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File #: 175462

July 6, 2020

***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 v. Columbia Gas of Pennsylvania, Inc.  
Docket Nos. R-2020-3018993; D-2018-3004889**

Dear Secretary Chiavetta:

Enclosed for filing is a corrected version of a Joint Petition for Settlement and Statements in Support in the above-referenced proceeding. Please disregard the PUC filing for confirmation number 1918526.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Lindsay A. Berkstresser

LAB/dmc  
Enclosures

cc: Honorable Mary D. Long  
Honorable Emily I. DeVoe  
Certificate of Service

**CERTIFICATE OF SERVICE  
(R-2020-3018993)**

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 ONLY**

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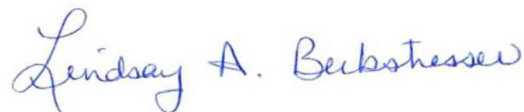
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Date: July 6, 2020

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Lindsay A. Berkstresser

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No. R-2020-3018993
Office of Consumer Advocate	:	Docket No. C-2020-3019445
Office of Small Business Advocate	:	Docket No. C-2020-3019362
v.	:	
Columbia Gas of Pennsylvania, Inc.	:	Docket No. D-2018-3004889

**JOINT PETITION FOR SETTLEMENT OF RATE  
INVESTIGATION PURSUANT TO 66 Pa.C.S. §1307(f)**

**TO ADMINISTRATIVE LAW JUDGES MARY D. LONG AND EMILY I. DEVOE:**

**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”), and Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”), parties to the above-captioned proceedings (hereinafter collectively referred to as the “Petitioners”), hereby file this Joint Petition for Settlement of Rate Investigation Pursuant to 66 Pa.C.S. § 1307(f) (“Settlement”) and respectfully request that Administrative Law Judges Mary D. Long and Emily I. DeVoe (the “ALJs”) and the Commission expeditiously approve the Settlement as set forth below. All active parties in this proceeding have agreed to, or indicated that they do not oppose, the Settlement.<sup>1</sup> In support of this Settlement, the 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

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<sup>1</sup> The Columbia Industrial Intervenors (“CII”) do not oppose the Settlement.

Code, 66 Pa.C.S. §§ 102, 2202. Columbia provides natural gas distribution, sales, transportation, and/or supplier of last resort (“SOLR”) services to more than 433,000 retail customers in portions of 26 counties of Pennsylvania.

2. On February 28, 2020, as required by 52 Pa. Code §§ 53.64 and 53.65, Columbia filed with the Commission “Information Submitted in Compliance with Act 74 of 1984 and Pursuant to Title 52, Pennsylvania Code, Sections 53.64 and 53.65 Supporting Recovery of Purchased Gas Costs” containing certain pre-filing data required under the Commission’s regulations concerning annual changes to rates for recovery of purchased gas costs.

3. Subsequently, Columbia filed Supplement No. 306 to Tariff Gas Pa. P.U.C. No. 9 (“Supplement No. 306”) to become effective for service rendered on and after October 1, 2020. In Supplement No. 306, Columbia proposed a decrease in its purchased gas cost (“PGC”) rates of \$0.03124/Therm. Supplement No. 306 was docketed by the Commission at Docket No. R-2020-3018993 and was assigned to the ALJs.

4. I&E filed a Notice of Appearance in this proceeding. The OCA and OSBA filed Formal Complaints. The OCA’s Complaint was docketed at C-2020-3019445, and the OSBA’s Complaint was docketed at C-2020-3019362. CII filed a Petition to Intervene.

5. On April 13, 2020, the ALJs issued a Prehearing Order granting CII’s Petition to Intervene, consolidating OSBA’s and OCA’s Complaints with this proceeding, and adopting the procedural schedule agreed upon by the parties.

6. On April 14, 2020, the ALJs issued an Evidentiary Hearing Notice scheduling an evidentiary hearing for June 1-2, 2020.

7. On April 16, 2020, the Commission issued an Order consolidating with this proceeding the Formal Complaint filed by Columbia on January 21, 2020 concerning the Bureau of Audits Report on Columbia's Statement of Purchased Gas Cost Collections for the Twelve-Month Periods Ended January 31, 2018 and January 31, 2017 at Docket No. D-2018-3004889.

8. The parties conducted substantial discovery in this proceeding. Pursuant to the established litigation schedule, the OSBA and I&E served direct testimony and exhibits on May 7, 2020. The OCA and CII did not submit direct testimony in this proceeding.

9. Columbia served rebuttal testimony and exhibits on May 22, 2020.

10. I&E served surrebuttal testimony on May 28, 2020.

11. The parties undertook settlement discussions. As a result of those discussions and the efforts of the parties to examine the issues raised in the proceeding, a settlement in principle of all issues was achieved.

12. The difference between the proposed gas cost rate and the settled gas cost rate for all rate classes is as follows:

<b>Gas Cost Rate as of April 1, 2020 (per therm)</b>	<b>Proposed<sup>2</sup> Gas Cost rate (per therm)</b>	<b>Settled Gas Cost rate (per therm)</b>	<b>Difference</b>
\$0.34808	\$0.32832	\$0.32832	\$0

13. Parties agreed to waive cross-examination, and the evidentiary hearing was cancelled. On June 2, 2020, Columbia, I&E, OCA, OSBA and CII filed a Joint

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<sup>2</sup> See Exhibit 1-A.

Stipulation for the Admission of Evidence. On June 11, 2020, the ALJs issued an Order admitting the evidence identified in the Joint Stipulation into the record.

### **III. PROPOSED FINDINGS OF FACT**

The Petitioners agree that the following facts were entered into the record by Columbia, and that subject to the terms and conditions in this Settlement, are sufficient to approve the Settlement and Columbia's 2020 PGC filing. Columbia requests that the Commission make the following findings of fact and such other findings of fact, if any, as may be required or appropriate:

1. Columbia's Exhibit No. 3 lists Federal Energy Regulatory Commission ("FERC") proceedings through calendar year 2019 affecting Columbia's ratepayers. Exhibit No. 3 outlines Columbia's participation in these FERC proceedings. Columbia has intervened and actively participated in proceedings of the interstate pipelines serving Columbia. Columbia has been active before the FERC in rulemakings and policy statements that have the potential to significantly impact Columbia's efforts to provide reliable gas service at the least cost. (Columbia St. No. 1, pp. 42-45; Columbia Ex. No. 3)

2. Columbia was active in relevant FERC cases involving Columbia Gas Transmission, L.L.C. ("Columbia Transmission"), Columbia Gulf Transmission, L.L.C. ("Columbia Gulf"), Equitrans, L.P. ("Equitrans"), National Fuel Gas Supply Corporation ("National Fuel"), Tennessee Gas Pipeline Company, L.L.C. ("Tennessee"), Texas Eastern Transmission, L.P. ("Texas Eastern") and Dominion Transmission Inc. ("DTI"). (Columbia St. No. 1, pp. 42-45, Columbia Ex. No. 3)

3. Columbia will continue its policy of active participation in individual pipeline supplier rate and certificate proceedings before the FERC, along with FERC generic type rulemaking and policy proceedings which could have a material impact on

Columbia's costs or operations, as fully described in Columbia Statement No. 1, pp. 42-45.

4. Columbia Transmission is an unaffiliated interstate pipeline. Numerous Columbia Transmission facilities are used to transport and store Columbia's supply purchases. Because Columbia's local market areas are spread across Pennsylvania and are connected primarily, and in many cases exclusively, to Columbia Transmission facilities, the vast majority of Columbia's peak day supply is delivered by Columbia Transmission. (Columbia St. No. 1, pp. 11-13; Columbia Ex. HAC-1)

5. Columbia has full responsibility for purchasing all of its gas supplies directly from producers and marketers. To the extent that affiliated interests offer Columbia gas supplies under competitive terms and conditions, Columbia will consider those supplies like all others in accordance with its policy of purchasing gas supplies from reliable sources at the lowest cost. (Columbia Ex. No. 8-C)

6. Columbia's gas purchasing objectives and strategies seek a portfolio of least-cost supply from both Pennsylvania and interstate producers. Columbia also seeks capacity that is flexible and reliable. These efforts will continue. (Columbia St. No. 1, pp. 21-27; Columbia Ex. 5, p. 1)

7. Columbia is responsible for balancing all deliveries to its city gates on a daily basis. All transportation and storage capacity services are provided to Columbia from non-affiliated pipeline companies. (Columbia St. No. 1, Columbia Ex. No. 8-C)

8. Columbia contracts for firm transportation and storage services to meet customers' requirements in its diverse market areas. (Columbia Ex. No. 5; Columbia St. No. 1, pp. 10-16) Columbia's firm contracts for gas supply provide it with sufficient

supply to meet the human needs demand of firm customers under design weather conditions. (Columbia St. No. 1, p. 41)

9. Columbia's available capacity is approximately 102% of projected firm demand for contract year 2023-24. This variance is within the bounds contained in Columbia's Portfolio Design Policy, which provides that Columbia will have sufficient capacity to be within a range of up to 103% of the highest of its projected design day firm requirements for the five year period of its Design Day Forecast. (Columbia Exhibit No. 5, pp. 10-11)

10. Columbia's capacity portfolio contains a substantial amount of storage. Storage capacity enables Columbia to purchase a majority of its annual customer requirements during the summer months. Some of the summer purchase volume is used to serve current customer demand, while storing most of the volume to serve customer demand the following winter. (Columbia Ex. No. 5, pp. 10-11)

11. Columbia has several contracts for Firm Transportation Service ("FTS") with Columbia Transmission. (Columbia Ex. No. 5, pp. 11-12) Columbia has a contract for 11,666 Dth of city-gate capacity with Columbia Transmission, which is used to serve pipeline scheduling points that are capacity constrained and is necessary to meet firm requirements in these areas. (Exhibit No. 5, p. 11) Columbia also contracts with Columbia Transmission providing for a total of 90,788 Dth/day with a tiered renewal approach. Tier one of this contract is for 30,237 Dth/day and was terminated effective March 31, 2020. To replace the tier one Columbia Transmission capacity, Columbia executed an agreement to expand its Equitrans capacity, which serves as a lower cost alternative to the tier one Columbia Transmission capacity. (Exhibit No. 5, p. 12) The second tier of the Columbia Transmission capacity equals 39,496 Dth/day with a

termination date of October 31, 2022. The third tier equals 21,055 Dth/day with a termination date of October 31, 2025.

12. The majority of Columbia's Columbia Transmission capacity also has grandfathered Maximum Daily Delivery Obligation ("MDDO") and Daily Delivery Quantity ("DDQ") rights. These grandfathered MDDO and DDQ rights provide Columbia the necessary flexibility to receive varying volumes at each of its approximately 300 individual receipt points from Columbia Transmission each day. This flexibility is critical to the efficient operation of Columbia's transportation services and the efficient, least cost management of Columbia's capacity portfolio. (Columbia Ex. No. 5, p. 11)

13. Columbia holds a contract for Firm Storage Service ("FSS") with Columbia Transmission and a contract for Storage Service Transportation ("SST"). These contracts had expiration dates of March 31, 2020. Columbia requested under the right-of-first-refusal process a reduction in its FSS and SST contracts by 15,300 Dth/day and 441,576 Dth seasonally, effective April 1, 2020. Columbia has extended these reduced contracts for two years through March 31, 2022. (Columbia Ex. No. 5, p. 12)

14. Columbia's contract with Columbia Gulf historically provided a reliable link to gas supplies from the Gulf Coast region providing a diversity of supply into Columbia Transmission's transmission system. With the development of large Marcellus and Utica Shale supplies this link has lost the diversification value, and Columbia elected to terminate this capacity on October 31, 2019. (Columbia Ex. No. 5, p. 12)

15. In addition to its contracts for transportation and storage from Columbia Transmission, Columbia has access to various other pipelines. These arrangements currently include the following:

(a) Columbia has six firm transportation contracts and three storage contracts with DTI. The first transportation contract, provided under DTI's rate schedule Firm Transportation No-Notice - General Storage Service ("FTNN-GSS"), for 6,000 Dth per day, is utilized to transport storage supplies from DTI's storage fields to Columbia's city gates. Storage supplies are also transported to Columbia's city gates via a transportation contract under DTI's rate schedule Firm Transportation ("FT"). This contract has a quantity of 3,000 Dth per day from November through March of each year, and 2,000 Dth per day from April through October of each year. The associated storage contract with DTI provides Columbia with 9,000 Dth/day of peak day deliverability and approximately 941,176 Dth of seasonal supply. Columbia utilizes these DTI contracts to provide supplies to its customers in Beaver County through its Darlington interconnect and in Cranberry Township through its Warrendale interconnect.

Columbia has two additional storage contracts and three FTNN and FT transportation contracts with DTI that are utilized to meet the demand and balancing requirements in the State College market. The storage contracts provide for daily withdrawal of 15,000 Dth/day and 4,800 Dth/day with seasonal quantities of 930,000

Dth and 240,000 Dth, respectively. Columbia utilizes 19,800 Dth/day of Rate Schedule FTNN transportation capacity to deliver the DTI storage supplies to the State College market. Additionally, Columbia has 5,000 Dth/day of FT capacity which it also uses to serve the State College market.

Lastly, Columbia has 255 Dth/day of FT capacity with DTI that provides service to an interconnection serving the Centre Hall market. (Columbia St. No. 1, pp. 13-14)

(b) Columbia also contracts for firm transportation and storage service with Equitrans. Columbia executed agreements to expand its Equitrans capacity effective April 1, 2020. These new agreements will increase the peak day deliverability to 19,130 Dth and the seasonal capacity to 2,000,000 Dth. The maximum winter season city gate deliveries total 55,000 Dth per day, including up to 19,130 Dth from storage. Summer capacity levels are 32,000 Dth per day in April and October and 20,000 Dth per day May through September.

Columbia utilizes the Equitrans storage service, approximately 10,941 Dth/day of the associated 19,130 Dth/day of the winter season FTS Transportation Quantity (“TQ”), and the DTI storage service and associated 4,800 Dth/day FTNN transportation contract, to provide service to General Distribution Service (“GDS”) customers under Columbia’s Elective Balancing Service (“EBS”) Option 1. (Columbia St. No. 1, pp. 15, 17; Columbia Ex. No. 5, p. 10)

- (f) Columbia currently contracts for firm transportation service with Tennessee totaling 23,600 Dth/day. A total of approximately 19,300 Dth/day is required to serve the design peak day firm customer demand in Columbia markets directly connected to Tennessee, while approximately 4,300 Dth/day is delivered to Columbia's National Fuel capacity. On days when the 19,300 Dth/day delivered directly to Columbia cannot be absorbed by those markets, Columbia can divert that supply to Tennessee interconnects with Columbia Transmission for injection into storage or delivery to other Columbia markets that are served by Columbia Transmission. (Columbia St No. 1, p. 15; Columbia Ex. No. 5, p. 10) As of October 31, 2019, Columbia terminated its Tennessee contract used for serving Columbia's Newcastle and Pittsburgh area markets. This contract had receipt points in the Gulf Coast and was replaced with a new contract with like capacity at a primarily receipt point in the Commonwealth. (Columbia Ex. No. 5, p. 13)
- (g) Columbia also has contracts for long-haul firm transportation service with Texas Eastern, totaling 22,335 Dth/day. A total of 19,253 Dth/day is required to serve peak day firm customer demand in Columbia markets directly connected to Texas Eastern, while 3,082 Dth/day must be delivered to Columbia Transmission as an upstream supply in order to meet peak day demand in Columbia markets served by Columbia Transmission. Columbia also contracts for 10,000 Dth/day of winter season, market-area

firm backhaul transportation capacity. Columbia utilizes this capacity to satisfy cold weather requirements behind the city gates connected to Texas Eastern. (Columbia St. No. 1, pp. 15-16; Columbia Ex. No. 5, p. 13)

(h) Columbia contracts for 4,304 Dth/day of city gate capacity under the FTS rate schedule of National Fuel. This capacity provides service to Columbia's Warren market area. (Columbia St. No. 1, p. 16)

16. Columbia continues to evaluate alternatives to its existing supply and capacity portfolio on an ongoing basis. (Columbia St. No. 1, p. 18)

17. In order for Columbia to meet its objective of securing and delivering competitively-priced, reliable gas supplies, Columbia has developed a portfolio of gas purchase contracts, which can include long-term, short-term and spot contracts, that have flexibility both to meet reliability standards and to be able to take advantage of low priced opportunities where available and operationally feasible. (Columbia St. No. 1)

18. Columbia maintains a program for purchasing local production. In addition to local gas purchases delivered directly into Columbia's system, Columbia purchased Appalachian pool gas delivered by producers into Columbia Transmission's system and redelivered to Columbia under transportation agreements. Although it is certain that Pennsylvania production enters the Appalachian production pools, once the gas is part of pool supplies it is commingled with other sources of supply. Thus, the portion of these supplies coming from Pennsylvania production is not known. (Columbia St. No. 1, pp. 26-27)

19. Columbia annually submits Request for Proposals (“RFP”) to numerous suppliers identified as capable and willing to provide firm gas supplies to Columbia. Columbia requests proposals for supplies with varying term lengths, nomination flexibility and pricing options. (Columbia St. No. 1, pp. 19-20)

20. Columbia’s gas purchases were a least cost supply mix during the historic reconciliation period, consistent with reliable service. (Columbia Ex. No. 8-C)

21. In the twelve months ended January 31, 2020, Columbia did not shut in or withhold from the market any gas supply or transportation or storage capacity other than for the purposes of retaining sufficient supply to assure reliable supply and balancing services under colder than normal conditions. (Columbia Ex. No. 8-E)

22. Neither Columbia nor its affiliates withheld any gas from the market or caused any gas supplies to be withheld from the market that should have been utilized as part of a least-cost fuel procurement policy. (Columbia Ex. No. 8-E)

23. Columbia retains firm contractual rights to all storage, other upstream pipeline and capacity, if any, and all capacity assignments made to Natural Gas Suppliers (“NGSs”) participating in Columbia’s Customer Choice program are made on a recallable basis. This allows Columbia to maintain service in the event an NGS fails to deliver supplies under Columbia’s Customer Choice Program, which is consistent with Columbia’s obligations as the SOLR. (Columbia St. No. 1, pp. 37-38)

24. Pursuant to Columbia Transmission’s tariff, Columbia must plan the use of storage so that no more than 65% of its FSS seasonal storage quantity remains in inventory after February 1 and no more than 25% remains after April 1. Columbia Transmission may also issue operational orders mandating storage withdrawals with penalties for noncompliance. Noncompliance with Columbia Transmission’s tariff

limitations could result in confiscation by the pipeline of volumes exceeding tariff limits. (Columbia Exhibit No. 5, pp. 16-17)

25. For supply planning purposes, Columbia determines customer demand under various weather scenarios. Columbia determines customer demand under a colder-than-normal weather scenario to plan its gas supply and capacity portfolio to ensure that it is adequate to meet increased customer demand. Columbia also determines customer demand under a warmer-than-normal weather scenario to plan the flexibility needed in its supply and capacity portfolio to meet reduced customer demand at least cost. (Columbia Ex. No. 5; Columbia St. No. 1, pp. 5-8)

26. On all days, including days of peak demand, Columbia must be ready to serve the demand of Sales Service customers and to provide balancing for CHOICE Service customers. To ensure reliability, Columbia has established design parameters for estimating Sales Service and CHOICE Service customer demand under extreme weather conditions. Columbia's Design Day Forecast is based on design day conditions consisting of: current day design temperature, prior day design temperature, current day design wind speed; and occurrence on a weekday. Columbia updates the design conditions approximately every five to ten years. (Columbia Ex. No. 5, pp. 3-5; Columbia St. No. 1, pp. 8-10)

27. Columbia manages its off-system sales and capacity release programs under its Unified Sharing Mechanism ("USM"). Pursuant to the USM, customers receive 75% of the net USM proceeds and Columbia retains the remaining 25% of net proceeds. The customers' share of USM proceeds is passed back 100% through the PGDC. (Columbia St. No. 1, pp. 31-33)

28. Pipeline penalty credits are the result of a transmission company charging a penalty to a third-party shipper for violating the terms of the interstate pipeline tariff. (Columbia St. No. 3, p. 9)

29. Penalty credits received by Columbia are not a return of previously-billed gas costs. (Columbia St. No. 3-R, p. 4)

30. Columbia uses the residential portion of pipeline penalty credits and supplier refunds received as a funding source for the Hardship Fund. The balance of penalty credits and pipeline refunds to be retained at any one time for the Hardship Fund is \$750,000. (Columbia St. No. 3, pp. 5-6)

31. All nonresidential pipeline penalty credits received by Columbia are passed along to commercial and industrial customers through rates filed in its quarterly PGC filing. (Columbia St. No. 3, p. 9)

#### **IV. SETTLEMENT**

32. The Petitioners agree to resolve the following issues as set forth below:

##### **A. GENERAL**

33. Columbia's 2020 PGC filing is approved as filed, subject to the additional items set forth below, and the Complaint and Audit Report at Docket No. D-2018-3004889, assigned to this proceeding by order entered April 16, 2020 is unopposed, subject to the additional items set forth below.

##### **B. INTEREST ON PIPELINE PENALTY CREDITS**

34. Columbia agrees to amend its tariff<sup>3</sup> such that interest on Pipeline Penalty Credits will be provided to PGC customers prospectively, in the same manner that interest is calculated and provided to customers with respect to Pipeline Supplier

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<sup>3</sup> The revised tariff language is included as "Attachment A" to the Settlement.

Refunds. Pipeline Penalty Credits will continue to be used to fund the Hardship Fund, in accordance with the Pennsylvania Public Utility Commission's Order entered June 14, 2018, at Docket P-2018-3000160, and interest will not be provided to PGC residential customers with respect to that portion of Pipeline Penalty Credits.

35. The Parties do not oppose, for purposes of Settlement, Columbia's position that it did not violate its tariff with respect to calculation of interest on Pipeline Penalty Credits during the audit period that is the subject of Docket No. D-2018-3004889, or for any period prior to October 1, 2020.

## **V. STANDARDS AND FINDINGS**

36. This proceeding is a consolidation of two reviews that the Commission is required to undertake pursuant to Sections 1307 and 1318 of the Public Utility Code. Pursuant to Section 1307(f) of the Public Utility Code, 66 Pa.C.S. § 1307(f), the Commission must determine whether Columbia has met the standards of Section 1318, 66 Pa.C.S. § 1318, with regard to the gas costs Columbia has incurred during a historic 12-month period. The historic period reviewed in this proceeding is the 12 month reconciliation period ended January 31, 2020. In addition, because Columbia has filed a tariff proposing a new rate reflecting a change in its natural gas costs, the Commission must determine whether the specific findings of Section 1318 can be made with regard to the period that rates will be in effect in the Application Period. This finding is a condition precedent to the Commission's approval of the Company's proposed rates. 66 Pa.C.S. § 1318. It is to be noted that the provisions of Section 1318(a) are applicable to all gas utilities that recover their gas costs pursuant to Section 1307(f). The new tariff rate is intended to become effective October 1, 2020.

37. Columbia did not make any purchases from affiliates during the historic period. To the extent that affiliated interests offer Columbia gas supplies under competitive terms and conditions, Columbia will consider those supplies like all others in accordance with its policy of purchasing gas supplies from reliable sources at the lowest cost. Therefore, it is requested that the Commission make the findings under Section 1318(b) concerning gas supplies from affiliates.

**A. HISTORIC RECONCILIATION PERIOD STANDARDS**

38. With respect to Columbia's gas purchases and gas purchasing practices during the twelve-month historic reconciliation period ended January 31, 2020, it is requested that the Commission find that Columbia has met the standards set out in Section 1318 of the Public Utility Code, 66 Pa.C.S. § 1318, and required by Section 1307(f)(5) of the Public Utility Code, 66 Pa.C.S. § 1307(f)(5), as to all actual purchased gas costs in the historic period. It is requested that the Commission find, pursuant to Section 1307(f)(5) of the Public Utility Code, and based upon the evidence presented by the Petitioners in this case, that, during the twelve months ended January 31, 2020: (1) Columbia met the requirements of Section 1318(a) of the Public Utility Code by pursuing a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers; and (2) Columbia met the requirements of Section 1318(b) of the Public Utility Code relating to its consideration of offers from affiliates for gas, transportation and storage services.

**B. PROJECTED AND INTERIM PERIOD FINDINGS**

39. With respect to the twelve-month period beginning October 1, 2020, which is the period of time during which the proposed rates contained in this Settlement would be in effect, it is requested that the Commission make the findings under Section

1318 of the Public Utility Code, including Sections 1318(a)(1) through (a)(4), and 1318(b)(1) through (b)(3), based upon information presently available and based upon evidence of record in this proceeding concerning Columbia's purchasing policies.

40. The Petitioners agree that, based upon evidence of record in this proceeding concerning Columbia's projected gas purchases and gas purchasing policies, it appears that Columbia's projected gas purchases and projected gas purchasing policies will comply with the standards of Section 1318 of the Public Utility Code. Nevertheless, it is expressly understood and agreed that the findings relating to the rate to become effective October 1, 2020, are made solely for the purpose of setting prospective rates that shall be subject to the standards of Section 1318, and further reviewed in an appropriate future proceeding. This Section of the Settlement is not intended to limit or prevent in any way present or future complainants from reviewing, after such projected gas purchases have been made and gas purchasing practices have been implemented, whether Columbia's gas purchases and gas purchasing practices have, in fact, complied with the standards of Section 1318. If, in an appropriate future proceeding, gas purchases and gas purchasing practices relating to the period October 1, 2020, through September 30, 2021, are challenged, the Commission's findings in this Section of the Settlement shall pose no bar to the examination of such purchases and practices including, but not limited to, disallowance of, or reductions to, such costs during the one-year period commencing October 1, 2020.

41. The Petitioners agree that future examination of the gas costs relating to the period February 1, 2020, through September 30, 2021, to determine whether Columbia's experienced and projected gas purchases and gas purchasing practices complied with the standards set forth in Section 1318 of the Public Utility Code shall be

permitted and that the Commission's adoption of the findings under this Section of the Settlement shall not be construed to limit or prevent any disallowance or reduction of such costs.

## **VI. CONDITIONS OF SETTLEMENT**

42. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. If the Commission modifies the Settlement, any Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the 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 Petitioners within five (5) business days after the entry of an Order modifying the Settlement.

43. This Settlement is proposed by the Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue, the Petitioners reserve their respective procedural rights to hearing and briefing, and to argue their respective positions. The Settlement is made without any admission against, or prejudice to, any position that any party may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

44. The Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any one party's position with respect to any issues raised in this proceeding. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

45. Attached as Appendices “A” through “D” are Statements of Support submitted by Columbia, setting forth the bases upon which they believe the Settlement is in the public interest.

**VII. CONCLUSION**

WHEREFORE, the Petitioners, by their respective counsel, respectfully request that the Honorable Administrative Law Judges Mary D. Long and Emily I. Devoe and the Commission approve this Settlement, including all terms and conditions thereof, and that the Commission enter an Order consistent with this Settlement and mark the complaints at Docket Nos. C-2020-3019445, C-2020-3019362 and D-2018-3004889 closed.

Respectfully submitted,

/s/Lindsay A. Berkstresser  
Michael W. Hassell, Esquire  
Lindsay A. Berkstresser, Esquire  
Post & Schell, P.C.  
17 North Second Street  
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Date: July 6, 2020

and

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*For: Columbia Gas of Pennsylvania, Inc.*

Erika L. McLain

Date: July 6, 2020

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*For: Bureau of Investigation and  
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\_\_\_\_\_

Date: \_\_\_\_\_

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Harrisburg, PA 17101

*For: Office of Small Business Advocate*

/s/Laura J. Antinucci

Date: July 6, 2020

Laura Antinucci, Esquire  
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*For: Office of Consumer Advocate*

\_\_\_\_\_ Date: \_\_\_\_\_

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*For: Bureau of Investigation and  
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/s/ Erin K. Fure

\_\_\_\_\_ Date: July 6, 2020

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*For: Office of Small Business Advocate*

\_\_\_\_\_ Date: \_\_\_\_\_

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*For: Office of Consumer Advocate*

# ATTACHMENT A

## RIDER PGC - PURCHASED GAS COST (Continued)

### COMPUTATION OF PURCHASED GAS DEMAND COSTS PER THM – Continued

Supplier Refunds and Pipeline Penalty Credits that are not included in "CE" will be included in the calculation of "DE". Supplier Refunds and Pipeline Penalty Credits 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.

"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, and Pipeline Supplier Refunds and Pipeline Penalty Credits received by the Company will be included in the calculation of the PGDC as specified above.

### 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 \$0.12119 per thm. Such rate shall be equal to the PGDC component of \$0.14114 per thm as calculated above, less the CAF of \$0.01995 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 \$0.01995 per thm representing costs not assignable to CHOICE customers shall be included in the Price-to-Compare. (l)

### 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.

**Columbia Gas of Pennsylvania, Inc.**

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

## RIDER PGC - PURCHASED GAS COST (Continued)

### COMPUTATION OF PURCHASED GAS DEMAND COSTS PER THM – Continued

Supplier Refunds and Pipeline Penalty Credits that are not included in "CE" will be included in the calculation of "DE". Supplier Refunds and Pipeline Penalty Credits 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.

"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, and Pipeline Supplier Refunds and Pipeline Penalty Credits received by the Company will be included in the calculation of the PGDC as specified above.

### 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 \$0.12119 per thm. Such rate shall be equal to the PGDC component of \$0.14114 per thm as calculated above, less the CAF of \$0.01995 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 \$0.01995 per thm representing costs not assignable to CHOICE customers shall be included in the Price-to-Compare.

(l)

### 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.

**Columbia Gas of Pennsylvania, Inc.**

---

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

# APPENDIX A

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No. R-2020-3018993
Office of Consumer Advocate	:	Docket No. C-2020-3019445
Office of Small Business Advocate	:	Docket No. C-2020-3019362
v.	:	
Columbia Gas of Pennsylvania, Inc.	:	Docket No. D-2018-3004889

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

Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) submits this Statement in Support of the Joint Petition for Settlement in the above-captioned proceedings (“Settlement”). Signatories to the Settlement are 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”), and Columbia, parties to the above-captioned proceeding (hereinafter collectively referred to as the “Joint Petitioners”).<sup>1</sup>

The Joint Petitioners have reviewed Columbia’s purchased gas costs (“PGC”) and purchasing practices and have concluded that both are consistent with the standards set forth in the Public Utility Code. I&E, OSBA and Columbia are the only parties who submitted testimony. The Settlement fully resolves all issues in this proceeding.

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully-

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<sup>1</sup> The Columbia Industrial Intervenors (“CII”) has indicated that it does not oppose the Settlement.

litigated proceeding. *See* 52 Pa. Code § 69.401. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

As an initial matter, the fact that the Settlement is unopposed is, in and of itself, strong evidence that the Settlement is reasonable and in the public interest. The Settlement was achieved after a comprehensive investigation of Columbia's gas purchasing practices, including extensive discovery and discussion among the parties. Columbia submits that the Settlement fairly balances the interests of the Company and its customers and, therefore, is in the public interest. Columbia respectfully requests that Administrative Law Judges Mary D. Long and Emily I. DeVoe (the "ALJs") and the Commission approve the Settlement in its entirety, without modification. Columbia notes that by resolving all issues in this proceeding through Settlement, the parties were able to successfully avoid a portion of the costs associated with litigation.

For the reasons set forth below, the Settlement is just and reasonable and should be approved.

#### **I. SETTLEMENT TERMS ARE IN THE PUBLIC INTEREST**

Initially, the Settlement provides for the approval of Columbia's 2020 PGC filing as filed, subject to the resolution of the issue of interest on pipeline penalty credits set forth in the Settlement. No party raised issues regarding Columbia's historic and projected gas purchases and gas purchasing policies. In accordance with the proposed findings of facts and statutory findings contained in the Settlement, this provision is in the public interest and should be approved.

The sole issue addressed in I&E's and OSBA's testimony concerns the manner in which Columbia passes interstate pipeline penalty credits to Columbia's customers. This issue was the subject of the January 31, 2017 Bureau of Audits Report on the Statements of Purchased Gas Cost Collections ("Audit Report"). The Audit Report contained a finding that Columbia did not include interest on interstate pipeline penalty credits that were passed to Columbia's commercial and industrial customers. The Audit Report concluded that not applying interest to penalty credits violated Columbia's tariff and recommended that Columbia address the issue of applying interest to pipeline penalty credits in the Company's next 1307(f) proceeding. On January 17, 2020, Columbia filed a Complaint against the finding in the Audit Report, Docket No. D-2018-3004889. On April 16, 2020, the Commission issued an Order consolidating the Complaint with this 1307(f) proceeding.

In accordance with the Audit Report, Columbia addressed the issue of interest on pipeline penalty credits in the Company's direct testimony. See Columbia Statement No. 3, pp. 7-10. Columbia explained that penalty credits are not "refunds." Rather, penalty credits are the result of an interstate pipeline collecting a penalty from a third-party shipper for violating the terms of the interstate pipeline tariff. Columbia Statement No. 3, p. 9. Columbia also explained that it did not violate its tariff by not providing interest on penalty credits because the tariff in effect at the time applicable to the Audit Report did not provide for interest to be applied to pipeline penalty credits passed through to customers in the PGC. Columbia St. No. 3, p. 9; Columbia Ex. No. NP 1-R.

In their direct testimony, I&E and OSBA expressed concern with Columbia's treatment of pipeline penalty credits. I&E witness Patel recommended that, moving

forward, penalty credits be recorded as an offset to purchased gas costs in the month the penalty credits are received. I&E Statement No. 1 p. 8. OSBA witness Knecht stated that an interest credit should apply to the pipeline penalty credits received by Columbia from the time of receipt until the time they are reflected in rates. OSBA Statement No. 1, p. 5.

In rebuttal testimony, Columbia explained that penalty credits do not involve a refund of money that a complying shipper has paid to the pipeline. Rather, a pipeline penalty credit is the result of an annual review of operational order non-compliance penalties billed and collected by an interstate pipeline. The interstate pipeline then allocates a pro rata share of the penalty credits to shippers like Columbia who complied with the operational orders on the pipeline's system. Columbia St. No. 3-R, p. 4. Conversely, a pipeline refund is the difference passed back by interstate pipelines to shippers on its system for rates billed when an interstate pipeline files a request to increase rates and the final, Federal Energy Regulatory Commission-approved rates. Columbia Statement No. 3-R, pp. 4-5. Thus, unlike a supplier refund, Columbia's customers do not pay for the penalty credit amounts that are being passed through to them in the first place. Columbia Statement No. 3-R, p. 5.

Columbia also explained that pursuant to the Commission's Order at Docket P-2018-3000160, if Columbia's Hardship Fund balance falls below \$750,000, Columbia is to credit the residential portion of pipeline penalty credits and supplier refunds to the Hardship Fund to bring the balance back to \$750,000. Thus, any penalty credits that are used to fund the Hardship Fund would not be passed to customers through the PGC. Columbia Statement No. 3-R, pp. 6-7; Columbia Exhibit 3-R.

Following the submission of I&E's and OSBA's direct testimony and Columbia's rebuttal testimony, the parties discussed Columbia's treatment of pipeline penalty credits. As a result of those discussions, Columbia agreed, and the Settlement provides, that Columbia will modify its tariff such that interest on pipeline penalty credits will be provided to PGC customers prospectively in the same manner that interest is calculated and provided to customers with respect to supplier refunds. The Settlement further explains that pipeline penalty credits will continue to be used to fund the Hardship Fund, in accordance with the Pennsylvania Public Utility Commission's Order entered June 14, 2018, at Docket P-2018-3000160, and interest will not be provided to PGC residential customers with respect to that portion of Pipeline Penalty Credits. Settlement ¶ 34. The Settlement also provides that the Parties do not oppose Columbia's position that Columbia's tariff in effect during the audit period that is the subject of Docket No. D-2018-3004889, or for any period prior to October 1, 2020, did not provide for payment of interest on the pass through of pipeline penalty credits. Settlement ¶ 35.

The foregoing settlement provisions are in the public interest and should be approved. The settlement provisions resolve Columbia's objection to the audit finding, and address I&E's and OSBA's concerns, by providing for the prospective application of interest on pipeline penalty credits that are passed through the PGC. The Settlement modifies Columbia's tariff language to confirm the prospective application of interest to pipeline penalty credits. By passing back future penalty credits with interest, Columbia's customers will receive interest on the amount of pipeline penalty credits from the time they are received by Columbia to the time they are passed to customers through the PGC. The Settlement strikes an appropriate balance between the positions

of I&E and OSBA and the position of Columbia in a manner that is in the best interest of customers. Consistent with current practice, Columbia will continue to use the residential portion of penalty credits as funding for the Hardship Fund in accordance with the Commission's Order at Docket P-2018-3000160. This settlement provision reaffirms that Columbia's eligible low-income customers will continue to receive the important assistance provided to them by the Hardship Fund.

## II. CONCLUSION

The Settlement resolves all issues raised during this proceeding. For the reasons explained above, and those set forth in the proposed findings in the Settlement, the resolution of the issues contained within the Settlement is in the public interest. The Settlement should be approved without modification.

Respectfully submitted,

/s/Lindsay A. Berkstresser

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Date: July 6, 2020

# APPENDIX B

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission</b>	:	
	:	
	:	<b>Docket No. R-2020-3018993</b>
v.	:	
	:	
<b>Columbia Gas of Pennsylvania, Inc. 1307(f)</b>	:	

**STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE  
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT OF RATE  
INVESTIGATION PURSUANT TO 66 Pa. C.S. §1307(f)**

**I. INTRODUCTION**

The Small Business Advocate is authorized and directed to represent the interests of small business consumers in proceedings before the Pennsylvania Public Utility Commission (“Commission”) under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. In order to discharge this statutory duty, the Office of Small Business Advocate (“OSBA”) is participating as a party to this proceeding to ensure that the interests of small commercial and industrial (“Small C&I”) customers of Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) are adequately represented and protected.

**II. PROCEDURAL BACKGROUND**

Pursuant to Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) made its annual

Section 1307(f) Gas Cost Rate (“GCR”) pre-filing on February 28, 2020, and its definitive filing on April 1, 2020.

On March 6, 2020, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance.

The Office of Consumer Advocate (“OCA”) filed a Notice of Appearance on March 11, 2020.

On March 18, 2020, a Petition to Intervene was filed by the Columbia Industrial Intervenors (“CII”).

The OSBA filed a Notice of Appearance and Complaint on March 27, 2020. The OSBA’s Complaint was docketed at C-2020-3019362.

On April 9, 2020, the OCA filed a Complaint, docketed at C-2020-3019445.

A Prehearing Order was issued on April 13, 2020, before Administrative Law Judge (“ALJ”) Mary D. Long and ALJ Emily I. DeVoe, which adopted the procedural schedule and discovery modifications agreed upon by the parties, consolidated the OCA’s and OSBA’s Complaints with the above-captioned proceeding, and granted CII’s Petition to Intervene.

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

Evidentiary hearings were scheduled for June 1, 2020 and June 2, 2020 pursuant to an Evidentiary Hearing Notice issued April 14, 2020.

On April 16, 2020, the Commission issued an Order consolidating a Formal Complaint filed by Columbia on January 21, 2020 at Docket No. D-2018-3004889 with the above-captioned proceeding.

The OSBA and I&E served direct testimony and exhibits on May 7, 2020. The OCA and CII did not submit direct testimony.

Columbia served rebuttal testimony and exhibits on May 22, 2020.

I&E served surrebuttal testimony on May 28, 2020.

The parties engaged in settlement discussions, and a settlement in principle of all issues was reached. The evidentiary hearings were canceled by the agreement of the parties, and all parties agreed to waive cross-examination.

On June 2, 2020, Columbia, I&E, OCA, OSBA and CII filed a Joint Stipulation for the Admission of Evidence. On June 11, 2020, the ALJs issued an Order admitting the evidence identified in the Joint Stipulation into the record.

The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition For Settlement of Rate Investigation Pursuant to 66 Pa. C.S. §1307(f) (“Joint Petition”). The OSBA submits this statement in support of the Joint Petition.

### **III. STATEMENT IN SUPPORT OF JOINT PETITION**

Upon further review of the Company’s PGC filings and subsequent discovery, the OSBA determined that the issues initially outlined in its prehearing memorandum had been adequately addressed.

With regard to the issues of interest on Pipeline Penalty Credits, the OSBA took the position that an interest credit should apply to the Pipeline Penalty Credits being refunded to Columbia, which are then ultimately refunded to Small C&I customers.

(OSBA Statement No. 1, at p. 5). The Joint Petition resolves this issue by Columbia's agreement to amend its tariff to provide interest on Pipeline Penalty Credits to Small C&I customers prospectively. The OSBA agrees with I&E that retrospective implementation of an interest credit would have minimal impact. (I&E Statement No. 1, at p.9.) The OSBA has therefore concluded that the settlement is reasonable and in the interests of the Company's Small C&I customers.

**IV. CONCLUSION**

Settlement of this proceeding avoids the litigation of complex, 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.

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 ALJs Long and DeVoe and the Commission approve the Joint Petition in its entirety without modification.

Respectfully submitted,

/s/ Erin K. Fure

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For:

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Small Business Advocate

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Dated: July 6, 2020

\_\_\_\_\_ Date: \_\_\_\_\_

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*For: Bureau of Investigation and  
Enforcement*

/s/ Erin K. Fure

\_\_\_\_\_ Date: July 6, 2020

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*For: Office of Consumer Advocate*



# APPENDIX C

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2020-3018993
	:	
Columbia Gas of Pennsylvania, Inc.	:	

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

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The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement of Rate Investigation Pursuant to 66 Pa. C.S. §§ 1307(f) and 1318 (Settlement) finds the Settlement to be in the public interest and in the interest of Columbia Gas of Pennsylvania, Inc.’s ratepayers for the following reasons:

**I. INTRODUCTION**

On February 28, 2020, pursuant to Sections 53.64 and 53.65 of the Commission’s Rules and Regulations, Columbia Gas of Pennsylvania, Inc. (Columbia or the Company) submitted its pre-filing information in support of its annual purchased gas cost (PGC) filing. 66 Pa. C.S. § 1307(f); 52 Pa. Code §§ 53.64, 53.65 Relative to the current rate of \$0.34808/Therm, Columbia’s pre-filing anticipated a decrease of \$0.03124/Therm to a rate of \$0.31684/Therm for service rendered on and after October 1, 2020. Columbia submitted its definitive annual PGC filing on April 1, 2020.

On March 6, 2020, the Bureau of Investigation and Enforcement (I&E) filed its Notice of Appearance and, on March 11, 2020, the OCA filed its Notice of Appearance. A Petition to Intervene was filed by the Columbia Industrial Intervenors (CII) on March 18, 2020 and the Office of Small Business Advocates (OSBA) filed its Formal Complaint and Notice of Appearance on March 27, 2020. The OCA filed a Formal Complaint and Public Statement on April 9, 2020.

The Company's filing was assigned to the Office of Administrative Law Judge and was further assigned to Administrative Law Judges Mary D. Long and Emily I. DeVoe for investigation and scheduling of hearings to determine whether Columbia's gas costs comply with the standards set forth in the Public Utility Code.

The OCA retained Jerome D. Mierzwa as its expert to review the Company's filing. After a thorough review of the filing, including the issuance and review of substantial discovery, the OCA declined to submit testimony in this proceeding. CII did not submit testimony either in this proceeding. The OSBA and I&E submitted Direct Testimony on May 7, 2020. Columbia submitted Rebuttal Testimony on May 22, 2020.

The parties were able to reach a settlement of all litigated issues in this proceeding. The parties filed a Joint Stipulation for Admission of Evidence on June 2, 2020 in which the written testimony of the parties was admitted into the record. The presiding ALJs issued an Interim Order Granting Joint Stipulation for Admission of Evidence on June 11, 2020. Based on its review of the Company's filing and the testimony filed, the OCA submits that the Company has met the requirements of 66 Pa. C.S. Sections 1307(f) and 1318, and the Settlement is a reasonable resolution of the Company's 2020 PGC proceeding.

## **II. SETTLEMENT**

### **A. PGC Rates**

The Commission encourages parties in contested on-the-record proceedings to settle cases. See 52 Pa. Code § 5.231. A settlement, by definition, reflects a compromise of the parties' positions. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the settlement serves the public interest. Pa. Public Utility Commission v. CS Water and Sewer Associates, 74 Pa. PUC 767, 711 (1991); Pa. Public Utility Commission v. Philadelphia Electric Company, 60 Pa. PUC 1, 21 (1985). Based on the review conducted by the OCA and its consultant, the OCA supports the PGC rates presented in the Settlement. The Settlement establishes a reasonable resolution of this proceeding and should be approved as in the public interest.

B. Pipeline Penalty Credits

According to the Settlement, the Company will amend its tariff such that interest on Pipeline Penalty Credits will be provided to PGC customers prospectively, in the same manner that interest is calculated and provided to customers with respect to Pipeline Supplier Refunds. In accordance with the Pennsylvania Public Utility Commission's Order entered June 14, 2018, at Docket P-2018-3000160, Pipeline Penalty Credits will continue to be used to fund the Hardship Fund. Further, interest will not be provided to PGC residential customers with respect to the above-mentioned portion of Pipeline Penalty Credits. The OCA submits that this provision addressing the calculation of interest on Pipeline Penalty Credits is appropriate and should be approved as in the public interest.

### III. CONCLUSION

The Office of Consumer Advocate submits that the terms of the Settlement are in the public interest and in the interest of Columbia's ratepayers. Based on the above reasons, the Office of Consumer Advocate submits that the proposed Settlement should be approved.

Respectfully Submitted,

/s/ Laura J. Antinucci

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DATE: July 6, 2020  
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Date: \_\_\_\_\_

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*For: Office of Small Business Advocate*

/s/Laura J. Antinucci

Date: July 6, 2020

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*For: Office of Consumer Advocate*

# APPENDIX D

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No.: R-2020-3018993
	:	
Columbia Gas of Pennsylvania, Inc. - 1307(f)	:	

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**BUREAU OF INVESTIGATION AND ENFORCEMENT'S  
STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT OF  
THE SECTION 1307(f) RATE INVESTIGATION**

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**TO ADMINISTRATIVE LAW JUDGES MARY D. LONG AND EMILY I. DEVOE:**

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Prosecutor, Erika L. McLain, hereby respectfully submits that the terms and conditions of the foregoing Joint Settlement Agreement ("Settlement") are in the public interest and represent a fair, just and reasonable balance of the interests of Columbia Gas of PA, Inc. ("Columbia" or "Company") and its customers. The parties to this Settlement conducted extensive discovery and negotiation sessions and, as a result, the Joint Petitioners have agreed upon the terms embodied in the foregoing Settlement. This request is based upon I&E's conclusion that the Settlement is in the public interest as supported by the following factors:

1. I&E is charged with the representation of the public interest in proceedings relating to rates, rate-related services and application proceedings

affecting the public interest held before the Commission. Consequently, in negotiated settlements, it is incumbent upon I&E to ensure that the public interest is served and to quantify to what extent amicable resolution of any such proceeding will benefit the public interest. Based upon I&E analysis of the Company's 1307(f) filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that Administrative Law Judges Mary D. Long and Emily I. DeVoe and the Commission approve the Settlement in its entirety.

2. On February 28, 2020, the Company filed its Annual Purchased Gas Cost Filing pursuant to Section 1307(f) of the Public Utility Code. Columbia's 1307(f) filing proposed a decrease in its purchased gas cost rates of \$0.03124/Therm, from \$0.34808/Therm to \$0.31684/Therm.

3. I&E filed a Notice of Appearance on March 6, 2020.

4. Due to the COVID-19 Pandemic, a telephonic Prehearing Conference was not held in this matter.

5. The Parties proposed a procedural schedule to ALJ Long and ALJ Guhl on April 10, 2020.

6. On April 13, 2020, a Prehearing Order was issued which granted the Parties proposed schedule and included discovery modifications.

7. Discovery was undertaken by the parties during the proceeding.

8. On May 7, 2020, I&E served its Direct Testimony in this proceeding.

9. On May 28, 2020, I&E served its Surrebuttal Testimony in this proceeding.

10. In accordance with the Commission's policy favoring settlements over

costly and time consuming litigation, 52 Pa. Code § 5.231, the Settling Parties were successful in achieving a full and complete settlement of all issues utilizing the discovery and settlement negotiation process.

11. I&E submits that the proposed Settlement is in the public interest and should be approved by the ALJs and the Commission for the following reasons:

a. After review of the filing and discovery, I&E determined that the information provided by the Company indicates that its least cost procurement obligation under the Public Utility Code, 66 Pa. C.S. § 1318. Adhering to a least cost procurement policy benefits ratepayers is in the public interest because least cost gas directly impacts customer gas bills, while still ensuring that customers receive safe, adequate and reliable service.

Specifically, I&E analyzed the Company's E-factor and found that it was calculated in accordance with established Commission practices. An E-factor is the experienced over/under collections, it reconciles variations between the projected gas costs and actual gas costs as well as variances between projected and actual sales. The E- factor also serves as the vehicle to pass through miscellaneous revenues and to calculate interest. This review is critical because the proper calculation of the E-factor ensures that rates are adjusted appropriately. I&E is satisfied that the Company's E-factor calculation is appropriate and accurate. Additionally, I&E reviewed

the Company's projected gas costs and determined that it appears those costs are consistent with a least cost fuel procurement policy.

In its filing, Columbia projects a decrease of \$0.03124/Therm for a proposed PGC rate of \$0.31684/Therm to be effective October 1, 2020.

While those costs are subject to review in a future PGC proceeding, I&E maintains that ratepayers are protected in that Columbia gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies. Accordingly, I&E represents that the Settlement maintains the proper balance of the interests of all parties.

For these reasons, I&E maintains that Columbia is pursuing a least cost fuel procurement policy consistent with its obligation to provide safe, adequate and reliable service to its customers.

b. Columbia has agreed to amend its tariff such that interest on Pipeline Penalty Credits will be provided to PGC customer prospectively, in the manner that interest is calculated and provided to customers with respect to Pipeline Supplier Refunds.<sup>1</sup> Pipeline Penalty Credits will continue to be used to fund the Hardship Fund, in accordance with the Public Utility Commission's Order<sup>2</sup> and interested will not be provided to PGC residential customers with respect to that portion of Pipeline Penalty Credits.

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<sup>1</sup> Joint Petition for Settlement ¶ 34 at Docket No. R-2020-3018993.

<sup>2</sup> Pennsylvania Public Utility Commission Order entered June 14, 2018, at Docket P-2018-3000160.

The Settling Parties agreed that the Audit Report<sup>3</sup> assigned to this proceeding was unopposed and specifically, the Parties did not oppose Columbia's position that it did not violate its tariff with respect to calculation of interest on Pipeline Penalty Credits as it related to the Audits Report.<sup>4</sup> It is important to note that I&E did not take a position in this matter on the Audits Report. I&E's recommendations were based upon its independent analysis of the filing.

These terms are in the public interest as it will result in Columbia customers receiving interest on Pipeline Penalty Credits just as they receive with Pipeline Supplier Refunds. As I&E witness Patel pointed out, Pipeline Penalty Credits are linked to gas cost because they are generated from and during the Company's gas procurement process and the ratepayers are responsible for payment of the gas costs.<sup>5</sup> Mr. Patel explained that the benefit of the penalty credits belongs to ratepayers and by receiving interest on Pipeline Penalty Credits the customer is benefitted.

12. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest because resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense.

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<sup>3</sup> Audits Report at Docket No. D-2018-3004889.

<sup>4</sup> Joint Petition for Settlement ¶¶ 33, 35 at Docket No. R-2020-3018993.

<sup>5</sup> I&E Statement No. 1, p. 8.

13. I&E further submits that the acceptance of the foregoing settlement will negate the need for any direct and cross-examination of witnesses, the preparation of Main Briefs, Reply Briefs, Exceptions and Reply Exceptions, and the filing of possible appeals.

14. The Settlement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company or I&E as provided therein.

15. 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 in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the JointPetitioners.

16. If the ALJs recommend that the Commission adopt the Settlement as proposed, I&E has agreed to waive the filing of 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, or any additional matters, that may be proposed by the ALJs in the Recommended Decision. I&E has also reserved the right to file Reply Exceptions to any Exceptions that may be filed by the Company.

**WHEREFORE**, the Commission's Bureau of Investigation and Enforcement represents that it supports the Settlement as being in the public interest and respectfully requests that Administrative Law Judges Mary D. Long and Emily I. DeVoe recommend, and the Commission subsequently approve, the foregoing Joint

Settlement Agreement, including all terms and conditions contained therein.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Erika L. McLain".

Erika L. McLain  
Prosecutor  
PA Attorney ID No. 320526

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Dated: July 6, 2020