

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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September 26, 2019

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

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

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

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Comments and Supplementary Information to assist the Gas-on-Gas Collaborative Working Group scheduled to meet October 3, 2019.

Copies have been served as indicated on the enclosed Certificate of Service

Respectfully submitted,

Handwritten signature of Lauren M. Burge.

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Enclosures:

cc: Louise Fink Smith, Law Bureau (E-Mail Only)
Matt Stewart, TUS (E-Mail Only)
*279018

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

OFFICE OF CONSUMER ADVOCATE'S COMMENTS
AND SUPPLEMENTARY INFORMATION TO ASSIST
THE GAS-ON-GAS COLLABORATIVE WORKING GROUP
SCHEDULED TO MEET OCTOBER 3, 2019.

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Dated: September 26, 2019

I. INTRODUCTION

On June 13, 2019, The Pennsylvania Public Utility Commission (Commission) issued an Opinion and Order in this matter (June 2019 Order). The June 2019 Order set out a list of issues agreed upon by the stakeholders in this matter, including the Office of Consumer Advocate (OCA), and subsequently adopted those issues as being settled. In the OCA's view, the resolution of those issues represents a major step forward toward the ultimate resolution of the gas-on-gas issues that have been an on-going concern for a very long time.

Conversely, the June 2019 Order also set out a list of issues that stakeholders were not able to reach consensus on at that time. As such, the stakeholders recommended that a working group be established in order to continue a dialogue on these remaining issues. The June 2019 Order adopted that recommendation and ordered that such a working group be established.

On August 26, 2019, the Commission issued a Secretarial Letter providing that it will host an initial collaborative working group meeting on October 3, 2019 to address four specific issues set out in the June 2019 Order. The Secretarial Letter provided that comments for the working group to consider on these four issues could be submitted on or before September 26, 2019. In accord with the June 2019 Order and the Secretarial Letter, the OCA offers the following comments and information relating to the four issues specifically set for further discussion.

The OCA appreciates the opportunity to provide comments on this important matter.¹ As outlined in the June 2019 Order, the proposed solution to this unrestrained level of flex rates is to create a price floor and uniform tariff provisions as to how this limited practice of gas-on-gas

¹ The OCA has been assisted in this matter by Mr. Glenn A. Watkins. Mr. Watkins is a Principal and Senior Economist with Technical Associates, Inc., an economics and financial consulting firm. Mr. Watkins has conducted marginal and embedded cost of service, rate design, cost of capital, revenue requirement, and load forecasting studies involving numerous electric, gas, water/wastewater, and telephone utilities, and has provided expert testimony in Alabama, Arizona, Georgia, Illinois, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Vermont, Virginia, South Carolina, Washington, and West Virginia.

discounting will be carried forward. To that end, the OCA submits that the Commission's continuing inquiry into this matter and the call for a working group and additional comments is a reasonable next step in dealing with this complex matter. In the next Section the OCA will briefly address each of the four issues that are set for discussion in the working group.

II. COMMENTS

The OCA submits the following high-level comments as to the four remaining issues yet to be resolved in this matter. The OCA looks forward to a productive discussion on these issues and the ultimate resolution of this matter.

1. The appropriate methodology to calculate the lowest applicable gas-on-gas flex tariff rates available to customers who participate in gas-on gas competition.

In the Commission's May 4, 2017 Opinion and Order, the Commission found that a floor should be established based on a corresponding competing NGDC's full tariff rates. Rate classes and tariff provisions across NGDCs, however, are not always uniform in that the eligibility and availability of individual rate schedules to individual customers vary across NGDCs. In addition, some NGDC's billing determinants are based on the heating value of natural gas (Dth) while other NGDC's billing determinants are based on the volumetric amount of gas consumed (Mcf). Further, customer charges vary across the NGDCs. Given the differences in tariff provisions, the OCA submits that the NGDCs may be best suited to lead the initial discussions as to creating a "floor" for the working group's consideration by identifying the relevant components of the tariffs and assessing a means to make appropriate comparisons.

2. The uniform tariff provisions to be utilized by jurisdictional natural gas distribution companies in implementing gas-on-gas flex rates.

Similar to Issue number 1, the OCA submits that the NGDCs are in the best position to start the conversation on the creation of uniform tariff provisions and the initial presentation to the working group for further discussion.

3. The circumstances under which the extension of service to a potential gas-on-gas customer at full tariff rates should be permitted.

The Commenting Parties could not reach consensus during 2017 discussions on issues relating to an NGDC's extension of facilities and provision of service at non-discounted tariff rates to an existing gas-on-gas customer of a competing NGDC. In this regard, one of the OCA's key goals in this matter is to eliminate, or at least substantially reduce, the continued investment in duplicative facilities at the ultimate expense of captive ratepayers.

As the June 2019 Order framed the issue:

The particular scenario that the Commenting Parties wrestled with during their discussions was as follows. A current gas-on-gas customer of Columbia decides to switch to Peoples. This customer currently has no facilities in place to connect to Peoples, but is in an overlapping area of both NGDCs and could connect to Peoples under Peoples existing tariff provisions regarding main extensions. Does the non-incumbent NGDC have a duty, and or the right, to serve that customer at its full tariff rate?

June 2019 Order at 37 (footnote omitted).

The OCA submits that the uniform tariff provisions, when they are created and approved, should control the landscape as to how gas-on-gas customers in overlapping service territories are provided service and what rates they may be offered. In the scenario at issue here, the reasonable resolution would be to disallow the continued construction of duplicative facilities at the expense of captive ratepayers. The OCA looks forward to a continuing discussion on this issue as part of the working group.

4. Whether a separate rate schedule should be established for gas-on-gas flex rate customers, all consistent with this Opinion and Order.

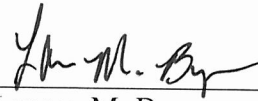
Existing gas-on-gas Commercial and Industrial customers are served under a multitude of rate schedules with significantly different usage and load characteristics. The OCA is not opposed to the creation of a separate tariff for gas-on-gas rate schedules with unified tariff provisions. At the same time, the OCA submits that it may not be appropriate to have a separate gas-on-gas rate class for class cost of service purposes since the customers that enjoy gas-on-gas competition have, by definition, rates lower than their counterparts in the same NGDC and almost by definition, do not provide sufficient revenues to recover their full cost of service.

As evidenced by the lengthy discussions around this issue in the earlier phases of this matter, and the inability to thus far come to any agreement, the OCA recognizes that further discussions in the working group are needed. In the OCA's view, the main point here is that any gas-on-gas contracts must be fully supported and such supporting documentation and information must be readily provided in future rate proceedings.

III. CONCLUSION

The Office of Consumer Advocate appreciates the opportunity to provide Comments on this important matter. The OCA looks forward to a continuing discussion with the parties and the Commission as it reaches its ultimate resolution of all issues raised by the Investigation.

Respectfully Submitted,



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