

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2020-3018993
Office of Consumer Advocate	:	C-2020-3019445
Office of Small Business Advocate	:	C-2020-3019362
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc. 1307(f)	:	
Purchased Gas Cost Tariff Filing Effective	:	
October 1, 2020	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	
	:	
v.	:	D-2018-3004889
	:	
Public Utility Commission	:	
Auditor’s Report on Columbia Gas of	:	
Pennsylvania Inc.’s Purchased Gas Cost	:	
Collections for the Twelve-Month Periods Ended	:	
January 31, 2018 and January 31, 2017	:	

RECOMMENDED DECISION

Before
Emily I. DeVoe
Administrative Law Judge

Mary D. Long
Administrative Law Judge

INTRODUCTION

This decision recommends that the “Joint Petition for Settlement of the Rate Investigation pursuant to 66 Pa.C.S. § 1307(f)”, executed and submitted at this docket by Columbia Gas of Pennsylvania, Inc., the Commission’s Bureau of Investigation and

Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate be approved without modification as it is in the public interest and is consistent with the requirements of the Public Utility Code.¹

HISTORY OF THE PROCEEDINGS

On February 28, 2020, Columbia Gas of Pennsylvania, Inc. (“Columbia” or “Company”) made its required pre-filing under Section 1307(f) of the Public Utility Code, 66 Pa.C.S. § 1307(f)(3), and 52 Pa.Code § 53.65, in connection with the Company’s Purchased Gas Cost (“PGC”) filing for the period beginning October 1, 2020. Columbia’s pre-filing proposed a PGC decrease of \$0.03124 per Therm from the currently effective gas cost recovery rate applicable to all firm sales rate schedules.

On April 1, 2020, Columbia filed Supplement No. 289 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 to decrease its PGC rates by \$0.03124 per Therm from \$0.34808 per Therm down to \$0.31684 per Therm.

The Pennsylvania Public Utility Commission (“Commission”) instituted an investigation to determine the lawfulness, justness, and reasonableness of the rates proposed in the Section 1307(f) filing and to satisfy the requirements of Sections 1307, 1317, and 1318 of the Public Utility Code, 66 Pa.C.S. §§ 1307(f), 1317, and 1318.

The Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) filed Notices of Appearance on March 6, 2020, March 11, 2020, and March 27, 2020, respectively.

¹ As explained further in the “History of the Proceedings” section of this decision, three corrected versions of the “Joint Petition for Settlement of the Rate Investigation pursuant to 66 Pa.C. § 1307(f)” were filed, and this decision approves the final corrected version.

On March 18, 2020, Columbia Industrial Intervenors (“CII”) filed a petition to intervene.

On March 27, 2020, OSBA filed a Formal Complaint and Public Statement at Docket No. C-2020-3019362. On April 9, 2020, OCA filed a Formal Complaint and Public Statement at Docket No. C-2020-3019445.

In lieu of a prehearing conference, the parties conferred on their own regarding a litigation schedule and proposed discovery rule modifications for this proceeding. On April 10, 2020, counsel for Columbia provided the parties’ proposed litigation schedule and discovery rule modifications to the presiding Administrative Law Judges (“ALJs”) via email.

On April 13, 2020, the presiding officers issued a Prehearing Order which, *inter alia*, confirmed the litigation schedule, granted CII’s petition to intervene, and consolidated the complaints filed by OCA and OSBA with the rate case docketed at R-2020-3018993.

On April 16, 2020, the Commission issued an Order consolidating a Formal Complaint filed by Columbia at Docket No. D-2018-3004889, concerning the Commission’s 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 (“Audit Report”) with the rate proceeding.

Columbia served its direct testimony and exhibits on April 1, 2020, and on April 7, 2020, and May 29, 2020, it served corrected versions of Statement No. 3. I&E and OSBA served direct testimony and exhibits on May 7, 2020. OCA and CII did not serve any direct testimony. Columbia served rebuttal testimony and exhibits on May 22, 2020. On May 28, 2020, I&E served surrebuttal testimony.

An Evidentiary Hearing Notice was issued April 15, 2020, scheduling evidentiary hearings for June 1, 2020, and June 2, 2020. A Corrected Evidentiary Hearing Notice was issued April 24, 2020, changing the location of the hearing from Pittsburgh to Harrisburg. A second

Corrected Evidentiary Hearing Notice was issued May 27, 2020, converting the evidentiary hearings from in-person hearings to telephonic hearings.

On May 28, 2020, the parties informed the presiding officers they had reached a full settlement. All parties subsequently waived cross-examination and agreed to submit a Joint Stipulation for the Admission of Evidence in lieu of holding an evidentiary hearing.

On June 2, 2020, the parties filed a Joint Stipulation for the Admission of Evidence (“Joint Stipulation”), stipulating to the authenticity of the filings, statements, and exhibits listed in the Joint Stipulation and requesting that the listed documents be admitted into the record on the terms and conditions set forth in the Joint Stipulation. On June 11, 2020, the presiding officers entered an Interim Order granting the Joint Stipulation and admitting the identified testimony and exhibits into the record.

On July 6, 2020, a “Joint Petition for Settlement of Rate Investigation Pursuant to 66 Pa.C.S. § 1307(f)”, including Statements in Support by Columbia, OCA, OSBA, and I&E (collectively, “Joint Petitioners”) was filed with the Secretary’s Bureau of the Commission. The following day, on July 7, 2020, three corrected versions of this settlement with the supporting statements of the Joint Petitioners were filed. All four documents are titled the same and only the cover letter to the three corrected versions identify the document as a corrected version of the joint settlement. The final version filed, which is identified in the docket entries as the “3rd Corrected Joint Petition for Settlement of Rate Investigation Pursuant to 66 Pa.C.S. § 1307(f)”, is the settlement which is being approved by this decision. For ease of reference and clarification, this final corrected version will be referred throughout the remainder of this decision as “Settlement”².

In the Settlement, the Joint Petitioners advised that CII does not oppose the Settlement.

² However, in the Ordering Paragraphs, the final filed corrected joint settlement version will be identified as it is in the docket entries—i.e., the “3rd Corrected Joint Petition for Settlement of Rate Investigation.”

The gas cost rate in effect as of April 1, 2020, is \$0.34808 per Therm. The gas cost rate which Columbia proposed in its April 1, 2020, filing to be effective on October 1, 2020, is \$0.32832 per Therm. This is the same gas cost rate the Joint Petitioners propose in the Settlement, and it represents an approximate 5.68% decrease in the PGC rate in effect as of April 1, 2020.

This Recommended Decision recommends the Settlement be adopted without modification.

JOINT STIPULATION FOR ADMISSION OF EVIDENCE

The parties stipulated to the authenticity and admission of the following testimony and exhibits:

- Columbia Exhibits 1, 1-A, 1-B, 1-C, 1-D, 1-D-1, 1-D-2, 1-D-3, 1-E, 1-F, 2, 3, 4, 5, 5-A, 5-B, 6, 7, 8-A, 8-B, 8-C, 8-D, 8-E, 9, 10, 11, 12, 13, 14 and 15
- Direct Testimony of Henry A. Catron – Columbia Statement No. 1, Exhibits HAC-1 and HAC-2
- Direct Testimony of Jana Berberich – Columbia Statement No. 2, Exhibit JB-1 and Exhibit 1-F, Schedule 2
- Direct Testimony of Nicole M. Paloney – Columbia Statement No. 3, Exhibit NP-1
- Direct Testimony of Robert D. Knecht – OSBA Statement No. 1, Exhibit IEC-1
- Direct Testimony of D.C. Patel – I&E Statement No. 1, I&E Exhibit No. 1
- Rebuttal testimony of Nicole Paloney – Columbia Statement No. 3-R, Exhibits NP-1R, NP-2R and NP-3R
- Surrebuttal Testimony of D.C. Patel – I&E Statement No. 1-SR.

Joint Stipulation, p. 3. These filings, statements, and exhibits were admitted into the record by Interim Order entered June 11, 2020.

STIPULATED FINDINGS OF FACT

The Joint Petitioners agreed to the following findings of fact in support of the Settlement.³

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).

³ See, Settlement, pp. 3-14.

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.

(c) 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).

(d) 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).

(e) 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).

(f) 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).

DESCRIPTION AND TERMS OF SETTLEMENT

In accordance with Rule 5.231 of the Commission's Rules of Practice and Procedure, 52 Pa.Code § 5.231, the parties explored the possibility of settlement. As a result of settlement discussions, the parties achieved a settlement in principle under which all issues are resolved. The Settlement, which is fully executed by Columbia, OSBA, OCA, and I&E, consists of 22 pages plus Attachment A, which contains proposed tariff revisions, and Appendices A, B,

C, and D, which are the Statements in Support of Columbia, OSBA, OCA, and I&E, respectively. CII was not a signatory to the Settlement; however, the Joint Petitioners indicate in the Settlement that CII does not oppose the Settlement.

The Joint Petitioners agreed to the settlement terms⁴ 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 tariff⁵ 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. 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.

The parties generally agree that the Company's filing is consistent with the statutory requirements in the Public Utility Code. Specifically, the parties request that the Commission make the findings required by Sections 1307 and 1318.⁶ The Settlement also includes the usual "additional terms and conditions" that are typically included in rate settlements. These terms, which, among other things, protect the parties' rights to file exceptions

⁴ For ease of reference, the original paragraph numbering has been retained. See, Settlement, pp. 14-15.

⁵ The revised tariff language is attached to the Settlement as "Attachment A."

⁶ 66 Pa.C.S. §§ 1307, 1318.

if any part of the Settlement is modified, condition the agreement upon approval by the Commission, and provide that no party is bound in future rate cases by any particular position taken in this case. These additional terms and conditions will not be repeated here *verbatim*. The reader is directed to the Settlement.⁷

POSITIONS OF THE JOINT PETITIONERS

The Settlement specifically addresses two issues: (1) the proposed decrease in PGC, effective October 1, 2020; and (2) the interest on pipeline penalty credits (“PPCs”).

Decrease in Purchased Gas Costs

The signatories reviewed Columbia’s PGC and purchasing practices during the pendency of this proceeding. The Joint Petitioners assert that the PGC and Columbia’s purchasing practices are consistent with the standards set forth in the Public Utility Code.

Columbia avers that the simple fact that the Settlement is unopposed is, in and of itself, strong evidence the Settlement is reasonable and in the public interest. It argues the Settlement was achieved after a comprehensive investigation of Columbia’s gas purchasing practices, including extensive discovery and discussion among the parties. Columbia argues the Settlement fairly balances the interests of Columbia and its customers and, therefore, is in the public interest. Columbia noted that by resolving all issues through a settlement, the parties were able to successfully avoid a portion of the costs associated with litigation.

As discussed below, OSBA explains that its concerns regarding PPCs are adequately addressed by Columbia’s agreement to amend its tariff, and as such, the Settlement is reasonable and in the interest of Columbia’s small commercial and industrial (“C&I”) customers. It argues that the Settlement avoids the litigation of complex, competing proposals and saves the possibly significant costs of further administrative proceedings, costs which would be born not only by the Joint Petitioners, but ultimately by Columbia’s customers as well. OSBA argues that

⁷ See, Settlement, p. 18.

avoiding further litigation of this matter will serve judicial efficiency and will allow the OSBA to more efficiently employ its resources in other areas.

OCA's and OSBA's Statements in Support address the resolution of their concerns regarding Columbia's treatment of PPCs and do not specifically address the PGC portion of the Settlement.

I&E explains that after review of the filing and discovery, it determined that Columbia met its least cost procurement obligation under the Public Utility Code, 66 Pa. C.S. § 1318. Specifically, I&E analyzed the Company's experience factor ("E-factor") and found that it was calculated in accordance with established Commission practices. This review is critical because the proper calculation of the E-factor ensures that rates are adjusted appropriately. I&E affirms it 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 those costs are consistent with a least cost fuel procurement policy and that Columbia does not gain unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies.

I&E argues that the 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.

Pipeline Penalty Credits

The sole issue raised by the statutory advocates in this matter was the manner in which Columbia passes interstate PPCs to Columbia's customers. The issue was the subject of the January 31, 2017 Bureau of Audits Report on the Statements of Proposed Gas Cost Collections at Docket No. D-2018-3004889. The Audit Report contained a finding that

Columbia did not apply interest to PPCs that were passed on to Columbia's C&I customers. The Audit Report concluded that not applying interest to PPCs violated Columbia's tariff and recommended that Columbia address the issue of applying interest to PPCs in the Company's next 1307(f) proceeding.

Columbia filed a Complaint against this finding. On April 16, 2020, the Commission issued an Order consolidating the Complaint filed at D-2018-3004889 with this 1307(f) proceeding.

Columbia explained through testimony that PPCs are the result of an interstate pipeline collecting a penalty from a third-party shipper for violating the terms of the interstate pipeline tariff.⁸ Columbia argued it did not violate its tariff by failing to pay interest on PPCs because the tariff in effect at the time applicable to the Audit Report did not provide for interest to be applied to PPCs passed through to customers in the PGC.⁹

In direct testimony, I&E and OSBA expressed concern with Columbia's treatment of PPCs. I&E witness D.C. Patel recommended that moving forward, PPCs be recorded as an offset to PGCs in the month the PPCs are received.¹⁰ OSBA witness Robert Knecht stated that an interest credit should apply to the PPCs received by Columbia from the time of receipt until the time they are reflected in rates.¹¹

In rebuttal testimony, Columbia explained that PPCs 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

⁸ Columbia St. No. 3, p. 9.

⁹ Columbia St. No. 3, p. 9; Columbia Ex. No. NP1-R.

¹⁰ I&E St. No. 1 p. 8.

¹¹ OSBA St. No. 1, p. 5.

pipeline's system.¹² 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, FERC-approved rates.¹³ 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.¹⁴

Columbia also explained that pursuant to the Commission's Order at Docket No. P-2018-3000160, if Columbia's Hardship Fund balance falls below \$750,000, Columbia is to credit the residential portion of PPCs and supplier refunds to the Hardship Fund to bring the balance back to \$750,000. Thus, any PPCs that are used to fund the Hardship Fund would not be passed to customers through the PGC.¹⁵

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 PPCs 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 PPCs will continue to be used to fund the Hardship Fund, in accordance with the Commission's Order entered June 14, 2018, at Docket No. P-2018-3000160, and interest will not be provided to PGC residential customers with respect to that portion of PPCs.¹⁶ 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

¹² Columbia St. No. 3-R, p. 4.

¹³ Columbia St. No. 3-R, pp. 4-5.

¹⁴ Columbia St. No. 3-R, p. 5.

¹⁵ Columbia St. No. 3-R, pp. 6-7; Columbia Ex. 3-R.

¹⁶ Settlement ¶ 34.

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.¹⁷

In their Statements in Support, OSBA, OCA, and I&E explain that Columbia's agreement to amend its tariff ensures that interest on PPCs will be provided to Columbia's PGC customers prospectively, resolves their concerns, and is in the public interest.

Columbia argues the Settlement provisions are in the public interest and should be approved. The Settlement provisions resolve Columbia's objection to the audit finding and address the statutory parties' concerns by providing for the prospective application of interest on PPCs that are passed through the PGC. By passing back future PPCs with interest, Columbia's customers will receive interest on the amount of PPCs from the time they are received by Columbia to the time they are passed to customers through the PGC.

ANALYSIS AND RECOMMENDATION

The Commission encourages parties in contested on-the-record proceedings to settle cases.¹⁸ Settlements eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion, which may entail review of the Commission's decision by the appellate courts of Pennsylvania. Such savings benefit not only the individual parties, but also the Commission and all ratepayers of a utility, who otherwise may have to bear the financial burden such litigation necessarily entails.

By definition, a "settlement" reflects a compromise of the positions the parties of interest held, which arguably fosters and promotes the public interest. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the agreement reached suits the public interest.¹⁹ In their supporting statements, Columbia, I&E,

¹⁷ Settlement ¶ 35.

¹⁸ See 52 Pa.Code § 5.231.

¹⁹ *Pa. Pub. Util. Comm'n v. CS Water and Sewer Associates*, 74 Pa. PUC 767, 771 (1991).

OSBA, and OCA take the position that this Settlement resolves the issues in this case, fairly balances the interests of Columbia and its ratepayers, is in the public interest, is consistent with the requirements of Sections 1307 and 1318 of the Public Utility Code,²⁰ and should be approved.

Although the Joint Petitioners do not oppose Columbia's position that it did not violate its tariff with regard to interest on PPCs, the presiding officers conducted their own analysis of the issue. In its Audit Report, the Bureau of Audits found that Columbia did not include interest on the portion of the "pipeline penalty credit refunds" returned to C&I customers.²¹ The Bureau of Audits alleged Columbia violated the following section of its tariff: "Supplier refunds that are not included in CE²² will be included in the calculation of DE²³ with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded."²⁴ The Bureau of Audits explained,

Columbia believes that penalty credit refunds are not a return of gas costs. This is true, but the pipeline is required by FERC to make the refunds to non-penalized pipeline customers. Columbia's ratepayers are an indirect customer of the pipeline via Columbia. Also, Columbia believes interest is not applicable because the issue of interest on pipeline penalty credit refunds has not been specifically addressed by any party in any of the company's past proceedings with the Commission.^[25]

²⁰ 66 Pa.C.S. §§ 1307, 1318.

²¹ Columbia Gas of Pennsylvania, Inc., Report on Statements of Purchased Gas Cost Collections for the Twelve-Month Periods Ended January 31, 2018 and January 31, 2017, Docket No. D-2018-3004889, p. 11.

²² Commodity E-Factor.

²³ Demand E-Factor.

²⁴ Columbia Gas of Pennsylvania, Inc., Report on Statements of Purchased Gas Cost Collections for the Twelve-Month Periods Ended January 31, 2018 and January 31, 2017, Docket No. D-2018-3004889, p. 11 (citing Tariff Gas – Pa. P.U.C. No. 9, Page No. 154).

²⁵ Columbia Gas of Pennsylvania, Inc., Report on Statements of Purchased Gas Cost Collections for the Twelve-Month Periods Ended January 31, 2018 and January 31, 2017, Docket No. D-2018-3004889, p. 11.

There is no dispute that Columbia failed to include interest on PPCs passed through to C&I customers. Whether Columbia violated its tariff turns on the definition of “supplier refunds” as used in Columbia’s tariff. If “supplier refunds” includes PPCs, then Columbia violated its tariff. If “supplier refunds” does not include PPCs, then Columbia did not violate its tariff. As discussed above, PPCs occur when an interstate pipeline assesses a penalty on a shipper who has violated the interstate pipeline’s tariff. The interstate pipeline then allocates a *pro rata* share of the penalty credit to other shippers who complied with the pipeline’s tariff. When a PPC is allotted to Columbia (and, ultimately, its customers), it is because a penalty has been assessed by an interstate pipeline on some third-party shipper. A PPC does not constitute a refund of any monies initially paid by Columbia’s customers and is definitionally not a “supplier refund.” As such, the undersigned find that Columbia did not violate its tariff by failing to apply interest to PPCs passed through to C&I customers.

The parties represent that they thoroughly investigated Columbia’s PGC filing through discovery and the submission of testimony. The Joint Petitioners agree Columbia’s information showed Columbia: (1) engaged in least cost policies to procure natural gas for its customers; (2) requested rates for purchased gas costs that are just and reasonable; (3) fully and vigorously represented the interests of its ratepayers in proceedings before the FERC and other relevant non-PUC proceedings; (4) took all prudent steps necessary to negotiate favorable gas supply contracts and to relieve itself or alleviate the impact from terms in existing contracts with its gas suppliers, which are or may be adverse to the interests of its ratepayers; (5) took all prudent steps necessary during the relevant time period to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies; (6) did not withhold from the market or cause to be withheld from the market any gas supplies which should have been used as part of a least cost fuel procurement policy; (7) fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests; and (8) obtained contracts for the purchase of gas from any affiliated interest during the relevant time period consistent with a least cost fuel procurement policy.²⁶

²⁶ See 66 Pa.C.S. § 1318(a), (b).

With regard to the contested issue regarding the PPCs, the Settlement strikes an appropriate balance between the positions of the statutory advocates and the position of Columbia in a manner that is in the best interest of customers. Consistent with our analysis detailed above, the Joint Petitioners do not oppose Columbia's position that Columbia did not violate its tariff by failing to include interest on PPCs passed through to C&I customers. Going forward, Columbia's proposed tariff modification will ensure that interest is included on the portion of PPCs passed through to Columbia's C&I 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 No. 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.

We recommend the Commission accept Columbia's 1307(f) filing and approve the revision to Columbia's tariff with regard to interest on PPCs as outlined in the Settlement. This Recommendation is based in large part upon the representations made by the statutory advocates averring that the Settlement is in the interests of the constituencies they represent, and is a fair, just, and reasonable resolution of the Commission's investigation for the reasons identified and discussed in detail by the parties above.

Accordingly, we recommend that the Commission approve the Settlement because it is in the public interest and is consistent with the requirements of Sections 1307 and 1318 of the Public Utility Code, 66 Pa.C.S. §§ 1307, 1318.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa.C.S. §§1307(f), 1317 and 1318.

2. There is sufficient evidence in the record to make the findings required by Section 1318 of the Public Utility Code. 66 Pa.C.S. § 1318.

3. Columbia Gas of Pennsylvania, Inc. is pursuing a least cost fuel procurement policy during the relevant time period consistent with its obligation to provide safe, adequate, and reliable service to its customers in compliance with Section 1318 of the Public Utility Code, 66 Pa.C.S. § 1318.

4. Columbia Gas of Pennsylvania, Inc.'s rates for purchased gas costs, as the settling parties have agreed upon in this proceeding, during the relevant time period, are just and reasonable and in compliance with Section 1318 of the Public Utility Code, 66 Pa.C.S. § 1318.

5. Columbia Gas of Pennsylvania, Inc. has fully and vigorously represented the interests of its ratepayers in proceedings before the Federal Energy Regulatory Commission and other relevant non-PUC proceedings during the relevant time period in compliance with Section 1318(a)(1) of the Public Utility Code, 66 Pa.C.S. § 1318(a)(1).

6. Columbia Gas of Pennsylvania, Inc. has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve itself or alleviate the impact from terms in existing contracts with its gas suppliers, which are or may be adverse to the interests of its ratepayers, during the relevant time period in compliance with Section 1318(a)(2) of the Public Utility Code, 66 Pa.C.S. § 1318(a)(2).

7. Columbia Gas of Pennsylvania, Inc. has taken all prudent steps necessary during the relevant time period to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies in compliance with Section 1318(a)(3) of the Public Utility Code, 66 Pa.C.S. § 1318(a)(3).

8. Columbia Gas of Pennsylvania, Inc. has not withheld from the market or caused to be withheld from the market during the relevant time period any gas supplies which should have been used as part of a least cost fuel procurement policy in compliance with Section 1318(a)(4) of the Public Utility Code, 66 Pa.C.S. § 1318(a)(4).

9. Columbia Gas of Pennsylvania, Inc. has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests during the relevant time period in compliance with Section 1318(b)(1) of the Public Utility Code, 66 Pa.C.S. § 1318(b)(1).

10. Columbia Gas of Pennsylvania, Inc.'s contracts for the purchase of gas from any affiliated interest during the relevant time period are consistent with a least cost fuel procurement policy in compliance with Section 1318(b)(2) of the Public Utility Code, 66 Pa.C.S. § 1318(b)(2).

11. Neither Columbia Gas of Pennsylvania, Inc. nor any affiliated interest during the relevant time period has withheld from the market any gas supplies, which should have been used as part of a least cost fuel procurement policy in compliance with Section 1318(b)(3) of the Public Utility Code, 66 Pa.C.S. § 1318(b)(3).

12. Proceedings brought pursuant to 66 Pa.C.S. § 1307(f)(1) are to reflect actual and projected increases or decreases in natural gas costs.

13. The Commission investigation must determine if existing rates imposed by a utility are unjust or unreasonable. 66 Pa.C.S. § 1307(a).

14. The Joint Petition for Settlement of the Rate Investigation executed and submitted at this docket by Columbia Gas of Pennsylvania, Inc., the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate is in the public interest.

15. Columbia's failure to include interest on pipeline penalty credits passed through to Columbia's Commercial and Industrial customers as noted in the Columbia Gas of Pennsylvania, Inc., Report on Statements of Purchased Gas Cost Collections for the Twelve-Month Periods Ended January 31, 2018 and January 31, 2017, at Docket No. D-2018-3004889, did not violate Columbia's tariff.

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the 3rd Corrected Joint Petition for Settlement of the Rate Investigation pursuant to 66 Pa.C.S. § 1307(f), executed and submitted at this docket by Columbia Gas of Pennsylvania, Inc., the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate be approved.

2. That Columbia Gas of Pennsylvania, Inc. be permitted to file a tariff supplement, on at least one day's notice to the Commission, containing changes in rates to provide for the recovery of its costs of purchased gas, consistent with the terms and conditions of the Joint Petition for Settlement of the Rate Investigation pursuant to 66 Pa.C.S. § 1307(f).

3. That the Formal Complaints of the Office of Consumer Advocate and the Office of Small Business Advocate at Docket Nos. C-2020-3019445 and C-2020-3019362, respectively, be marked satisfied.

4. That the Formal Complaint of Columbia Gas of Pennsylvania, Inc., at Docket No. D-2018-3004889, be marked satisfied and that Docket No. D-2018-3004889 be marked closed.

5. That Columbia Gas of Pennsylvania, Inc., the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate shall be ordered to comply with the terms and conditions of the Joint Petition for Settlement of the Rate Investigation pursuant to 66 Pa.C.S. § 1307(f) executed and submitted

