



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
COMMONWEALTH KEYSTONE BUILDING  
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF  
INVESTIGATION  
&  
ENFORCEMENT

December 30, 2020

***Via Electronic Filing***

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

Re: Pennsylvania Public Utility Commission v.  
Columbia Gas of Pennsylvania, Inc.  
Docket No: R-2020-3018835  
**I&E Reply Exceptions**

Dear Secretary Chiavetta:

Enclosed for electronic filing, please find the **Reply Exceptions of the Bureau of Investigation and Enforcement (I&E)** for the above-captioned proceeding.

Copies are being served on parties of record as evidenced in the attached Certificate of Service. *Due to the temporary closing of the PUC's offices, I&E is only providing electronic service.* Should you have any questions, please do not hesitate to contact me.

Sincerely,

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Per Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3018835
	:	
Columbia Gas of Pennsylvania, Inc.	:	

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**REPLY EXCEPTIONS  
OF THE  
BUREAU OF INVESTIGATION  
AND ENFORCEMENT**

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Dated: December 30, 2020

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## I. INTRODUCTION

The Bureau of Investigation and Enforcement (“I&E”) incorporates, by reference, both the Introduction and Procedural Background sections contained in its Exceptions filed on December 22, 2020.<sup>1</sup> Exceptions were also filed by Columbia Gas of Pennsylvania, Inc. (“Columbia” or “Company”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), and the Pennsylvania State University (“PSU”).

I&E now files these timely Reply Exceptions in response to the Exceptions raised by Columbia, OSBA, and PSU.

## II. REPLY EXCEPTIONS

### 1. **Reply to Columbia Exception No. 5: The ALJ Properly Adopted I&E’s Position Disallowing FPFTY Payroll Annualization Expense. (RD, p. 105).**

After evaluating all of the testimony and reviewing the Main Briefs and Reply Briefs submitted in this proceeding, the ALJ recommended the Commission adopt I&E’s proposed disallowance of \$546,602 in FPFTY payroll annualization expense. In Exceptions, Columbia disputes the RD by stating the ALJ offered no basis, either in evidence or law, for disregarding the Commission’s precedent set in *UGI Electric*.<sup>2</sup> However, as stated in I&E’s Main and Reply Briefs, the Company’s argument fails to take into account that the Commission’s decision to annualize labor costs to end-of-year

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<sup>1</sup> I&E Exceptions, pp. 1-6.

<sup>2</sup> Columbia Exceptions, p. 12; *Pa. P.U.C. v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058 (Order entered October 25, 2018).

conditions in the 2018 UGI Electric base rate case does not ensure that Columbia has proven its claim for an annualization adjustment in the instant proceeding.<sup>3</sup>

The burden lies with the Company to affirmatively prove each and every element of its claim in a base rate case. Here the Company has failed to prove this adjustment is in the public interest. The ALJ correctly determined that Columbia's annualization adjustment request be denied as it would result in an unfair and unreasonable burden on ratepayers by establishing an expense recovery in its revenue requirement that is not reflective of actual FPFTY expenses which would not be within the public interest.

**2. Reply to Columbia Exception No. 7: The RD Should be Revised to Reflect the Current Invoice for PUC, OCA, and OSBA Fees. (RD, p. 110).**

The ALJ appropriately agreed with I&E that it is more prudent to rely upon the most up-to-date data for PUC assessments.<sup>4</sup> I&E's recommendation to reduce the Company's claim by \$348,539 was based upon 2020-2021 PUC assessment factors released by the PUC's fiscal office.<sup>5</sup> However, I&E's testimony was prepared prior to the Company's receipt of the 2020 PUC invoice for PUC, OCA, and OSBA Fees. As a result, I&E entered into a Stipulation with the Company to admit the 2020 invoice into the evidentiary record.<sup>6</sup> Accordingly, I&E agrees with Columbia and believes it is appropriate to rely upon the 2020 invoice, identified as Columbia Exhibit NJDK-1RJ, to determine the appropriate expense allowance.

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<sup>3</sup> I&E Main Brief, p. 17; I&E Reply Brief, p. 4.

<sup>4</sup> RD, p. 110.

<sup>5</sup> I&E MB, pp. 26-27.

<sup>6</sup> Stipulation Between Columbia Gas of Pennsylvania, Inc. and the Bureau of Investigation and Enforcement filed on September 21, 2020 at Docket No. R-2020-3018835.

**3. Reply to Columbia Exception No. 11: The ALJ Improperly Rejects Expenses Necessary for Accelerating its Update of Service Line Records. (RD, p. 115).**

In its Exceptions, Columbia accurately depicts I&E's position that if the Company received its requested O&M expense amount dedicated to updating its maps and records, the Company should accelerate its efforts.<sup>7</sup> Additionally, in Exceptions, I&E stated that it is within the public interest to award Columbia a revenue increase in order for the Company to fulfill its obligation to provide customers with safe and reliable service.<sup>8</sup> I&E believes accelerating the update of maps and records will enhance the safety of Columbia's system. I&E recognizes and agrees with the Company that safety measures generally have costs associated with them. I&E understands that by recommending the Company to accelerate its updating of maps and records, the Company requires additional revenue to complete the task and believes it to be within the public interest to authorize recovery of such.

**4. Reply to Columbia Exception No. 12: The ALJ Improperly Rejects Columbia's Claim for Replacement of Customer-Owned Field Assembled Risers. (RD, p. 115).**

In direct testimony, I&E recommended that the Company develop a plan to replace all of the field-assembled risers in its system, including those on customer-owned service lines.<sup>9</sup> In the RD, the ALJ determined that the Company did not support its claim and denied recovery of the expense. I&E supports the Company accelerating replacement of all field-assembled risers as they have been identified as a risk to the

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<sup>7</sup> I&E Statement No. 5, pp. 13-14; Columbia Exceptions, p. 18.

<sup>8</sup> I&E Exceptions, p. 7.

<sup>9</sup> I&E Statement No. 5, p. 12.

Columbia system. It is within the public interest to make the system safe and reliable and as stated above, I&E recognizes that safety measures have costs associated with them.

I&E understands that by recommending the Company to accelerate its replacement of all field-assembled risers, the Company requires additional revenue to complete the task and believes it to be within the public interest to authorize recovery of such.

**5. Reply to Columbia Exception No. 18 and 19, OSBA Exception No. 1, and PSU Exception No. 1: The ALJ Appropriately Adopted the OCA's Peak and Average Study and Rejected Columbia's Average Cost of Service Study. (RD, p. 394).**

I&E accepts the ALJ's recommendation to the Commission to adopt the OCA's Peak and Average Study. However, I&E takes exception to the alternate proposals of Columbia, OSBA, and PSU that the Commission reject the OCA's Peak and Average Study and adopt their Columbia's Average Study.<sup>10</sup>

Columbia, in Exceptions, argues that the Commission should reject the RD's acceptance of the OCA's Peak and Average Study and instead adopt Columbia's Average Study as the basis for allocating the approved revenue increase.<sup>11</sup> The Company states that the Average Study most fairly and accurately represents Columbia's cost to serve the customer classes.<sup>12</sup>

The OSBA argues that the OCA's Peak and Average Study is too favorable to the small customer classes at the expense of Columbia's larger customer classes.<sup>13</sup> To illustrate current Commission precedent, the OSBA points to a 2007 PPL Gas base rate

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<sup>10</sup> OSBA argues for the adoption of Columbia's Average Study with a 75% weighting of the Peak and Average Study and a 25% weighting to the Customer-Demand Study. OSBA Exceptions, p. 6.

<sup>11</sup> Columbia Exceptions, p. 31.

<sup>12</sup> Columbia Exceptions, p. 31.

<sup>13</sup> OSBA Exceptions, p. 5.



case<sup>14</sup> where the Commission accepted the Average and Excess Allocated Cost of Service Study which is not in contention here. As I&E pointed out in Main Brief, the Commission has previously adopted the Peak and Average method in the 1994 NFG base rate case.<sup>15</sup> The OSBA fails to support its position with Commission precedent.

Finally, PSU also disagrees with the ALJ's recommendation to use the OCA's Peak and Average Study as PSU describes it as a lop-sided rate structure, heavily subsidizing the residential class, at the expense of other rate classes.<sup>16</sup> PSU in support of the Average Study states that it is a balanced and fair cost of service study on which to base revenue because it is an average of equally weighted methods that favor either the residential class or industrial class customers.<sup>17</sup> PSU argues that the RD ignored the long-standing basis for balancing the interest of all rate classes under established rate making principles established in *Lloyd*,<sup>18</sup> I&E disagrees. In Main Brief, I&E agreed with PSU that it is reasonable for the Commission to examine alternative methods for cost allocation however, based upon I&E's analysis of the three allocated cost of service studies provided by the Company, I&E believed it to be within the public interest to recommend the Peak and Average Study.

While the Company, OSBA, and PSU disagree with the use of the Peak and Average Study, I&E pointed out in Main Brief that in general, any system must be

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<sup>14</sup> *Pa. P.U.C. v. PPL Gas Utilities Corporation*, Docket No. R-00061398.

<sup>15</sup> I&E Main Brief, p. 89; *Pa. P.U.C. v. National Fuel Gas Distribution Co.*, 83 Pa. P.U.C.262 (1994).

<sup>16</sup> PSU Exceptions, p. 3 citing Columbia St. No. 11, p. 3.

<sup>17</sup> PSU Exceptions, p. 5.

<sup>18</sup> *Lloyd v. Pa. P.U.C.*, 904 A2d 1010 (Pa. Cmwlth. 2006).

designed to handle peak usage and year-long usage.<sup>19</sup> I&E believes it to be within the public interest that the Commission adopt the RD's recommendation to use the OCA's Peak and Average Study to allocate the final revenue increases among different customer classes.

**6. Reply to Columbia Exception No. 21: The ALJ Properly Recommended that the Commission Require Columbia to Update its Competitive Alternative Analysis. (RD, pp. 396-397).**

In its Exceptions, Columbia rejects the ALJ's recommendation to provide an update to its competitive alternative analysis for any customer whose alternative fuel source has not been verified for a period of ten years or more when Columbia files its next base rate case.<sup>20</sup> Columbia argues that it currently analyzes and verifies competitive alternatives for flex rate customers from "time to time" and has demonstrated its current practice is effective.<sup>21</sup>

However, as I&E has stated in both Main and Reply Briefs, it is important to periodically analyze competitive alternatives to ensure that the rates of the flex-rates customers are not discounted lower than is necessary to avoid the customer choosing the alternative supply. Providing excessive discounts to customers is not within the public interest and would be harmful to both the Company and its customers since the other customers make up the lost revenue that results when flex-rate customers pay less than tariff rates.<sup>22</sup>

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<sup>19</sup> I&E Main Brief, p. 92.

<sup>20</sup> Columbia Exceptions, p. 38.

<sup>21</sup> Columbia Exceptions, p. 39.

<sup>22</sup> I&E Main Brief, p. 96.

The ALJ appropriately recommended that the Company should provide an update to its competitive alternative analysis for any customer whose alternative fuel source has not been verified for a period of ten years or more when Columbia files its next base rate case as this analysis is needed to ensure that flex-rate customers make the maximum contribution to fixed costs.

### **III. CONCLUSION**

For the reasons stated herein, the Bureau of Investigation & Enforcement respectfully requests that the Commission grant I&E's Exceptions and deny the Exceptions of Columbia Gas of Pennsylvania, Inc., the Office of Small Business Advocate, and the Pennsylvania State University.

Respectfully submitted,

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

Erika L. McLain  
Prosecutor  
PA Attorney ID No. 320526

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :  
 :  
v. : Docket No.: R-2020-3018835  
 :  
Columbia Gas of Pennsylvania, Inc. :

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Reply Exceptions of the Bureau of Investigation and Enforcement** dated December 30, 2020, in the manner and upon the persons listed below:

**Served via Electronic Mail Only**

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