such complaint as if it were filed in the context of Columbia's rate case, including:

(a) Columbia shall retain the burden of proof to show that it has complied or should not be required to comply with the 2016 Settlement;

(b) The testimony and exhibits developed in the above proceeding will be used to resolve the complaint, with the right for Columbia to submit rejoinder testimony on the issue and the rights of parties to cross-examination;

(c) Neither Columbia nor any other Party shall raise any procedural objection to the complaint including, but not limited to an allegation that Direct has waived its right to raise this issue, a claim that the issue should have been raised in some other form or proceeding or a claim that no remedy can be provided because no Columbia rate case is pending; provided, however, that Columbia may continue to contend that implementation should be conditioned upon a Commission Order authorizing the recovery of C&I Network Installation costs; and

(d) All parties will request expedited treatment of the complaint.

(Settlement ¶ 62.)

Upon completion of the above Collaborative-I, Columbia agrees to continue to hold quarterly Collaborative Meetings (Collaborative-II) for a minimum of two years, and thereafter as appropriate, to which all parties to this proceeding, all interested Suppliers and representatives of interstate pipelines shall be invited. At these meetings, Suppliers shall raise issues encountered on the Columbia system. Columbia shall also notify participants about any changes it is planning to make in GTS or Choice transportation rules. At the end of each meeting, Columbia shall produce minutes of the meeting consisting of a short summary together with action items, which shall be shared with all participants. This will provide an opportunity for Suppliers to identify emerging concerns with system operations. (Settlement ¶ 63.)

In the Settlement, Columbia has also agreed to reduce the penalty multiple for violation of OMO/OFOs from three times to one and one half times. This change may be further reviewed in the collaborative as a component of alternative proposals for managing OFO/OMOs. If Columbia experiences substantially higher non-compliance with OFO/OMO requirements following implementation of the lower multiplier, it

reserves the right to seek to modify the penalty multiplier in a subsequent base rate case. (Settlement ¶ 64.)

These Settlement provisions are in the public interest and should be approved. The Collaborative will provide Columbia and interested parties a forum to discuss the concerns raised in this proceeding related to penalties, as well as other issues transportation customers and suppliers may encounter on Columbia's system. Collaborative-I will also allow interested stakeholders an opportunity to discuss possible alternatives to the C&I Network that may be more cost-effective.

In direct testimony, NGS Parties' witness Laura Greenholt-Tasto proposed changes to how Columbia charges for bank balance transfers. (NGS Parties Statement No. 1, p. 9.) In accordance with the NGS Parties' request, Columbia has agreed to change the rate structure for bank balance transfers from a per unit fee to a flat \$10 per transaction fee and gas transfers through the electronic bulletin board to a flat \$15 per transaction fee. (Settlement ¶ 65.) This Settlement provision is in the public interest because it more closely reflects the administrative costs that the fee is intended to cover.

E. OTHER ISSUES

1. Flex Rate Customers

Columbia's tariff allows it to negotiate flex rates for certain customers who can show that they have a competitive alternative to the Company's gas supply. I&E witness Cline proposed in direct testimony that Columbia in its next base rate case should provide a competitive alternative analysis for seven flex rate customers who had not had their competitive alternatives updated recently.. (I&E Statement No. 3, pp. 4-6.) Although Columbia believes that its existing practice for evaluating the competitive

alternatives of flex customers is adequate, the Company agreed in rebuttal testimony to provide the requested information. (Columbia Statement No. 3-R, p. 4)

The Settlement reflects Columbia's agreement to provide the requested information. Specifically, the Settlement provides that in its next base rate case, the Company will make available for review, subject to an appropriate confidentiality agreement, updated competitive alternative analyses for the six flex-rate customers that have not had their alternative supply verified since 2008 and one customer that has not had their alternative supply verified since 2010 as described in I&E Statement No. 3, and justify the flex rate granted to each customer. (Settlement ¶ 45.)

In direct testimony, PSU witness Crist recommended that the Company allocate revenue based on customers' status as flex and non-flex rate customers. (PSU Statement No. 1, p. 28.) OSBA witness Knecht also recommended that Columbia's allocated cost of service study should separately segregate flex rate customers. (OSBA Statement No. 1, p. 21.) In rebuttal, Columbia explained that the Company already considers flex rate customers' individually negotiated contracts in its proposed rate design. (Columbia Statement No. 12-R, pp. 43-35.)

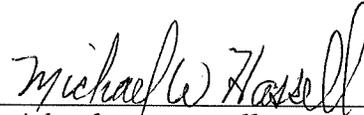
In Settlement, Columbia has agreed to segregate flex rate customers into a separate category in each of its cost allocation studies filed in its next base rate proceeding. The Company shall not be required, however, to allocate the revenue shortfall from the flex rate customer class to the regular rate classes as part of its cost allocation analysis. (Settlement ¶ 46.)

III. CONCLUSION

The Settlement is the result of a detailed examination of Columbia's proposals, multiple rounds of discovery, direct, rebuttal, and surrebuttal testimony, and

compromise by all active parties. Columbia believes that fair and reasonable compromises have been achieved on the settled issues in this case, as is evident by the fact that the parties have reached an agreement on all but one issue in this proceeding. Columbia fully supports this Settlement and respectfully requests that the ALJ and the Commission review and approve the Settlement in its entirety without modification.

Respectfully submitted,



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Date: August 31, 2018

*Attorneys for Columbia Gas of
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Appendix E

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Columbia Gas of Pennsylvania, Inc.

:
:
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:
:

Docket No. R-2018-2647577

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR PARTIAL SETTLEMENT

The Office of Consumer Advocate (OCA), a signatory party to the Joint Petition for Partial Settlement (Settlement), finds that the proposed terms and conditions of the Settlement are in the public interest. The OCA respectfully requests that the Pennsylvania Public Utility Commission approve the Settlement without modification for the reasons set forth below:

I. INTRODUCTION

Columbia is engaged in the business of furnishing natural gas service to approximately 426,000 residential, commercial, and industrial customers in portions of 26 counties in western, northwestern, southern, and central Pennsylvania. On March 16, 2018, Columbia Gas of Pennsylvania, Inc. (Columbia, CGPA, or the Company) filed Supplement No. 267 to its Tariff Gas – Pa. P.U.C. No. 9 (Supplement No. 267) with the Pennsylvania Public Utility Commission (Commission) to become effective on May 15, 2018. In its tariff filing, Columbia proposed to increase rates to produce additional overall revenues of \$46.9 million, or 8.16% over present revenues. The Company also proposed, *inter alia*, to increase the residential monthly customer charge from \$16.75 to \$18.25. The Company filed Supplemental Direct Testimony on

April 20, 2018, addressing the effect of the Tax Cuts and Jobs Act of 2017 (TCJA) on its tax liability and its proposal to return this amount to customers.

On March 20, 2018, the OCA filed a Formal Complaint in opposition to the Company's proposed rate increase. On March 22, 2018, the Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance in this matter. On March 28, 2018, the Office of Small Business Advocate (OSBA), filed a Formal Complaint. On March 30, 2018, Shipley Choice, LLC, Dominion Energy Solutions, Inc. and Interstate Gas Supply, Inc. (NGS Parties) filed a Petition to Intervene. On April 4, 2018, the Community Action Association of Pennsylvania (CAAP) also filed a Petition to Intervene. On April 6, 2018, the Pennsylvania State University (PSU) filed a Formal Complaint. On April 9, 2018, the Columbia Industrial Intervenors (CII) filed a Formal Complaint. On April 10, 2018, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene and Answer. On April 16, 2018, Direct Energy also filed a Petition to Intervene.

On April 5, 2018, the Commission entered an Order suspending Supplement No. 267 until December 15, 2018, pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. Section 1308(d), and initiated an investigation into the lawfulness, justness, and reasonableness of the Company's proposed and existing rates, rules, and regulations. Subsequently, this matter was assigned to Administrative Law Judge Jeffrey A. Watson (ALJ Watson). On April 18, 2018, a Prehearing Conference was held, and, on May 1, 2018, ALJ Watson issued a Prehearing Order setting forth a procedural schedule in this matter.¹ On June 21, 2018, a Public Input Hearing was held in Washington, Pennsylvania to seek consumer input regarding the proposed rate increase.

¹ A First Amended Prehearing Order was issued on June 21, 2018, to correct an omission from the litigation schedule in the May 1, 2018 Prehearing Order.

The OCA conducted extensive discovery and submitted testimony in accordance with the procedural schedule. On June 7, 2018, the OCA filed the Direct Testimony of: Dante Mugrace, OCA Statement No. 1; Marlon F. Griffing, OCA Statement No. 2; Jerome D. Mierzwa, OCA Statement No. 3; and Roger D. Colton, OCA Statement No. 4. I&E, OSBA, the NGS Parties, CAAP, CAUSE-PA, Direct Energy, and PSU also filed Direct Testimony. On June 18, 2018, the OCA notified the ALJ and the parties of the addition of Barbara R. Alexander as an additional OCA witness in this proceeding. On July 3, 2018, the OCA submitted the Rebuttal Testimony of: Jerome D. Mierzwa, OCA Statement No. 3-R; and Barbara R. Alexander, OCA Statement No. 5-R. The OSBA, CAUSE-PA, CII, Direct Energy, PSU, and the Company also filed Rebuttal Testimony. On July 17, 2018, the OCA submitted the Surrebuttal Testimony of: Dante Mugrace, OCA Statement No. 1-SR; Marlon F. Griffing, OCA Statement No. 2-SR; Jerome D. Mierzwa, OCA Statement No. 3-SR; and Roger D. Colton, OCA Statement No. 4-SR.² I&E, OSBA, the NGS Parties, Direct Energy, CAAP, CAUSE-PA, CII, PSU, and the Company also filed Surrebuttal Testimony. On July 23, 2018, Columbia filed a Rejoinder Outline. The parties agreed to stipulate to the admission of the OCA's testimony and all OCA testimony was admitted into the record during the July 26, 2018 evidentiary hearing.³

Pursuant to the Commission's policy of encouraging settlements, the parties participated in numerous settlement conferences throughout the course of this proceeding. Settlement discussions resulted in a settlement in principle as to all issues with the exception of one issue related to non-commodity billing, which has been addressed in Main Briefs and Reply Briefs.

² The OCA separately filed the Surrebuttal Testimony of Roger D. Colton on July 19, 2018, pursuant to the procedural schedule provided in the First Amended Prehearing Order.

³ During the July 26, 2018 evidentiary hearing, OCA Hearing Exhibit No. 1 was also admitted into the record.

II. SETTLEMENT TERMS AND CONDITIONS

The OCA submits that the terms of the Settlement satisfactorily address the issues raised by the OCA's analysis of Columbia's filing. While the Settlement does not include all of the OCA's recommendations, the OCA recognizes that the Settlement is a product of compromise and represents a balance of the signatory parties' positions. In this Statement in Support, the OCA addresses only Settlement terms pertaining to issues it raised throughout the proceeding and looks to other parties to discuss Settlement terms addressing their respective issues. The OCA submits that the Settlement, taken as a whole, is a reasonable compromise that reflects the range of likely outcomes in the event of full litigation before the Commission. The OCA further submits that, for the reasons set forth below, the Settlement is in the public interest.

A. Revenue Requirement

The Settlement provides for an "increase in operating revenues of \$26 million over current base rates based upon the pro forma level of operations for the twelve months ended December 31, 2019," which is approximately \$20.9 million less than the \$46.9 million increase requested by Columbia in its original filing. Settlement at ¶ 23, 26. Accordingly, the Company will receive an increase in its existing base rate operating revenues of approximately 4.52%, rather than an increase of 8.16%. Settlement at ¶ 23.

Moreover, for purposes of calculating the Distribution System Improvement Charge (DSIC), "Columbia will be eligible to include plant additions in the DSIC once eligible account balances exceed the levels projected by Columbia at December 31, 2019." Settlement at ¶ 29. The OCA notes that this provision results in Columbia realizing a higher level of plant investment before any incremental expenditures can be recovered through the DSIC.

Based on the OCA's analysis of the Company's filing, responses to discovery, and testimony submitted by all parties, the rate increase under the proposed Settlement represents a result that is within the range of likely outcomes in the event of full litigation of this case. The OCA submits that the increase is appropriate and, when accompanied by the other terms of this Settlement, yields a result that is just and reasonable and in the public interest.

B. Tax Cuts and Jobs Act of 2017

The Settlement fully addresses the impact of the Tax Cuts and Jobs Act of 2017 (TCJA). In particular, the Settlement provides that the "Company's 2018 income tax expense differential of approximately \$23.8 million associated with the TJCA will be returned to customers in full over an eighteen (18) month period beginning no later than December 16, 2018" and that "the actual amount to be returned will be based on the actual liability booked by the Company in revenue for service rendered from January 1, 2018 through December 15, 2018." Settlement at ¶ 27. The Settlement further provides that this amount will be "refunded via a negative surcharge applied on a percentage basis to customers with interest using the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law." Settlement at ¶ 27. In addition, the \$26 million revenue requirement "reflects a reduction to rate base for the excess ADIT amount as of the end of the FPFTY." Settlement at ¶ 28.

The OCA submits that these provisions are consistent with the Commission's Order addressing the TCJA, which provided that the "tax savings and associated reductions in utility revenue requirements should be flowed back to consumers on a current basis." Tax Cuts and Jobs Act of 2017, Docket No. M-2018-2641242 (Temporary Rates Order entered May 17, 2018, at 15). The Commission's Order further stated that, with regard to utilities with pending base rate cases, the Commission "expects the public utility and the parties in each such proceeding to

address the effect of the federal tax rate reduction on the justness and reasonableness of the consumer rates charged during the term of the suspension period and, in particular, whether a retroactive surcharge or other measure is necessary to account for the tax rate changes.” Id. at 20-21. The Commission noted that this approach applies to Columbia. Id. at 21. The OCA also notes that the interest provision of the proposed Settlement reflects the treatment of interest directed by the Commission for other utilities in its Order. Id. at 18, 23.

Accordingly, the OCA submits that it is appropriate that the parties to this proceeding agreed that the Company will timely refund TCJA savings, including interest, to customers via a negative surcharge. The OCA further submits that returning TCJA savings to customers as provided in the proposed Settlement is just and reasonable and in the public interest.

C. Revenue Allocation

As the Settlement notes, the agreed upon revenue allocation reflects a compromise and does not endorse any particular cost of service study. Settlement at ¶ 47. Under the terms of the Settlement, a typical Residential customer using 70 therms of gas per month will experience a 4.49% increase in their monthly bill, rather than a 9% increase as proposed by the Company in its original filing. Settlement at ¶ 23. Specifically, the total monthly bill of a typical Residential customer using 70 therms of gas per month would increase from \$91.63 to \$99.88 under the Company’s proposal, whereas the monthly bill of a typical Residential customer using 70 therms of gas per month will increase from \$91.63 to \$95.74 under the Settlement. Settlement at ¶ 23.

Based on the OCA’s review of the cost of service studies presented in this proceeding and the varying allocation proposals presented by other parties, the OCA submits that the Settlement is within the range of reasonable outcomes that would result from the full litigation of this case. In addition, the Settlement is consistent with the objective of moving rate classes

toward the system average rate of return. The OCA submits that the Settlement is reasonable and, when considered along with the other important provisions contained in the proposed Settlement, yields a result that is in the public interest.

D. Rate Design

In its base rate filing, Columbia requested a customer charge of \$18.25. The Settlement provides that “Residential customer charge will be set at \$16.75/ month.” Settlement at ¶ 39. The \$16.75 customer charge represents no increase in the Company’s existing customer charge.

In his Direct Testimony, OCA witness Mierzwa noted that Columbia’s monthly Residential customer charge is already the highest in Pennsylvania and recommended no increase in the Company’s customer charge. See OCA St. 3 at 39. The OCA submits that keeping Columbia’s customer charge at its current level is reasonable and in the public interest. The \$16.75 customer charge is significantly lower than the Company’s proposed customer charge and is within the likely range of outcomes in the event of full litigation of the case.

E. Weather Normalization Adjustment and Revenue Normalization Adjustment

In its base rate filing, Columbia proposed to eliminate the existing 5% deadband on its Weather Normalization Adjustment (WNA) and discontinue assessing the WNA in the month of October. The Company also proposed a Revenue Normalization Adjustment (RNA). The Settlement provides that the proposed WNA “will continue as a pilot and will include a 3% deadband” to take effect on January 31, 2019, and that the “proposal to exclude the month of October from the operation of the revised WNA is . . . accepted.” Settlement at ¶ 40. In addition, the Settlement notes that the Company’s proposed RNA has been withdrawn. Settlement at ¶ 41.

In his Direct Testimony, OCA witness Mierzwa noted that the OCA opposed the elimination of the 5% deadband on the WNA, but did not oppose discontinuing assessing the

WNA in October. See OCA St. 3 at 40. OCA witness Mierzwa also noted that the OCA opposed Columbia's proposed RNA.⁴ OCA St. 3 at 41-44. Under the proposed Settlement, the WNA will not be assessed unless weather is less than 3 percent warmer or colder than normal. The Settlement is in the public interest as the 3% deadband helps to ensure that the assessment of the WNA is limited to changes in usage attributable to variations in temperature. See OCA St. 3 at 41. The withdrawal of the RNA is also in the public interest.

F. Universal Service

In his Direct Testimony, OCA witness Colton provided recommendations to address concerns regarding low-income and universal services issues that he identified in reviewing the Company's base rate filing. See gen'ly OCA St. 5. The Settlement addresses a number of these concerns. In particular, the Settlement provides:

48. Columbia's proposal to use the residential portion of pipeline credits and refunds as a funding source for the Hardship Fund, while it continues to seek out additional funding from voluntary sources, is approved . . .

52. The Company will allow year-round rolling enrollment for its budget billing program and shall modify its related tariff language accordingly in its compliance filing" and "Columbia agrees to further review the budget billing proposals of Mr. Colton

⁴ Specifically, OCA witness Mierzwa testified as follows:

Rider RNA should not be approved for the following reasons:

- The proposed Rider RNA could increase earnings beyond those that the Company would ordinarily be entitled to.
- The proposed Rider RNA unreasonably applies to customers whose usage is relatively constant over time.
- The proposed Rider RNA embodies a take-or-pay pricing policy.
- The proposed Rider RNA inappropriately adjusts rates without considering other changes in total revenues and costs.
- CPA has not demonstrated that its current system of rates and charges result in inadequate revenue stability.

OCA St. 3 at 41-42.

and provide an analysis in its next rate case of the costs and timing to adopt further modifications.

53. Columbia will promote the budget plan to each customer upon successful completion of a deferred payment plan.

54. Columbia agrees to engage in specific budget billing outreach to accounts, both low-income and residential generally, that experience short-term arrears during the Company's high cost months.

55. Columbia agrees to continue to review the list of customers with high CAP credits (over \$1,000) from the prior year and prioritize those customers for weatherization when possible. Once this list has been exhausted, Columbia will use the high usage CAP customer list as well as eligible customers requesting weatherization. This prioritization will continue unless and until Columbia evaluates the cost-effectiveness of the prioritization; reviews that evaluation with stakeholders; and all parties agree that the prioritization is not cost-effective.

56. Columbia's proposal to decline to impose a limitation on the eligibility to receive a Hardship Fund grant to households with income between 151% and 200% of Poverty is approved.

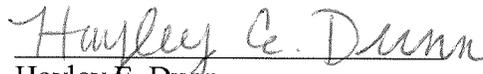
Settlement at ¶ 48, 52-56. The Settlement further provides that "universal service issues raised by CAUSE-PA, CAAP and OCA, not addressed by this Settlement, shall be presented to Columbia's USAC for discussion and identification of potential solutions." Settlement at ¶ 59.

The OCA submits that these terms, along with other low-income and universal service terms included in the Settlement, are in the public interest in that they provide necessary steps toward remedying issues related to funding of the Company's Hardship Fund, budget billing enrollment, budget billing outreach, high CAP credits, and Hardship Fund grant eligibility, and ensure the availability of essential programs to low-income customers.

III. CONCLUSION

For the reasons set forth above, the OCA submits that the terms and conditions of the proposed Settlement are reasonable and in the public interest. Therefore, the OCA respectfully requests that the Commission approve the terms of the Settlement without modification.

Respectfully Submitted,



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Dated: August 31, 2018

Appendix F

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
	:	R-2018-2647577
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor Erika L. McLain, hereby submits that the terms and conditions of the foregoing *Joint Petition For Settlement* (“Joint Petition” or “Settlement”) are in the public interest and represent a reasonable and equitable balance of the interests of Columbia Gas of Pennsylvania, Inc. (“Columbia” or “Company”), Columbia’s customers, and the parties to the Settlement Agreement. The parties have conducted extensive formal and informal discovery and have participated in numerous settlement conferences. The extensive and open discussions culminated in the attached Settlement Agreement. I&E requests approval of the Joint Petition based on I&E’s determination that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. “The prime determinant in the consideration of a proposed

Settlement is whether or not it is in the public interest.”¹ The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”² As a product of negotiation and compromise between multiple parties, this Settlement Agreement reflects concessions from Columbia’s original rate request. Accordingly, the Bureau of Investigation and Enforcement believes that the terms and conditions of the Joint Petition are in the public interest.

In support of this position, I&E offers the following:

I. INTRODUCTION

A. Legal Landscape on Public Utilities

A business may acquire “public utility status” when that business is the sole organization that maintains the infrastructure utilized in providing an essential service to the public for compensation.³ As duplicating the vast and costly fixed physical infrastructure (e.g., substations, poles, lines, etc.) and allowing multiple businesses to provide the essential service would be wasteful, the public utility obtains a natural monopoly as the sole service provider in the extended geographic service territory.⁴ In

¹ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

² *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

³ James C. Bonbright, *Principles of Public Utility Rates*, Columbia University Press: New York (1961), at 3-14; 66 Pa. C.S. § 102.

⁴ *See id.*; 66 Pa. C.S. § 2802 (it is in the public interest for the distribution of electricity to be regulated as a natural monopoly by the Commission).

order to protect consumers, the public utility's rates and services are regulated.⁵ Price regulation strives to replicate the results of effective competition.⁶

As a public utility, a natural gas distribution company ("NGDC") shall provide just and reasonable rates to customers receiving service in the Commonwealth of Pennsylvania.⁷ A public utility is entitled to a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers and allows the utility an opportunity to obtain a reasonable rate of return on its investment.⁸ A public utility shall also provide safe and reliable service by furnishing and maintaining adequate facilities and reasonable services and by making the necessary improvements thereof.⁹

B. I&E's Role

Through its bureaus and offices, the Commission has the authority to take appropriate enforcement actions that are necessary to ensure compliance with the Public Utility Code and Commission regulations and orders.¹⁰ The Commission established I&E to serve as the prosecutory bureau to represent the public interest in ratemaking and utility service matters, and to enforce compliance with the Public Utility Code.¹¹ By representing the public interest in rate proceedings before the Commission, I&E works to

⁵ *See id.*; 66 Pa. C.S §§ 1301, 1501.

⁶ *See Cantor v. Detroit Edison*, 428 U.S. 579, 595-6, fn. 33 (1976).

⁷ 66 Pa. C.S. §§ 102, 1301; *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 602-603 (1944).

⁸ *City of Lancaster v. Pa. P.U.C.*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002); *see Hope*, 320 U.S. at 602-603.

⁹ 66 Pa. C.S. § 1501.

¹⁰ Act 129 of 2008, 66 Pa. C.S. § 308.2(a)(11); 66 Pa. C.S. §§ 101 *et seq.*; 52 Pa. Code §§ 1.1 *et seq.*

¹¹ *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011).

balance the interest of customers, utilities, and the regulated community as a whole to ensure that a utility's rates are just, reasonable, and nondiscriminatory.¹²

C. History of the Proceeding

On March 16, 2018, Columbia filed Supplement No. 267 to Tariff Gas – Pa. PUC No. 9 (“Supplement 267”), containing proposed changes in rates, rules, and regulations calculated to produce approximately \$46.9 million in additional annual revenues based upon data for a fully projected future test year ending December 31, 2019. This proposed rate change represents an average increase in the Company's distribution rates of approximately 8.16%. Supplement No. 267 was proposed to take effect on May 15, 2018. Pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by Commission Order entered April 5, 2018 and assigned to the Office of Administrative Law Judge (“OALJ”) for the development of an evidentiary record and Recommended Decision.

Administrative Law Judge Jeffrey Watson was assigned to preside over the proceeding.

A prehearing conference was held as scheduled on April 18, 2018. At the conference, a schedule was memorialized, identifying filing dates for the parties' testimony, setting dates for public input hearings, and scheduling dates for evidentiary hearings in Harrisburg, Pennsylvania.

One public input hearing was held in Columbia's service territory on June 21, 2018, in Washington, Pa. at 6:00 p.m.

¹² See 66 Pa. C.S. §§ 1301, 1304.

Pursuant to the procedural schedule agreed to at the prehearing conference, the parties submitted direct and rebuttal testimony on June 7, 2018 and July 3, 2018 respectively. Surrebuttal testimony was served on July 17, 2018.

On July 25, 2016, the parties informed the ALJ that a partial Settlement had been reached. The evidentiary hearings on July 25, July 27, and August 6, 2018 were canceled.

A hearing was held on July 26, 2018 for the sole purpose of allowing the parties to enter their testimony and exhibits into the record.

II. DISCUSSION

The Commission encourages settlements, which eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion.¹³ Here, the Joint Petitioners successfully achieved a Settlement Agreement of all issues except for the issue related to non-commodity charges on Columbia's bill which I&E took no position.

The Settlement Agreement is a "Black Box" agreement, which does not specifically identify the resolution of certain disputed issues.¹⁴ Instead, an overall increase to base rates is agreed to and Joint Petitioners retain all rights to further challenge all issues in subsequent proceedings. A "Black Box" settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses.¹⁵

¹³ *Pa. PUC v. Venango Water Co.*, Docket No. R-2014-2427035, 2015 WL 2251531, at *3 (Apr. 23, 2015 ALJ Decision) (adopted by Commission via Order entered June 11, 2015); *See* 52 Pa. Code §5.231.

¹⁴ *See id.* at *11.

¹⁵ *See id.*

I&E contends that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial intervention. Additional testimony and exhibits, four days of litigious hearings, briefing, and further involvement of the ALJ would have added time and expense to an already cumbersome and complex proceeding. Ratepayers benefit when rate case expenses stay at a reasonable level.¹⁶ The Settlement Agreement in the instant proceeding protects the public interest in that a comparison of the original filing submitted by the Company and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petition.

REVENUE REQUIREMENT (Joint Petition, ¶¶A.26-A.38)

Revenue Number

The Settlement Agreement provides for an increase of a \$26 million to the Company's annual overall revenue. This increase is \$20.9 million less than the \$46.9 million initially requested by Columbia, or a reduction of approximately 45% of the amount requested. I&E agreed to settlement in the amount of \$26 million only after I&E conducted an extensive investigation of Columbia's filing and related information obtained through the discovery process to determine the amount of revenue Columbia needs to provide safe, effective, and reliable service to its customers. The additional revenue in this proceeding is base rate revenue and has been agreed to in the context of a "Black Box" settlement with limited exceptions. The prior Chairman of the Commission has explained that black box settlements are beneficial in this context because of the difficulties in reaching an agreement

¹⁶ See *id.*

on each component of a company's revenue requirement calculation, when he stated, the "[d]etermination of a company's revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company's cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black box settlements are an integral component of the process of delivering timely and cost-effective regulation."¹⁷

This increased level of "Black Box" revenue adequately balances the interests of ratepayers and Columbia. Columbia will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial request. Mitigation of the level of the rate increase benefits ratepayers and results in "just and reasonable rates" in accordance with the Public Utility Code, regulatory standards, and governing case law.¹⁸

Income Tax Differential

Additionally, the Joint Petitioners have agreed that approximately \$23.8 million associated with the Tax Cuts and Jobs Act of 2017 ("TCJA") will be returned to customers in full over an eighteen-month period beginning no later than December 16, 2018. Interest will also be calculated monthly on the actual regulatory liability balance starting January

¹⁷ See, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662. See also, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Citizens' Electric Company of Lewisburg, PA*, Docket No. R-2010-2172665.

¹⁸ 66 Pa. C.S. § 1301.

2018 until the balance is returned. This term represents a compromise between the Company and other parties including I&E. I&E believes that the eighteen-month refund including interest is within the public interest and adheres to the Commission Order¹⁹ regarding TCJA.

Pension Prepayment Accounting Deferral

The settlement provides that the Company's pension prepayment in the amount of \$8,449,772 shall be amortized over a ten-year period beginning December 16, 2018. Any unamortized balance shall not be permitted to be included in rate base in future rate base cases.

By way of background, on September 15, 2017, the Company made a voluntary prepayment of an allocated share of pension contribution of \$14,824,162 to the NiSource Inc. Pension Plan.²⁰ On January 5, 2018, the Company filed a petition with the Commission seeking permission to defer for accounting and financial reporting purposes the one-time prepayment of pension expense of \$8,449,772.²¹ I&E filed an answer with the Commission, on January 25, 2018, in response to that petition recommending the denial of the relief requested. On April 4, 2018, the Company filed a motion with the Commission to consolidate the petition requesting authorization to defer \$8,449,772 of pension prepayment with this base rate proceeding which was granted on May 1, 2018.

¹⁹ Order entered May 17, 2018 at Docket No. M-2018-2641242.

²⁰ Columbia Petition for Pension Deferral at Docket No. P-2018-2641257 at p. 4.

²¹ Columbia Petition for Pension Deferral at Docket No. P-2018-2641257.

In this proceeding, I&E recommended that the pension deferral amortization claim be disallowed or, in the alternative, if it were to be allowed be amortized over ten years.²² The Settlement provides for the amortization of the pension prepayment over ten years which is consistent with the number of years the Company has prepaid per actuarial future estimates.²³ The ten year amortization of the pension prepayment is within the public interest because it allows the Company to recover that cost over the same amount of time that the prepayment savings or benefits are realized.

REVENUE ALLOCATION AND RATE DESIGN (Joint Petition, ¶¶B.39-B.47)

A public utility shall not establish or maintain unreasonable differences in rates among rate classes.²⁴ While there may exist sound justification for some discrepancies in rates under the principle of gradualism, this principle alone does not justify “allowing one class of customers to subsidize the cost of service for another class of customers over an extended period of time.”²⁵ The revenue allocation set forth in the Joint Petition not only reflects a compromise of the Joint Petitioners, but it also produces an allocation that moves each class closer to its actual cost of service. This movement is consistent with the principles of *Lloyd*. Accordingly, this revenue allocation is in the public interest because it is designed to limit customer class subsidies, and to place costs upon the classes responsible for causing those costs.

²² I&E St. No. 1, p. 40.

²³ *Id.*

²⁴ 66 Pa. C.S. § 1304.

²⁵ *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1019-20 (Pa. Cmwlth. 2006).

A utility must be allowed to recover the fixed portion of providing service through the implementation of the proper customer charge.²⁶ This fixed charge provides Columbia with a steady, predictable level of income which will allow Columbia to recover certain fixed costs such as metering, billing, and payment processing.²⁷

The Joint Petition provides that the residential customer charge will not be increased and will remain at \$16.75 per month. The ultimate resolution of maintaining and not increasing the existing residential customer charge is in the public interest because it protects residential ratepayers while still providing Columbia with adequate revenue.

The remaining customer charges in the Company's proposed tariff have been modified to reflect the mitigated level of the overall increase. Designing rates in this way allows customers to have greater control of their gas bills is in the public interest because it affords customers the opportunity to decrease their usage in an effort to ultimately keep their utility bill lower. Limiting the increase in the customer charge demonstrates a compromise of the interests of the Joint Petitioners and benefits the Company's ratepayers. Therefore, this provision is in the public interest because it more closely aligns the customer charge with the cost to serve those customers. Furthermore, conservation is in the public interest and having a customer charge that is aligned with the cost to serve that customer allows the customer to realize the immediate benefit of conservation on their bill.

²⁶ Jim Lazar, "Electric Utility Residential Customer Charges and Minimum Bills: Alternative Approaches for Recovering Basic Distribution Costs." Regulatory Assistance Project (Nov. 2014).

²⁷ *Id.*

Designing rates that allow customers to have greater control of their utility bills is in the public interest.

Weather Normalization Adjustment (“WNA”)

Columbia’s Weather Normalization Adjustment pilot will continue as a pilot including a 3% deadband and exclude the month of October from operation. The Company will maintain and provide to I&E, OCA, and OSBA by October 1 of each year all reports and records supporting the operation of its WNA for the preceding year, including the Company’s monthly computation of the WNA and all data underlying the Company’s monthly WNA computation.

WNA is a mechanism used to adjust a portion of a customer’s bill to lessen the impacts of warmer or colder than normal weather. I&E believes the continuation of the Company’s WNA pilot with a 3% deadband is within the public interest because it serves to protect both the Company and customers from the effects of abnormal weather. The 3% deadband allows for a range of “normal” weather in which the Company’s Commission-approved rates would be applied without adjustment.

Flex Rate Customers

In the Settlement, the Company agrees to segregate flex rate customers into a separate category in each of its filed cost allocation studies. By separating flex rate customers from the Small Distribution Service/Large General Sales Service and Large Distribution Service/Large General Sales Service classes we can determine the actual

cost to serve for the non-flex customers. It is important that customers are charged what it costs the Company to serve them.

UNIVERSAL SERVICE AND CONSERVATION (Joint Petition, ¶¶C.48-C.59)

Hardship Fund

By way of background, on February 28, 2018, Columbia filed a Petition seeking approval to use future federal pipeline penalty credits and refunds to support its residential Hardship Fund.²⁸ On June 14, 2018, the Commission approved the petition to allow the Company to use penalty credits and refunds to fund its Hardship Fund, while it continues to seek out additional voluntary funding sources.²⁹

The Settlement provides that Columbia may use the residential portion of pipeline penalty credits and refunds as a funding source for the Hardship Fund, while it continues to seek out additional funding from voluntary sources, as consistent with the Order issued by the Commission.³⁰ In addition, Columbia agreed to provide a report in its next base rate proceeding on ideas developed and implemented to increase voluntary contributions to the Hardship Fund.

Columbia, in accordance with the Commission Order³¹, will keep the Hardship Fund balance at a maximum of \$750,000, when the balance exceeds that number,

²⁸ Petition of Columbia Gas of Pennsylvania, Inc. For Approval to use Penalty Credit and Refund Proceeds for its Residential Hardship Fund, Docket No. P-2018-3000160.

²⁹ Order entered June 14, 2018 at Docket No. P-2018-3000160.

³⁰ Order entered June 14, 2018 at Docket No. P-2018-3000160.

³¹ *Id.*

Columbia will flow the residential portion of future credit and refund proceeds to residential customers through Columbia's Purchased Gas Cost ("PGC"). In the first PGC filing the Company uses pipeline penalty credits and refunds to replenish the Hardship Fund balance, the Company shall provide testimony on the exact annual cost impact on an individual customer basis for the average usage customer and a comparison of the residential price-to-compare with and without utilized pipeline credits and refunds. Lastly, all parties have the right to challenge usage of these funds in future proceedings or support the continued use of those funds to support the Hardship Fund.

I&E recognizes the harm that may occur to the Company's low-income population if funding for the Hardship Fund is not put in place. On a going forward basis, I&E will continue to analyze for increases on the impact on individual customers and the residential price-to-compare. Reserving the right to challenge the usage of these funds in future proceedings is in the public interest because it establishes a safeguard in the event that residential customers and price-to-compare will be significantly impacted by the use of these funds.

NATURAL GAS SUPPLIER ISSUES (Joint Petition, ¶¶D.60-E.65)

I&E has no specific comments on the Natural Gas Supplier issues contained in the Settlement.

OTHER ISSUES (Joint Petition, ¶¶E.66)

The remaining issues raised in the I&E Prehearing Memo have been satisfactorily resolved through Discovery and discussions with Columbia Gas and are incorporated into

the “Black Box” resolution of the revenue requirement in this proceeding. The very nature of a settlement agreement incorporates compromise on the part of all Joint Petitioners. This particular Settlement Agreement exemplifies this principle. Because of the characteristics of “Black Box” settlements, no representation of the resolution of any issue not specifically identified is possible in future proceedings.

RESERVED FOR LITIGATION (Joint Petition, ¶¶E.67)

I&E did not take a position on the issue reserved for litigation regarding non-commodity billing, therefore, I&E did not file a main brief.

III. CONCLUSION

Based on I&E’s analysis of the base rate revenue increase requested by Columbia Gas of Pennsylvania, Inc., acceptance of this proposed Joint Petition is in the public interest. Resolution of these issues by settlement rather than continued litigation will avoid the additional time and expense involved in formally pursuing all issues in this proceeding. Increased litigation expenses may have impacted the increase in revenue agreed to in the Joint Petition. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

I&E further submits that acceptance of the foregoing Settlement Agreement will negate the need to engage in additional litigation including the preparation of Main Briefs, Reply Briefs, Exceptions and Reply Exceptions. The avoidance of further rate case expense by settlement of these provisions in this Base Rate Investigation proceeding best serves the interests of Columbia and its customers.

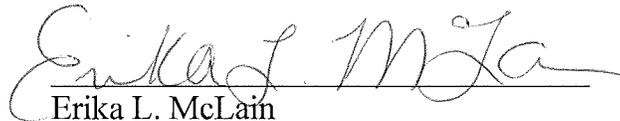
The Settlement Agreement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to approve or otherwise modify the terms and conditions of the Settlement, the Joint Petition may be withdrawn by I&E or any of the signatories.

I&E agrees to settle the disputed issue as to the proper level of additional base rate revenue through a "Black Box" agreement with limited exceptions. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation or in the continuation of this litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

If the ALJ recommends that the Commission adopt the Settlement Agreement as proposed, I&E has agreed to waive the right to file Exceptions. However, I&E has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the Settlement Agreement, or any additional matters, that may be proposed by the presiding officer in her Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any active party to this proceeding.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement supports the *Joint Petition for Settlement* as being in the public interest and respectfully requests that Administrative Law Judge Jeffrey Watson recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,

A handwritten signature in cursive script, reading "Erika L. McLain", written over a horizontal line.

Erika L. McLain
Prosecutor
Attorney ID #320526

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 783-6170

Dated: August 31, 2018

Appendix G

annual operating revenues of \$46.9 million, or 11.4 percent of base rate revenues, for the fully projected future test year (“FPFTY”) ending December 31, 2019.¹

By Order issued April 5, 2018, the Commission instituted a formal investigation of Columbia’s existing and proposed rates, and Supplement No. 267 was suspended by operation of law until December 15, 2018. This case was assigned to Administrative Law Judge (“ALJ”) Jeffrey A. Watson for purposes of conducting hearings and issuing a Recommended Decision.²

The Commission’s Bureau of Investigation and Enforcement (“I&E”) entered a notice of appearance on March 22, 2018.

Formal complaints were filed by the OSBA, the Office of Consumer Advocate (“OCA”), The Pennsylvania State University (“PSU”), Columbia Industrial Intervenors (“CII”), Patricia Southorn, G. Blair Bauer, Philip L. Bloch, and Robin A. Harrison.

Petitions to Intervene were filed by the following parties: Dominion Retail, Inc. (“Dominion”), Shipley Energy Company (“Shipley”), and Interstate Gas Supply, Inc. (“IGS”) (collectively, the “NGS Parties”); Direct Energy Business, LLC, Direct Energy Services, LLC and Direct Energy Business Marketing, LLC (collectively, “Direct Energy”), Coalition for Affordable Utility Services and Energy Efficiency in

¹ See OSBA Statement No. 1, Table IEc-5, at 27. The OSBA respectfully disagrees with the Company’s efforts to minimize its requested rate increase by including purchased gas costs in the percentage calculation, as these costs are not base rates costs and including these costs distorts the comparative rate increase percentages among the various rate classes.

² On January 5, 2018, Columbia filed a Petition for Authorization to Defer, for Accounting Purposes, Certain Costs Associated with a Prepayment of \$8,449,772 to the NiSource, Inc. Pension Trust, at Docket No. P-2018-2641257 (“Accounting Deferral Petition”). The Accounting Deferral Petition was initially assigned to Administrative Law Judge Katrina L. Dunderdale. On April 6, 2018, Columbia filed a Motion to consolidate the Accounting Deferral Petition with this base rate proceeding, which included a claim to recover the prepayment. This Motion was subsequently granted.

Pennsylvania (“CAUSE-PA”), and Community Action Association of Pennsylvania (“CAAP”).

A Prehearing Conference was held on April 18, 2018, at which time the parties agreed upon a procedural schedule and discovery modifications.

On March 15, 2018, the Commission issued an order at Docket No. M-2018-2641242, establishing the then-current rates of certain public utilities as temporary rates, in response to the Tax Cuts and Jobs Act of 2017 (“TCJA”).

On April 20, 2018, Columbia filed supplemental direct testimony, which calculated the effect of the TCJA on Columbia’s 2018 tax liability. Columbia’s original rate filing had included the prospective effect of the TCJA in calculating Columbia’s proposed revenue requirement for the FPFTY.

On May 17, 2018, at Docket No. M-2018-2641242, the Commission issued a further order directing certain utilities to establish temporary rates in the form of a negative surcharge effective July 1, 2018. In that Order, the Commission exempted Columbia from filing a negative surcharge because of Columbia’s pending base rate case.

Subsequently, the parties engaged in extensive formal and informal discovery.

The OSBA submitted direct testimony, rebuttal testimony, and surrebuttal testimony in accordance with the procedural schedule, as did various other parties.

The parties ultimately successfully negotiated a settlement of all but one issue, the billing of non-commodity products and services (the “Reserved Issue”). Consequently, all parties waived cross-examination of all witnesses, including on the Reserved Issue, and agreed to admit all pre-served testimony and exhibits into the record by stipulation.

On July 26, 2018, a hearing was held for the sole purpose of admitting by stipulation the parties' testimony and exhibits. The evidentiary hearings scheduled for July 27, 2018 and August 6, 2018 were cancelled.

The OSBA actively participated in the negotiations that led to the proposed partial settlement, and is a signatory to the Joint Petition for Partial Settlement ("Joint Petition"). The OSBA submits this statement in support of the Joint Petition.

III. STATEMENT IN SUPPORT OF JOINT PETITION

The Joint Petition sets forth a comprehensive list of issues that were resolved through the negotiation process. The following issues were of primary significance to the OSBA when it concluded that the Joint Petition is in the best interests of Columbia's small business customers.

A. Revenue Requirement (Joint Petition at ¶¶ 26-38)

As noted above, Columbia's proposed Supplement No. 267 requested \$46.9 million in additional annual revenues. Through the settlement negotiation process, the parties have agreed to a net revenue increase in FPFTY distribution rate revenues of \$26.0 million, or approximately 6.3 percent, in lieu of the Company's originally-requested \$46.9 million increase, or 11.4 percent.

The Joint Petition also reflects the application of the Company's 2018 TCJA income tax savings of approximately \$23.8 million, which will be returned to customers in full over an eighteen (18) month period beginning no later than December 16, 2018. This savings is credited to customers through the Federal Tax Adjustment Credit ("FTAC") shown in the Redline Tariff for Settlement in the rate summary pages, and

represents approximately 3.5 percent of distribution revenues. The exact magnitude of the credit will be established based on the actual 2018 liability booked by the Company through December 15, 2018.

While the OSBA did not submit testimony relating to the overall revenue requirement, the OSBA makes special note of paragraph 28 of the Joint Petition, wherein the parties agree that excess ADIT resulting from the TCJA will be a credit to rate base, and will continue to be a credit to rate base until the excess ADIT is fully refunded to customers. Excess ADIT represents tax costs that have been included in rates but which were deferred by the Company, and which will no longer need to be paid as a result of the reduction in corporate tax rates. Since the tax costs associated with excess ADIT were previously included in rates, they should reasonably remain a credit to rate base. The Joint Petition therefore correctly reflects this ratemaking treatment.

B. Revenue Allocation and Rate Design (Joint Petition at ¶¶39-47)

1. C&I Network (Joint Petition at ¶44)

Pursuant to the settlement of the Company's last base rates case, and pursuant to the Commission's order at Docket R-2017-2581690, the Company proposed to install a C&I Network in order to assist competitive natural gas suppliers ("NGSS") in meeting their load balancing obligations, and to recover the costs for that network in C&I Network charges to all larger SGS, LGS, SDS, and MDS customers. The Company also expressed concern that the estimated cost of the C&I Network had materially increased since the Commission's decision at Docket No. R-2017-2581690.

In Direct Testimony, OSBA witness Robert D. Knecht testified that the Company's proposal to implement a fixed commercial and industrial network ("C&I

Network”) to provide daily metering has not been economically justified and should be deferred until a full economic evaluation is completed.³ Mr. Knecht also disagreed with the Company’s proposal to impose the costs for this network on non-shopping and retail Choice customers, because (a) these customers have no need for the network, and (b) the settlement of the last base rates case explicitly limited the network to SDS, LDS and MDS transportation service customers.⁴

Paragraph 44 of the Joint Petition provides that the “C&I Network will not be placed in service in 2019, and no charges will be imposed on customers in this proceeding related to the C&I Network,” consistent with Mr. Knecht’s recommendation. The OSBA therefore determines it is in the interest of Columbia’s small business customers. In addition, paragraphs 60 through 62 of the Joint Petition provide for a collaborative process through which issues related to timely provision of information to NGSs may be resolved. While paragraph 62 leaves open the possibility that Direct Energy may file a complaint related to this issue, the Joint Petition requires that any such proceeding be resolved based on evidence adduced in the current proceeding, supplemented by rejoinder testimony from the Company as necessary. The OSBA is cautiously optimistic that this collaborative process will result in a lower-cost alternative for meeting NGS information requirements than the C&I Network. Nevertheless, if such a proceeding is undertaken, OSBA expects to vigorously defend its position that only transportation customers should pay for such a network.

³ OSBA Statement No. 1 at 2, 7-12. In so doing, Mr. Knecht acknowledged that the matter may have already been resolved by the Commission. OSBA Statement No. 1 at 11, 3-5.

⁴ OSBA Statement No. 1 at 11-12.

2. Cost Allocation and Revenue Allocation (Joint Petition at ¶¶45-47)

It is well-established in Pennsylvania that revenue allocation and rate design should reflect allocated cost. The specific rules for how costs should be allocated to the various rate classes for natural gas distribution companies (“NGDCs”) like Columbia is less clear. In this proceeding, two cost allocation issues substantially complicated the revenue allocation and rate design process. First, the issue of classifying mains costs remains a matter of significant debate, with significant disputes as to (a) whether mains should be sub-functionalized into small and large categories, (b) whether some portion of mains costs should be allocated on the basis of customer count, and (c) whether some mains cost should be allocated on the basis of annual volume. Choosing between the various methods produces enormous differences in allocated costs, and thus in the implications for revenue allocation. Second, a significant portion of the large industrial load in Rate LDS currently takes service at negotiated rates, wherein rates are set based on competitive conditions (often called “flex rates”) rather than allocated cost. Because these rates are negotiated, no portion of the rate increase can be assigned to these customers. However, because those customers are mixed in with “regular rate” LDS customers in the cost allocation study, it can be difficult to reasonably assign a cost-based rate increase to the regular rate LDS customers.

Regarding the latter issue, consistent with Mr. Knecht’s recommendation in his direct testimony, the Joint Petition paragraph 46 requires that the Company segregate flex rate customers in future cost allocation studies.⁵ Also, with respect to flex rate

⁵ OSBA Statement No. 1 at 21, 21-24.

customers, the OSBA strongly supports paragraph 45 of the Joint Petition, which requires that the Company justify the use of lower flex rates for customers where verification is ten years out of date. In OSBA's view, it is the Company's burden to demonstrate that all discounted flex rates are justified on the basis of competitive conditions.

With respect to revenue allocation, the various parties relied on a variety of different cost allocation methods, and thus produced many a variety of revenue allocation recommendations. The table below sets out the various positions of the parties, reported as a percentage of the overall increase. (That is, if a class is assigned \$30 million of a system-wide \$50 million increase, the reported value is 60 percent.) The table also includes the Joint Petition revenue allocation. As shown, the Joint Petition revenue allocation lies within the range of the positions of the parties. (In addition, representatives of both CII and PSU submitted testimony favoring assignment of a lower share of the overall increase for Rate LDS, although they did not offer a complete revenue allocation proposal.)

Comparison of Revenue Allocation Proposals							
	Total	R	SGS1	SGS2	SDS/LGSS	LDS/LGSS	MDS
Company Proposal	100.0%	80.3%	5.1%	4.6%	5.3%	4.5%	0.1%
OSBA Proposal	100.0%	78.7%	7.6%	0.0%	6.9%	6.8%	0.0%
OSBA 50/50 Alternative	100.0%	92.8%	5.3%	0.0%	1.6%	0.3%	0.0%
I&E Proposal (Sch 14)	100.0%	70.7%	11.5%	7.8%	5.3%	4.5%	0.1%
I&E Proposal (Sch 13)	100.0%	70.1%	11.7%	8.2%	5.3%	4.5%	0.1%
OCA Proposal Direct	100.0%	63.8%	10.1%	11.3%	9.2%	5.2%	0.3%
OCA Proposal Surreb.	100.0%	63.1%	10.1%	10.0%	9.2%	7.2%	0.3%
I&E Scaleback (Sch 15)	100.0%	70.6%	13.4%	6.0%	5.3%	4.5%	0.1%
Joint Petition	100.0%	72.3%	10.4%	5.7%	7.7%	3.8%	0.0%

The OSBA also observes that the revenue allocation is consistent with the longer term pattern of rate design settlements. In the Company's seven previous base rates

proceedings, between 2008 and 2017, the Small General Service class share of the revenue allocation has ranged from 13 percent to 19 percent. The Joint Petition proposes a 16 percent share in the current proceeding, consistent with the historical pattern.

The OSBA concludes that the revenue allocation in the Joint Petition provides a meaningful benefit to small business customers, since it eliminates the litigation risk associated with OCA's and I&E's proposed increase to Rate SGS customers. Therefore, the OSBA determines that the Joint Petition is in the best interest of Columbia's small business customers.

With respect to rate design, as set forth in Appendix B, the OSBA did not object to the Company's modest proposed increase in the customer charge to Rate SGS1 because it was cost-based and reasonable, but recommended that it be proportionately scaled back if the Company's overall increase is scaled back.⁶ The customer charge for Rate SGS1 in Appendix B is consistent with the OSBA's recommendation and therefore we determine it is in the interest of Columbia's small business customers.

Lastly, settlement of this proceeding avoids the litigation of competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the Joint Petitioners, but ultimately by the Company's customers as well. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to more efficiently employ its resources in other areas.

⁶ OSBA Statement No. 1 at 36.

IV. CONCLUSION

For the reasons set forth in the Joint Petition, as well as the additional factors enumerated in this statement, the OSBA supports the proposed Joint Petition and respectfully requests that ALJ Watson and the Commission approve the Joint Petition in its entirety without modification.

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: August 30, 2018

Appendix H

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2018-2647577
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**STATEMENT IN SUPPORT OF THE
COLUMBIA INDUSTRIAL INTERVENORS**

The Columbia Industrial Intervenors ("CII"), by and through its counsel, submit that the terms of the Joint Petition for Partial Settlement ("Joint Petition" or "Partial Settlement") concurrently filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") in the above-captioned proceeding reflect a partial settlement among the Joint Petitioners with respect to Columbia Gas of Pennsylvania, Inc.'s ("Columbia" or "Company"), March 16, 2018, filing of Supplement No. 267 to Tariff Gas – Pa. P.U.C. No. 9 ("Supplement No. 267"), which sought to increase Columbia's total annual operating revenues by \$46.9 million, effective May 15, 2018.

As a result of settlement discussions, Columbia, CII, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the PUC's Bureau of Investigation and Enforcement ("I&E"), Dominion Retail, Inc. ("Dominion"), Shipley Energy Company ("Shipley"), Interstate Gas Supply, Inc. ("IGS"), Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC (collectively, the "Direct Energy Companies"), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Community Action Association of Pennsylvania ("CAAP"), and the Pennsylvania State University ("PSU") (collectively, "Parties" or "Joint Petitioners") have agreed

upon the terms embodied in the foregoing Joint Petition. CII offers this Statement in Support to further demonstrate that the Partial Settlement is in the public interest and should be approved without modification.

BACKGROUND

1. On March 16, 2018, Columbia filed Supplement No. 267, which contained proposed changes in rates, rules, and regulations calculated to produce an increase of approximately \$46.9 million in total operating revenues.

2. On April 9, 2018, CII submitted a Complaint in the above-captioned proceeding. As noted in its Complaint, CII members receive natural gas service from Columbia under both sales and transportation rate schedules, including Rate LDS-Large Distribution Service, and use substantial volumes of natural gas in their manufacturing and operational processes. As a result, CII members were concerned that the proposed increase may have an adverse impact on their costs of operations.

3. In accordance with the Commission's policy encouraging negotiated settlement of contested proceedings, the Joint Petitioners engaged in discussions to resolve the issues raised by various parties. These negotiations resulted in the Partial Settlement, which proposes a resolution of most of the issues between the Joint Petitioners in this proceeding as set forth below.

STATEMENT IN SUPPORT

4. The Commission has a strong policy favoring settlements. As set forth in the Commission's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391; *see also* 52 Pa. Code § 5.231. Consistent with the Commission's Policy, the

Joint Petitioners engaged in negotiations in an effort to settle the issues raised in this proceeding. These ongoing discussions produced the foregoing Partial Settlement.

5. The Joint Petitioners agree that approval of the proposed Partial Settlement is in the best interest of the parties involved.

6. The Joint Petitioners agree that the Company should be authorized to file a tariff supplement containing the rates set forth in the Joint Petition.

7. The Joint Petitioners agree that the \$26 million rate increase achieved in the Joint Petition is just, reasonable, and in the public interest. Joint Petition, Paragraphs 23 and 26.

8. The Joint Petitioners agree that this resulting rate increase should be allocated pursuant to the terms of the Partial Settlement.

9. The Joint Petition is in the public interest for the following reasons:

- a. As a result of the Joint Petition, expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be less than they would have been if the proceeding had been fully litigated.
- b. Uncertainties regarding further expenses associated with possible appeals from the final order of the Commission are avoided as a result of the Joint Petition.
- c. The Joint Petition results in an increase in Columbia's rates by \$26 million, or approximately 4.52%, in lieu of the \$46.9 million, or 8.16%, increase originally requested.
- d. The Joint Petition provides a just and reasonable means by which to allocate the resulting increase.
- e. The Joint Petition reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding.
- f. The Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving the Company.

10. The Joint Petition specifically satisfies the concerns of CII by:

(i) lowering the revenue increase amount to Rate LDS customers by approximately 56%. *Id.* at Appendices A and B.

(ii) noting that in the next base rate case, Columbia will segregate flex rate customers into a separate category in each of its filed cost allocation studies; *Id.* at Paragraph 46.

(iii) agreeing to not place the C&I Network into service in 2019, and noting that no charges will be imposed on customers in this proceeding relating to the C&I Network, subject to ongoing discussions as described in Paragraph 62 of the Joint Petition. *Id.* at Paragraphs 44 and 62.

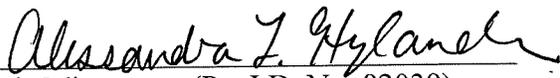
11. CII supports the foregoing Joint Petition because it is in the public interest; however, in the event that the Joint Petition is rejected by the Administrative Law Judge or the Commission, CII will resume its litigation position, which differs from the terms of the Joint Petition.

12. As set forth above, CII submits that the Partial Settlement is in the public interest and adheres to Commission policies promoting negotiated settlements. The Settlement was achieved after numerous negotiations. Although Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the parties, as well as the Commission, to avoid expending the substantial resources that would have been required to fully litigate this proceeding while still reaching a just, reasonable, and non-discriminatory result. Joint Petitioners have thus reached an amicable resolution to this dispute as embodied in the Partial Settlement. Approval of the Partial Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense, and uncertainty of further current litigation in this proceeding. *See* 52 Pa. Code § 69.391.

WHEREFORE, the Columbia Industrial Intervenors respectfully request that the Administrative Law Judge and the Pennsylvania Public Utility Commission approve the foregoing Joint Petition for Partial Settlement without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 
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Counsel to the Columbia Industrial Intervenors

Dated: August 31, 2018

Appendix I

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No. R-2018-2647577
Office of Consumer Advocate	:	
Office of Small Business Advocate	:	C-2018-3000582
Patricia Southorn	:	C-2018-3000773
The Pennsylvania State University	:	C-2018-3000779
Columbia Industrial Intervenors	:	C-2018-3001034
G. Blair Bauer	:	C-2018-3001047
Philip L. Bloch	:	C-2018-3001319
Robin A. Harrison	:	C-2018-3001634
	:	C-2018-3002595
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	
	:	
Petition of Columbia Gas of Pennsylvania, Inc. For Authorization to Defer, For Accounting Purposes, Certain Costs Associated With a Prepayment to the NiSource, Inc. Pension Trust	:	Docket No. P-2018-2641257
	:	
	:	

**NGS PARTIES' STATEMENT IN SUPPORT
OF PARTIAL SETTLEMENT**

TO THE ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

AND NOW, come Dominion Energy Solutions, Inc (“DES”), Interstate Gas Supply, Inc. d/b/a IGS Energy (“IGS”), and Shipley Choice LLC d/b/a Shipley Energy (“Shipley”)(collectively “the NGS Parties”), and hereby submit their Statement in Support of the Joint Petition for Partial Settlement (“Settlement”) being filed simultaneously herewith. The NGS Parties respectfully submit that the Settlement is in the public interest and should be approved by the Pennsylvania

Public Utility Commission (“Commission”) as presented. In support thereof, the NGS Parties state as follows:

I. BACKGROUND

1. On or about March 16, 2018, Columbia Gas of Pennsylvania, Inc. (“Columbia” or “the Company”) filed Supplement No. 267 to its tariff gas P.U.C. No. 9 (“Supplement No. 267”) seeking to increase operating revenues by approximately \$46.9 million, or by approximately 8.16%. By Order dated April 5, 2018, the Commission suspended the effective date of the tariff until December 15, 2018.

2. The NGS Parties filed their Petition to Intervene in the above-captioned matter on March 30, 2018, which Petition was granted by the Presiding Administrative Law Judge at the prehearing conference which was held Thursday, April 18, 2018.

3. In their Prehearing Conference Memorandum, the NGS Parties identified two primary issue areas that would be addressed by their witnesses in testimony: 1) Columbia’s ongoing OFO/OMO conditions and the impacts on NGSs associated therewith; and, 2) Columbia’s discriminatory policies with regard to including non-commodity charges on customer bills.

4. The NGS Parties Submitted the testimony of two witnesses in this proceeding: 1) Ms. Laura Greenholt-Tasto who addressed the OFO/OMO issues (NGS Parties’ Statement Nos. 1 and 1-SR); and, 2) Mr. Anthony Cusati, III, who addressed the non-commodity billing issues (NGS Parties’ Statement Nos. 2 and 2-SR).

5. The Partial Settlement resolves all issues raised in this matter, save one: the billing of non-commodity products and services (*See*, ¶ 69). The NGS Parties have filed Main and Reply Briefs on the subject of non-commodity billing, but support the Settlement in all other respects.

II. THE SETTLEMENT

6. The NGS Parties take no position on settlement paragraphs 25-59.

7. While the Settlement addresses only one of the two issue areas raised by the NGS Parties, the resolution of the OFO/OMO issues, standing alone, is in the public interest and should be approved as presented.

8. In the Settlement, Columbia and the Parties have agreed to undertake a comprehensive review of Columbia's processes for providing general delivery service relative to operational orders (operational flow orders "OMO" and operational matching orders "OMO"), delivery quantities and natural gas supplier access to customer information. The parties have agreed to participate in a collaborative process that will consider, without limiting the possible outcomes, the following: 1) a revised operational order process for customers with daily read meters; 2) a revised methodology for establishing MDQ's -- potentially using more data and making the process more uniform as between shopping and default service customers; and, 3) parameters for establishing the percentage of MDQ a supplier would be required to deliver to address an OFO. These provisions are designed to ensure that the parties fully examine how best to operate the Columbia system in a manner that is fair to all customers and suppliers. The Settlement also is intended to accomplish these tasks with alacrity, by providing that a tariff be filed within 150 days of convening the collaborative and thereafter requiring quarterly collaboratives for the next two years to make sure that any issues are addressed in a timely manner. The Settlement also contains a detailed process to address the potential situation where the results of the collaborative are inconclusive or contested, to ensure that no party's rights are compromised.

9. The collaborative provided for by the Settlement should provide an excellent platform to review and revise Columbia's processes as needed to address the increasing use of

flow orders on its system, and the operational and financial ramifications of those orders, that simply are not the norm on other systems. Accordingly, the NGS Parties support the process as a step forward and as creating the best path to success. The history of the competitive energy markets in Pennsylvania, from the beginning, through the transition period and even today, shows quite plainly that the best, most long-standing results are obtained when parties can get past the drama of a litigated case and work cooperatively to resolve the issues. That is the intention and the hope of the collaborative proposed here and the NGS Parties support this approach.

10. The Settlement also will reduce the penalty multiplier for violations of OFO/OMO's from 3 times the index to 1.5 times the index price. Changing the penalty multiplier for OFO/OMO conditions is a reasonable step considering the vastly increased use of operational orders on the Columbia system and the financial jeopardy for NGSs that results. Reducing the multiplier to 1.5 times still creates a substantial incentive to comply with flow orders without the threat of extreme, and potentially catastrophic penalties, particularly when operating under flow orders has become the norm on the Columbia system during much of the year.

11. Finally, as a consequence of the Settlement the current volumetric fees for bank balance transfers and other gas transfers will be changed to a per transaction fee. The fixed fees will be \$10/per transaction for bank balance transfers, and \$15/per transaction for gas transfers through the EBB. Because the transactions are automated and require minimal levels of human intervention, the NGS Parties suggested that they would be better suited to flat fees as opposed to the volume-based fees because the costs of these transactions do not vary with the volumes and flat fees recognize this fact. Proving for fees that are cost based and compensatory for the service being rendered, is in the public interest.

12. The NGS Parties are hopeful that the collaborative provided for in the Settlement will result in meaningful change in the way the Columbia system is operated and produce both better operational results for Columbia, NGSs and customers, while reducing risk and costs for all parties. For all the reasons stated herein, the NGS Parties submit that the settlement is in the public interest and ask that the Presiding ALJ and the Commission approve it as submitted.

Respectfully submitted,



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Counsel for the NGS Parties

Dated: August 30, 2018

Appendix J

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	Docket No. R-2018-2647577
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES
AND ENERGY EFFICIENCY IN PENNSYLVANIA (CAUSE-PA) IN SUPPORT OF
JOINT PETITION FOR PARTIAL SETTLEMENT**

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), one of the signatory parties to the Joint Petition for Settlement (Joint Petition or Settlement), respectfully requests that the terms and conditions of the Settlement be approved by the Honorable Jeffery A. Watson, Administrative Law Judge (ALJ), and the Pennsylvania Public Utility Commission (Commission). For the reasons stated more fully below, CAUSE-PA believes that the terms and conditions of the Settlement are in the public interest and should be approved.

I. INTRODUCTION

CAUSE-PA intervened in this proceeding to address, among other issues, whether the proposed rate increase would detrimentally impact the ability of Columbia Gas of Pennsylvania, Inc.'s (Columbia) low-income customers to access service under reasonable terms and conditions. CAUSE-PA specifically addressed the financial harm of the rate increase on low income households; the disproportionate impact of the proposed residential (fixed) customer charge on low users and low income households; the potential erosion of energy efficiency savings through Columbia's proposed Revenue Normalization Adjust Rider (RNA), and its

impact on the low income households and energy efficiency programming; and the need offset the negative impacts of the proposed rate increase through the adoption of targeted changes to Columbia's universal service programs.

In relevant part, the Settlement proposes to increase operating revenues by \$26 million (Joint Pet. at 6), much lower than the proposed \$46.9 million increase. (Joint Pet. at 3). A typical residential customer using 70 therms per month will see an increase in their monthly bill from \$91.63 to \$95.74, or 4.49% - again, much lower than the proposed 9% increase in residential rates. (Id.) This 4.49% increase in residential rates will be recovered solely through the volumetric charge, rather than the fixed customer charge - which will remain at its current rate of \$16.75. (Joint Pet. at 6-7, 11). The Settlement also provides for several critical changes to Columbia's universal service programs, including enhancements to the Customer Assistance Program (CAP) enrollment and recertification processes; periodic review of CAP rate plans; supplementation of the Hardship Fund with pipeline credits and refunds; and a modest increase in funding for the Low Income Usage Reduction Program (LIURP), along with targeted efforts to remediate usage for CAP customers to help drive down costs. (Joint Pet. at 13-16). Finally, the Settlement provides for modification to Columbia's medical certificates policies that will increase access to medical certificates for vulnerable households consistent with the Commission's current policies and regulations. (Joint Pet. at 13-14).

Although CAUSE-PA's positions in litigation were not fully adopted, the Settlement was arrived at through good faith negotiation by all parties. The Settlement is in the public interest in that it (1) addresses the ability of low income natural gas customers in Columbia's service territory to access safe and affordable natural gas service, (2) balances the interests of the parties, and (3) fairly resolves a number of important issues raised by CAUSE-PA and other parties. If

the Settlement is approved, the parties will also avoid the considerable cost of further litigation and/or appeals.

II. BACKGROUND

On March 16, 2018, Columbia filed Supplement No. 267 to its Tariff Gas – Pa. P.U.C. No. 9 (Supplement No. 267) with the Pennsylvania Public Utility Commission (Commission) and proposed a May 15, 2018 effective date. (Joint Pet. at 6). In Supplement No. 267, the Company proposed to increase rates to produce additional overall revenues of approximately \$46.9 million, or 8.16%. (Joint Pet. at 3). Columbia also proposed to increase its residential monthly customer charge from \$16.75 to \$18.25. Under the Company's proposed rate increase, the total bill for a residential customer purchasing 70 therms of gas per month would have increased from \$91.63 to \$99.88 per month, or approximately 9%. (Joint Pet. at 6-7).

On April 10, 2018, CAUSE-PA filed a Petition to Intervene and Answer in this matter. On April 18, 2018, ALJ Watson convened a telephonic Prehearing Conference, at which he granted CAUSE-PA's Petition to Intervene. An Evidentiary Hearing was held on July 26, 2018. CAUSE-PA entered three pieces of testimony into the record: CAUSE-PA Statement No. 1, the prepared Direct Testimony of Mitchell Miller; CAUSE-PA Statement No. 1-R, the prepared Rebuttal Testimony of Mitchell Miller; and CAUSE-PA Statement No. 1-SR, the prepared Surrebuttal Testimony of Mitchell Miller.

The Joint Petition resolves all of the remaining issues in this proceeding, with the exception of a proposal by Direct Energy and the Natural Gas Supplier Parties (NGS Parties) to require Columbia to bill for non-commodity products and services offered by NGSs in Columbia's service territory. This single issue was reserved for briefing. Columbia and the Office of Consumer Advocate (OCA) each filed a Main Brief on August 16, 2018, opposing the suppliers' proposal.

(Columbia MB at 5-6; OCA MB at 6). The NGS Parties and Direct Energy each filed a Main Brief in support of the proposal. (NGS Parties MB at 4-5; Direct Energy MB at 3). CAUSE-PA did not file a Main Brief, though it maintained its opposition to the practice of billing for non-commodity products and services on Columbia's bill throughout the proceeding. (CAUSE-PA St. 1R at 7).

III. STANADARD FOR APPROVAL OF SETTLEMENT

The Commission's regulations lend unambiguous support for settlements, and declare: "It is the policy of the Commission to encourage settlements."¹ The Commission has also set explicit policy guiding settlement of a major rate case, explaining in its codified statement of policy that "the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding."² Settlements are preferred because they "lessen the time and expense that Parties must expend litigating a case and, at the same time, conserve resources."³ In reviewing whether to approve a proposed settlement, the Commission must determine whether the terms and conditions are in the interest of the public based on a preponderance of the evidence "showing a likelihood or probability of public benefits that need not be quantified or guaranteed."⁴ Historically, the Commission has defined the public interest as inclusive of ratepayers, shareholders, and the regulated community at large.⁵ Of course, proposed settlement terms must also be consistent with applicable law.⁶

¹ 52 Pa. Code § 5.231.

² 52 Pa. Code § 69.401.

³ See Commonwealth of Pa. et al. v. IDT Energy, Inc., Docket No. C-2014-2427657, at 35-37 (Tentative Order entered June 30, 2016).

⁴ See id. (quoting Popowsky v. Pa. PUC, 594 Pa. 583, 937 A.2d at 1040 (2007)).

⁵ See id. (citing Pa. PUC v. Bell Atlantic Pennsylvania, Inc., Docket No. R-00953409 (Order entered Sept. 29, 1995)).

⁶ See id. (citing Dauphin County Indus. Dev. Auth. v. Pa. PUC, 2015 Pa. Commw. LEXIS 381 (Sept. 9, 2015)).

IV. SETTLEMENT

When determining whether or not a proposed rate increase is just and reasonable, special consideration must be given to impact of the proposed rate increase and the resultant rate structure on ability of the most vulnerable members of society to afford natural gas service. It is both unjust and unreasonable to charge rates, which could force families to do without service that is essential to meet basic human needs. (CAUSE-PA St. 1 at 5-6, 8-12, 21). Low income households already struggle to afford necessities. (Id.) An increase to cost of natural gas service will only worsen the affordability gap for these customers.

The proposed Settlement takes rate affordability into account by using structural rate design to limit the disproportionate burdens on low income households and through enhancements to Columbia's universal service programs. These enhancements will better match needy households with available assistance and ensure access to stable and affordable utility services over the long term. These terms, and the reasons each are in the public interest, are discussed in further depth below.

A. REVENUE REQUIREMENT

CAUSE-PA did not take a position in this proceeding on the revenue requirement, or the components thereof, except to explain the detrimental impact of any increase in the Company's revenue requirement on low-income residential consumers generally. CAUSE-PA focused its case on the need to appropriately remediate any resultant increase in the Company's residential distribution rates through equitable rate design and the adoption of enhancements to available universal service programming. Rate design and universal service enhancements are discussed below.

B. REVENUE ALLOCATION AND RATE DESIGN

1. REVENUE ALLOCATION

CAUSE- PA did not take a position in this proceeding on revenue allocation.

2. RATE DESIGN

a) Residential Customer Charge

Pursuant to paragraph 39 of the Joint Petition, the residential (fixed) customer charge will remain at \$16.75 per month. (Joint Pet. at 11). Columbia initially proposed to increase the fixed customer charge to \$18.25, an increase of \$1.50 per month. (CAUSE- PA St.1 at 19). Under its existing tariff, Columbia's fixed charge is already \$2.00 higher than the fixed charge of Pennsylvania's seven large natural gas distribution companies. (CAUSE-PA St. 1 at 19). As CAUSE-PA's witness Mitchell Miller explained, increases to the fixed charge are particularly harmful low-income customers. Non-usage based rate increases undermine the ability of low-income customers to lower their consumption and engage in practices that promote energy conservation. (CAUSE-PA St. 1 at 20). Maintaining the customer charge at its current level will ensure that low-income customers can still mitigate the impact of the rate increase through energy conservation. (CAUSE-PA St. 1 at 21).

b) Weather Normalization Adjustment Rider (WNA)

CAUSE-PA did not take a position in this proceeding on the Weather Normalization Adjustment Rider.

c) Revenue Normalization Adjustment Rider (RNA)

CAUSE-PA supports the company's withdrawal of the Revenue Normalization Adjustment Rider. (Joint Pet. at 11). Mr. Miller testified at length regarding the impact of non-usage based charges such as the fixed customer charge and the RNA on low income and vulnerable populations. (CAUSE St. 1 at 20-21, 22-23). When revenue is collected on a per customer basis,

it undermines the ability of consumers to achieve lasting and appreciable bill savings through the adoption of energy efficiency and conservation, and creates a paradigm where low usage customers – which more often tend to be low income households – are subsidizing high usage clients. (CAUSE-PA St. 1 at 22-23). The RNA, as proposed, would have disproportionately affected low-income consumers, as the percentage of the bill that is fixed increases, the ability of a customer to reduce their bill through conservation decreases by the same margin. (Id.)

C. UNIVERSAL SERVICE AND CONSERVATION

1. CAP Payment Plan Options

As Mr. Miller testified in his direct testimony, approximately 15% of Columbia's current CAP customers have an energy burden that exceeds the Commission's maximum energy burden for gas heating customers. (CAUSE-PA St. 1 at 17). The majority of customers with excessive energy burdens are also Columbia's poorest customers, with a gross income at or below 50% below. (Id.)

Paragraph 57 of the Joint Petition provides that Columbia will conduct bi-annual review of accounts enrolled on its average of payments and percentage of bill CAP payment plan option that exceed the maximum energy burden recommended by the Commission. (CAUSE-PA St. 1 at 29). If a lower payment option is available, Columbia will automatically adjust the customer's rate to the lower amount. (Joint Pet. at 16). Columbia has further agreed to review its CAP payment plan selection policy after the release of the Commission's Energy Burden Study, and in the context of its next Universal Service Proceeding. (Joint Pet. at 15-16). In the interim, the bi-annual review of Columbia's CAP customer payment plans will go a long way to address existing unaffordability within Columbia's CAP. As Mr. Miller has previously testified, low income household struggle to make ends meet on daily basis and often have to forgo food, medical care and other expenses to

maintain utility service. (CAUSE-PA St.1 at 9). In light of any approved rate increase, it is essential that utility assistance programs are structured in a manner that achieves the statutory goal of maintaining access to affordable utility service. (CAUSE-PA St. 1 at 24).

2. CAP Enrollment

In paragraph 51 of the Joint Petition, Columbia also agreed to design and implement a process to facilitate the electronic submission of income verification for CAP enrollment and/or recertification, in collaboration with its CAP administrator. CAUSE- PA fully supports the proposed program change. Over the last decade, Columbia's CAP enrollment has not kept pace with the persistent and growing need for energy assistance in Columbia's service territory. (CAUSE-PA St. 1 at 25). While the ability to submit documents electronically will not fix all of Columbia CAP enrollment issues, it will help to improve program access for many low income families. It is important to note that mail or fax-based enrollment will remain an option for those who are less technologically advanced. (CAUSE-PA St.1 at 28). This additional option will simply expand the accessibility and availability of Columbia's CAP, consistent with the mandates of the Natural Gas Choice and Competition Act.⁷

3. Hardship Fund Program

In paragraph 48 of the Joint Petition, to ensure that the Hardship Fund is fully funded, Columbia proposes to use the residential portion of available pipeline credits and refunds to supplement the voluntary contributions to its hardship program, up to \$750,000. (Joint Pet. at 13). As Columbia witness Deborah Davis testified, the Hardship Fund program is a fund of last resort that provides critical assistance to those facing unique hardships and who cannot otherwise access other forms of assistance. (CPA Stat. 14 at 12:7-9). Ms. Davis further testified that without the usage of

⁷ 66 Pa. C.S. § 2203 (7), (8).

the pipeline credits to supplement the Hardship Fund program budget, it would have run out of funds in previous years as early as mid-March, leaving vulnerable households without any assistance until the program reopened in October. (CPA Stat. 14 at 13:14-20, 14:1-3). CAUSE PA fully supports Columbia's proposal to continue to supplement its Hardship Fund program with pipeline credits. The Hardship Fund is a vital form of assistance for low-income ratepayers, especially those at 150%- 200% of the federal poverty guidelines who are ineligible for other utility assistance programs and would otherwise be unable to maintain their gas service.

4. Low Income Usage Reduction Program (LIURP)

The Low Income Usage Reduction Program (LIURP) is specifically designed to reduce energy usage for low-income households, and produces average bill savings of 21-24% for participating households. (CAUSE-PA St.1 at 35). Mr. Miller noted that Columbia's current LIURP budget is inadequate to meet established need, and cannot be relied upon to address the expanded need for usage reduction assistance that would result from the proposed rate increase (CAUSE-PA St.1 at 35). Columbia estimates that there 18,647 households in need of weatherization assistance. (CAUSE-PA St.1 at 35). But in 2017, Columbia's LIURP program only served 440 households – a small fraction of the identified need. (Id.)

Paragraph 49 of the Joint Petition incorporates CAUSE-PA's recommendation to increase LIURP funding to help offset the impact of the rate increase. (CAUSE-PA St. 1 at 37). Beginning with the 2020 program year, Columbia agreed to increase its annual LIURP funding by \$125,000. (Joint Pet. at 13). Any unused funds at the end of the year will be rolled over and added to the total LIURP budget for the following year. (Joint Pet. at 13). CAUSE-PA supports the proposed increase to LIURP funding. This modest increase in annual LIURP funding is squarely within the public interest, as it ensures that low-income households are better able to access usage reduction

services to reduce their energy burden, thereby offsetting the negative impact of a rate increase on this particularly vulnerable population.

Additionally, in paragraph 55, Columbia agrees to continue to review the list of customers with high CAP credits (over \$1000) from the prior year and prioritize those customers for weatherization when possible. Prioritizing high usage CAP customer will not only help reduce the customer's usage, and therefore make their bill more affordable, it will also reduce the cost of the program. CAUSE-PA fully supports Columbia's prioritization of customers with the greatest need for weatherization. As rates continue to increase, it is important that the Company take steps such as this to help mitigate the impact of the rate increase for its most vulnerable customers and the other ratepayers who support them.

5. Medical Certificate

Columbia's current medical certificate policy failed to inform customers of their rights and payment obligations with regard to medical certificate renewal requests, as outlined by the Commission in its Final Chapter 14 Implementation Order. (CAUSE-PA St. 1 at 42). Columbia's policy did not allow medically vulnerable consumers to obtain a fourth medical certificate if the consumer kept up with current or budget bill charges while under the protection of a medical certificate. (CAUSE-PA St. 1 at 42). The Commission unambiguously addressed the customer obligation while protected by a medical certificate, stating:

[W]e reiterate what we said in the 2011 rulemaking and in the current 52 Pa. Code § 56.116: that customers 'shall retain a duty to make payment on all current undisputed bills or budget billing amount...' while under the protection of a medical certificate. We further reiterate that this means the current bill (or budget bill) must be paid in full by the due date. Failure to do so by the customer means that the utility can count the medical certificate toward the limits found in 52 Pa. Code § 56.114.⁸

⁸Chapter 14 Implementation, Final Order, Docket No. M-2014-2448824, at 15 (order entered July 9, 2015).

In an effort to comply fully with Commission's Final Chapter 14 Implementation Order., the Joint Petitioners agreed to several modifications to Columbia current medical certificate policies. The changes found in paragraph 50 subparagraphs (a-d) of the Joint Petition are critical to ensuring that medically vulnerable customers are afforded the necessary protections.

First, subparagraph a) provides that the medical certificate language on termination notices have been revised to include the following language "make some equitable arrangement to pay the Company your bills for service." (Joint Pet. at 14). CAUSE- PA fully supports this change, as it brings Columbia's policy in line with the Commission's interpretation of 52 Pa. Code § 56.116, which outlines the obligations of customers while protected by a medical certificate. It is critical that the Company not only comply with regulation, but that it also inform customers of their rights therein.

Subparagraph b) provides that Columbia will revise its medical certificate policies to no longer require a medical provider to use the form provided by the Company, and will now accept any written document from a doctor, physician's assistant or nurse practitioner, as long as the required content medical certification is provided. CAUSE-PA fully supports these modifications. As Mr. Miller testified, the Commission clarified in its Chapter 14 implementation Order that any "written letter or note" may be submitted, including electronic submission, "as long as it includes the required content."⁹ (CAUSE-PA St. 1 at 42). Columbia's requirement that a medical certificate be submitted on a specific form was more burdensome than the existing Commission policy, and acted as a barrier for medically vulnerable consumers seeking the relief to which they were entitled.

⁹Chapter 14 Implementation, Final Order, Docket No. M-2014-2448824, at 15 (order entered July 9, 2015).

Subparagraph c) provides that Columbia will modify its call center scripts to only require a customer to make an equitable payment for their current bill when a medical certificate is used, rather than request the specific household size and income information. CAUSE-PA supports this change. Like sections a) and c), this provision helps ensure that Columbia's policies are in line with the Commission's guidance in relation to 52 Pa. Code § 56.116, which outlines the obligations of customers while protected by a medical certificate. It is critical that the Company both comply with applicable regulation and inform customers of their rights therein.

Finally, subparagraph d) provides that a request to use a third or subsequent medical certificate renewal will be granted if the customer's current bill or budget bill amount is paid in full by the due date. Customers with medical certificates will be advised that if they continue to pay their current bill or budget bill, they can continue to renew their medical certificates. Previously, Columbia did not allow a customer to submit additional medical certificates for protection beyond 90 days without paying all of their outstanding debt while protected by the certificate. As explained above, the Commission previously clarified that the payment obligation of a customer protected by a medical certificate is to pay the current charges or budget bill amount – not the full amount owed to the utility.¹⁰

D. NATURAL GAS SUPPLIER ISSUES

CAUSE-PA did not take a position on the natural gas supplier issues resolved by the partial settlement. And, as noted above, the proposal by Direct Energy and the Natural Gas Supplier Parties (NGS Parties) to require Columbia to bill for non-commodity products and services offered by NGSs in Columbia's service territory was reserved for briefing. Columbia and the Office of Consumer Advocate (OCA) each filed a Main Brief on August 16, 2018, opposing the suppliers'

¹⁰ Chapter 14 Implementation, Final Order, Docket No. M-2014-2448824, at 15 (order entered July 9, 2015).

proposal. (Columbia MB at 5-6; OCA MB at 6). While CAUSE-PA did not file a Main Brief on this issue, it maintained its opposition to the practice of billing for non-commodity products and services on Columbia's bill throughout the proceeding. (CAUSE-PA St. 1R at 7).

V. **CONCLUSION**

CAUSE-PA submits that the Settlement, which was achieved by the Joint Petitioners after an extensive investigation of Columbia's filing, is in the public interest. Acceptance of the Settlement avoids the necessity of further administrative and possible appellate proceedings regarding the settled issues at a substantial cost to the Joint Petitioners and Columbia's customers. Accordingly, CAUSE-PA respectfully requests that ALJ Watson and the Commission approve the Settlement without modification.

PENNSYLVANIA UTILITY LAW PROJECT

On Behalf of CAUSE-PA

Date: August 30, 2018



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Appendix K

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No. R-2018-2647577
Office of Consumer Advocate	:	
Office of Small Business Advocate	:	C-2018-3000582
Patricia Southorn	:	C-2018-3000773
The Pennsylvania State University	:	C-2018-3000779
Columbia Industrial Intervenors	:	C-2018-3001034
G. Blair Bauer	:	C-2018-3001047
Philip L. Bloch	:	C-2018-3001319
Robin A. Harrison	:	C-2018-3001634
	:	C-2018-3002595
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	
	:	
	:	
Petition of Columbia Gas of Pennsylvania, Inc. For Authorization to Defer, For Accounting Purposes, Certain Costs Associated With a Prepayment to the NiSource, Inc. Pension Trust	:	Docket No. P-2018-2641257
	:	
	:	

**STATEMENT OF
THE PENNSYLVANIA STATE UNIVERSITY
IN SUPPORT OF
THE JOINT PETITION FOR PARTIAL SETTLEMENT**

The Pennsylvania State University (“PSU”) submits this Statement in Support of the Joint Petition for Partial Settlement (the “Joint Petition”) filed by the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Columbia Industrial Intervenors (“CII”), Dominion Retail, Inc. (“Dominion”), Shipley Energy Company (“Shipley”), Interstate Gas Supply, Inc. (“IGS”), Direct Energy Business, LLC, Direct Energy

Services, LLC and Direct Energy Business Marketing, LLC (the “Direct Energy Companies”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Community Action Association of Pennsylvania (“CAAP”), The Pennsylvania State University (“PSU”) and Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”), parties to the above-captioned proceedings (collectively “Joint Petitioners”). As indicated in the Joint Petition, the proposed settlement (the “Settlement”) resolves all but one issue in the proceeding. Accordingly, and as discussed more fully below, PSU offers its support for the Settlement and requests that the Presiding Administrative Law Judge and the Commission grant the Joint Petition and approve the Settlement as submitted and without modification. In support thereof, PSU avers as follows:

1. On March 16, 2018, Columbia filed with the Commission Supplement No. 267 to its Tariff Gas – Pa. P.U.C. No. 9 (“Supplement No. 267” or “base rate filing”). Supplement No. 267, issued March 16, 2018 and to be effective May 18, 2018, proposed an increase in revenues of approximately \$46.9 million which represents an 8.16% increase in operating revenues based upon a pro forma fully projected future test year (“FPFTY”) ending December 31, 2019. The filing was made in compliance with the Commission’s regulations, and contained all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

2. PSU is a major customer of Columbia for natural gas service with a number of separate accounts. PSU primarily takes service as a member of the Large Distribution Service/Large General Sales Service (“LDS/LGSS”) customer classes, but it also takes service under the Small Distribution Service (“SDS”), Small General Sales Service (“SGSS”), and Residential Sales Service (“RSS”) classes.

3. The terms of the Settlement were reached after numerous hours of negotiations among the Joint Petitioners that included the subject of cost of service studies and the allocation of the overall increase among the various rate classes and, in particular, to the LDS/LGSS rate classes.

4. In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional \$26.0 million in annual base rate operating revenues instead of the Company's filed increase request of approximately \$46.9 million. The increase for the LDS/LGSS classes is \$999,929, which is less than the \$2,130,154 increase originally proposed by the Company.

5. While PSU continues to be concerned about attempts by certain parties to favor outdated cost of service methodologies that incorrectly treat customers or customer classes with superior load factors the same as customers or customer classes with poor load factors or fail to recognize the benefit of Flex service to all customers and allocated it as such, it supports the settlement as a compromise of competing positions that results in the rate of return of the LDS/LGSS class being closer to the system average rate of return than it would under the Company's original proposal. Movement of class rates of return to the system average rate of return is consistent with the requirement of *Lloyd vs. Pennsylvania Public Utility Commission*, 904 A.2d 1010 (Pa. Commw. Ct. 2006), that rate structures be gradually adjusted to move the class rate of return closer to the system average rate of return, thus causing rates to reflect the cost of providing service to each rate class and eliminating cross-subsidization. Columbia agreed in its next base rate proceeding to segregate flex rate customers into a separate category in each of its filed cost allocation studies.

6. PSU also supports the settlement because it satisfactorily, for now, addresses natural gas supplier and General Delivery Service customer issues as a compromise of competing positions. Columbia will convene a collaborative with the parties and interested General Delivery Service customer/Suppliers on its system to discuss, inter alia, operational and/or rule and tariff changes relative to operational orders and delivery quantities. The Settlement specifies that the operational rule changes could include specific provisions of the tariff over which various parties raised concerns over. After convening the collaborative, Columbia will file tariff changes to implement the solutions which Columbia and a consensus of the participants (but not necessarily all) agree to. All parties retain their rights to support or oppose the tariff filing. Columbia will continue to hold collaboratives on these issues quarterly for a minimum of two years. Columbia has also agreed to reduce the penalty multiple for violation of OMO/OFOs from three times to one and one-half times.

7. PSU supports the Joint Petition because the Settlement is without prejudice or admission to any position any party, including PSU, may take in any subsequent or different proceeding. In addition, the Settlement will enable the parties to avoid the expenditure of significant additional time and expense that would have been necessary to fully litigate this proceeding to a conclusion. This will result in significant savings to all parties, as well as to Columbia's customers.

8. For all of these reasons, PSU submits that the Settlement is in the public interest and requests that the Commission approve the Settlement as presented in the Joint Petition for Settlement.

Respectfully submitted,



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DATED: August 30, 2018

Counsel for The Pennsylvania State University

Appendix L

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2018-2647577
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**COMMUNITY ACTION ASSOCIATION OF PENNSYLVANIA'S
STATEMENT IN SUPPORT OF PARTIAL SETTLEMENT**

NOW COMES the Intervenor, the Community Action Association of Pennsylvania (CAAP) and files this Statement in Support of the settlement reached in the above-captioned matter stating as follows:

1. CAAP is a not-for-profit Pennsylvania corporation and a statewide association representing Pennsylvania's community action agencies that provide anti-poverty planning and community development activities for low-income communities and services to individuals and families.
2. CAAP has been directly involved in assuring that low-income persons' utility costs are contained through counseling, advice, payment assistance and energy conservation measures.
3. CAAP intervened in this proceeding to address, on behalf of its clients, the adequacy and availability of the company's universal service programs.
4. CAAP submitted the direct testimony of Susan Moore (CAAP Statement No. 1) and the Surrebuttal Testimony of Susan Moore (CAAP Statement No. 1).
5. Ms. Moore's testimony addressed the level of funding for the Company's low-income usage reduction program (LIURP).

6. CAAP contended in its testimony that the proposed funding level for the Company's LIURP was insufficient to meet the need for LIURP services of the Company's low-income customers. CAAP also opposed the Company's Revenue Normalization Adjustment proposal and its proposal to increase the fixed monthly customer charge from \$16.75 to \$18.25 because of the adverse effect of those proposals on a low-income customer's ability to conserve energy and thereby reduce his or her monthly bill.

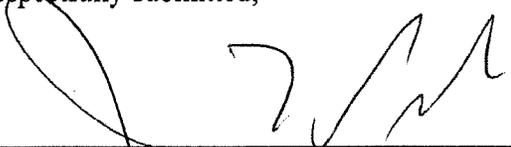
7. In the settlement, the Company has agreed to increase its annual funding for LIURP by \$125,000, has withdrawn its Revenue Normalization Adjustment proposal and has agreed to keep the fixed monthly customer charge at \$16.75.

8. CAAP believes that the settlement as it relates to those issues addresses its concerns and will provide a substantial benefit to low income customers by providing additional conservation measures to those customers that will result in lower energy use and utility costs for those vulnerable customers. Further, those additional measures that promote conservation will benefit the public generally.

9. CAAP did not submit testimony relative to other issues presented in this case so this statement in support will not address those issues.

WHEREFORE, CAAP respectfully requests that the partial settlement be approved.

Respectfully submitted,



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Appendix M

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2018-2647577
Office of Consumer Advocate	:	C-2018-3000582
Office of Small Business Advocate	:	C-2018-3000073
The Pennsylvania State University	:	C-2018-3001034
Columbia Industrial Intervenors	:	C-2018-3001047
G. Blair Bauer	:	C-2018-3001319
Philip L. Bloch	:	C-2018-3001634
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	
	:	
and	:	
	:	
Petition of	:	P-2018-2641257
Columbia Gas of Pennsylvania, Inc. for	:	
Authorization to Defer, for Accounting Purposes,	:	
Certain Costs Associated With a Prepayment to the	:	
NiSource, Inc. Pension Trust	:	

**STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR PARTIAL SETTLEMENT
OF DIRECT ENERGY BUSINESS, LLC,
DIRECT ENERGY SERVICES, LLC, AND
DIRECT ENERGY BUSINESS MARKETING, LLC**

Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC (collectively, "Direct Energy") submits this Statement in Support of the Joint Petition for Partial Settlement ("Joint Petition" or "Settlement"). Direct Energy submits that the Settlement is in the public interest and respectfully requests that Administrative Law Judge Jeffrey A. Watson ("ALJ Watson") and the Pennsylvania Public Utility Commission ("Commission") approve the Settlement without modification.

I. PROCEDURAL HISTORY

On March 16, 2018, Columbia filed Supplement No. 267 to its Tariff Gas PA PUC No. 9 (“Supplement No. 267”) to become effective May 15, 2018, containing proposed changes in rates, rules, and regulations. In Supplement No. 267, Columbia seeks an overall revenue increase of \$46.9 million per year, or 8.16%. Columbia served its Direct Testimonies along with Supplement No. 267.

On March 20, 2018, the Office of Consumer Advocate (“OCA”) filed a Formal Complaint in the above-captioned proceeding. The Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance in the matter on March 22, 2018. The Office of Small Business Advocate (“OSBA”) filed a Formal Complaint on March 28, 2018. The following parties filed Petitions to Intervene: Direct Energy, Shipley Choice, LLC d/b/a Shipley Energy, Dominion Energy Solutions, Inc., and Interstate Gas Supply, Inc. d/b/a IGS Energy (collectively, “NGS Parties”), Community Action Association of Pennsylvania (“CAAP”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Pennsylvania State University (“PSU”), and Columbia Industrial Intervenors (“CII”). The following consumers also filed Formal Complaints: G. Blair Bauer, Philip L. Bloch, and Robin A. Harrison.

By Order dated April 5, 2018, The Commission suspended Supplement No. 267 by operation of law until December 15, 2018, unless otherwise directed by Order of the Commission. The case was assigned to the Office of Administrative Law Judge and was further assigned to ALJ Watson. On April 10, 2018, ALJ Watson issued a Prehearing Conference Order, scheduling a Prehearing Conference in this case for Wednesday, April 18, 2018. ALJ Watson convened a Prehearing Conference on April 18, 2018, at which time a procedural schedule was established.

CAUSE-PA served Direct Testimony on June 6, 2018. On June 7, 2018, the following parties served Direct Testimony: Direct Energy, the NGS Parties, I&E, OCA, OSBA, PSU, and CAAP. Rebuttal Testimony was served by the following parties on July 3, 2018: Columbia, Direct Energy, the OCA, CAUSE-PA, CII, the OSBA, and PSU. The following parties served Surrebuttal Testimony on July 17, 2018: Columbia, Direct Energy, the OCA, the NGS Parties, I&E, CAUSE-PA, the OSBA, CII, and PSU.

Prior to the hearing, the parties reached a settlement resolving all issues, except for the issue related to non-commodity charges on Columbia's bill. The evidentiary hearing was held on July 26, 2018, at which time the parties admitted their pre-served testimony into the record. In accordance with the litigation schedule established in this proceeding, Direct Energy, Columbia, the NGS Parties, and the OCA filed Main Briefs on August 16, 2018.

Direct Energy submits this Statement in Support of the Joint Petition for Partial Settlement.

II. SETTLEMENT

In this proceeding, Direct Energy submitted testimony relating to the installation by the Company of equipment necessary to transmit daily usage data. Specifically, Direct Energy witness Mr. Orlando Magnani testified that the Settlement approved by the Commission in Columbia's last base rate case required Columbia to make a proposal in a non-general tariff filing to install equipment necessary to transmit daily customer usage data for all customers eligible to receive service on rates schedules Small Distribution service, Large Distribution Service, and Main Line Distribution Service. In accordance with that agreement, the Company filed Tariff Supplement No. 255, which was approved by the Commission in its Order in Docket No. R-2017-2586190. Direct Energy St. 1 at 3. Supplement No. 255 included estimated costs for installing the necessary equipment (hereinafter referred to as the "C&I Network").

In this case, Columbia modified its estimate of the C&I Network and stated that the increased costs warranted further investigation into an alternative solution. *See* Direct Energy St. 1 at 4. In response, Mr. Magnani explained that daily usage data is necessary for suppliers to respond to Operational Matching Orders (“OMOs”) and Operational Flow Orders (“OFOs”). Nevertheless, Mr. Magnani explained that this information has been unavailable to suppliers and has resulted in instances in which Direct Energy has been unable to comply with an OMO and has received a penalty bill for its non-compliance. *See* Direct Energy St. 1 at 4-6. Mr. Magnani recommended that Columbia be ordered to install the C&I Network, as it had agreed to do in the 2016 rate case settlement. *See* Direct Energy St. 1 at 9-10. Further, Mr. Magnani recommended that the Commission lower the penalties for non-compliance with OFOs/OMOs to 1.5 times the highest of the midpoint prices reflected in Platts Gas Daily for the day of the OMO or OFO non-compliance and refrain from charging penalties until implementation of the C&I Network is complete. Direct Energy St. 1-R at 5-6.

The Settlement contains several provisions addressing the issues raised by Direct Energy. Specifically, the Settlement provides that within sixty (60) days of the filing of a settlement in this proceeding, Columbia will hold a collaborative to discuss issues related to operational orders, delivery quantities, and supplier access to customer usage information. Joint Petition at ¶ 60. Specifically, such issues shall include: (1) a revised operational order process for customers with daily read meters, wherein customers with daily read meters shall have the right to elect to be subject to OFOs, rather than OMOs, on days that OMOs are issued; (2) a revised method for establishing a customer’s Maximum Daily Quantity (“MDQ”); and (3) parameters for establishing the needed percentage of MDQ to satisfy OFOs. Additionally, the collaborative will consider ways to improve the accuracy and timeliness of customer usage data including installing telemetering and equivalent equipment. Joint Petition at ¶ 60. Columbia has also

agreed to file tariff changes to implement solutions within 150 days of the collaborative. Joint Petition at ¶ 61. If Columbia fails to file a tariff within 150 days or files a tariff that is not supported by Direct Energy, Direct Energy retains its right to file a complaint against the Company alleging that Columbia has failed to comply with the C&I Network Installation provisions of the 2016 rate case settlement. Joint Petition at ¶ 62.

Columbia will continue to hold quarterly collaboratives for a minimum of two (2) years to discuss issues encountered on the Columbia system. Joint Petition at ¶ 63. Importantly, Columbia also agreed to reduce the penalty for the violation of an OFO/OMO from three (3) times to one and one half (1.5) times. Joint Petition at ¶ 64. If Columbia experiences substantially higher non-compliance as a result of the lower penalty, it reserves the right to seek to modify the penalty multiplier in a subsequent base rate case. *Id.*

Direct Energy submits that these settlement provisions are in the public interest and in the interest of natural gas suppliers. These provisions will provide Columbia and the parties with the opportunity to discuss operational issues and possible, cost-effective solutions. These issues will include the issues raised by Mr. Magnani in his testimony, including improving the accuracy and timeliness of customer usage data and the installation of the C&I Network. As noted by Mr. Magnani, daily usage data is critical for suppliers to adhere to OMOs and OFOs. The settlement also lowers the penalty for non-compliance to 1.5 times, which is especially important during the time period before the Company improves the accuracy and timeliness of customer usage data. As explained by Mr. Magnani, this penalty amount is still high enough so as not to encourage suppliers to engage in arbitrage. *See* Direct Energy St. 1-R at 6. For these reasons, Direct Energy submits that the settlement is in the public interest and should be approved.

III. CONCLUSION

For the foregoing reasons, Direct Energy submits that the Joint Petition provides a reasonable resolution to the Company's filing and is in the public interest. Direct Energy respectfully requests that the Joint Petition be approved without modification.

Respectfully submitted,

Kristine E. Marsilio

Daniel Clearfield, Esquire

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Date: August 31, 2018