


COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560

 @pa_oca

 /pennoca

FAX (717) 783-7152
consumer@paoca.org

June 17, 2021

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

Re: Pennsylvania Public Utility Commission
v.
Columbia Gas of Pennsylvania, Inc.
1307(f) Proceeding
Docket No. R-2021-3024349

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Main Brief in the above-referenced proceeding. Please note that the **CONFIDENTIAL** version of OCA's Main Brief will only be sent to the parties that have executed the non-disclosure agreement as indicated on the Certificate of Service.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Laura J. Antinucci
Laura J. Antinucci
Assistant Consumer Advocate
PA Attorney I.D. # 327217
E-Mail: LAntinucci@paoca.org

Enclosures:

cc: The Honorable Emily I. DeVoe (**email only**)
Office of Special Assistants (email only: ra-OSA@pa.gov)
Certificate of Service

*311429

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket No. R-2021-3024349
Columbia Gas of Pennsylvania, Inc. :
1307(f) Proceeding :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Main Brief, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 17th day of June 2021.

**Receiving the CONFIDENTIAL Version of OCA's Main Brief*

SERVICE BY E-MAIL ONLY

Erika L. McLain, Esquire*
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Steven C. Gray, Esquire*
Office of Small Business Advocate
555 Walnut Street
1st Floor, Forum Place
Harrisburg, PA 17101-1923

Nicole M. Paloney, Esquire*
Theodore J. Gallagher, Esquire*
Columbia Gas of Pennsylvania, Inc.
Southpointe Industrial Park
121 Champion Way, Suite 100
Canonsburg, PA 15317

Michael W. Hassell, Esquire*
Lindsay A. Berkstresser, Esquire*
Post & Schell P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

Amy E. Hirakis, Esquire*
Columbia Gas of Pennsylvania, Inc.
800 North 3rd Street
Suite 204
Harrisburg, PA 17102

/s/ Laura J. Antinucci

Laura J. Antinucci
Assistant Consumer Advocate
PA Attorney I.D. # 327217
E-Mail: LAntinucci@paoca.org

Counsel for:
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
Dated: June 17, 2021
*311428

Aron J. Beatty
Senior Assistant Consumer Advocate
PA Attorney I.D. # 86625
E-Mail: ABeatty@paoca.org

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket No. R-2021-3024349
Columbia Gas of Pennsylvania :
1307(f) Proceeding :

MAIN BRIEF
OF THE
OFFICE OF CONSUMER ADVOCATE

Laura J. Antinucci
Assistant Consumer Advocate
PA Attorney I.D. # 327217
E-Mail: LAntinucci@paoca.org

Aron J. Beatty
Senior Assistant Consumer Advocate
PA Attorney I.D. # 86625
E-Mail: ABeatty@paoca.org

Counsel for:
Christine Maloni Hoover
Interim Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
Dated: June 17, 2021

Table of Contents

I. INTRODUCTION AND STATEMENT OF THE CASE..... 1

II. PROCEDURAL HISTORY 2

III. BURDEN OF PROOF AND APPLICABLE LEGAL STANDARDS..... 3

 A. Burden of Proof..... 3

 B. Applicable Legal Standard..... 5

IV. STATEMENT OF QUESTIONS PRESENTED 7

V. ARGUMENT 7

 A. Introduction 7

 B. The Company’s Current Calculation of the EBS Option 1 Credit Does Not Properly
 Reflect the EBS Option 1 Costs..... 8

 C. The Company’s Current Calculation of the EBS Option 1 Credit Is Not Just,
 Reasonable, And In the Public Interest..... 11

 D. The Company’s Alternative Proposal Improves Upon the Existing Inequity of the
 Current EBS Option 1 Credit Calculation. 13

 E. Conclusion..... 14

VI. CONCLUSION..... 16

TABLE OF AUTHORITIES

Page(s)

Cases

Burleson v. Pa. Pub. Util. Comm’n,
461 A.2d 1234 (Pa. 1983).....4

Hurley v. Hurley,
754 A.2d 1283 (Pa. Super. 2000).....4

National Fuel Gas Distribution Corp. v. Pa. P.U.C.,
473 A.2d 1109 (Pa. Cmwlth. 1984)12

Administrative Decisions

Pa. Pub. Util. Comm’n v Equitable Gas Co.,
1983 Pa. PUC LEXIS 33 (Pa. P.U.C. Jul. 8, 1983)4

Pa. Pub. Util. Comm’n v. National Fuel Gas Dist. Corp.,
Docket No. R-2017-25824614

Statutes

66 Pa. C.S. § 315 (a)3, 4

66 Pa.C.S. § 332(a)3

66 Pa. C.S. § 1307(f).....2, 5

66 Pa.C.S. § 1307(f)(3)12

66 Pa. C.S. §§ 1307(f), 1317, 1318, 2212.....5

66 Pa. C.S. §§ 1317, 1318.....5

66 Pa. C.S. § 1318.....5, 6, 8, 12

Other Authorities

52 Pa. Code §§ 53.64, 53.652, 5

I. INTRODUCTION AND STATEMENT OF THE CASE

Included in Columbia Gas of Pennsylvania, Inc.'s (Columbia or the Company) March 1, 2021 Purchased Gas Cost filing were the costs related to the Enhanced Balancing Services (EBS) Columbia provides to its General Delivery Services (GDS) transportation customers. Currently, all customers have elected the EBS Option 1 balancing option, under which the natural gas suppliers ("NGS") which serve GDS customers have the ability to utilize storage to address imbalances between deliveries on their behalf and usage. Columbia's PGC customers currently receive a credit for the costs associated with the interstate pipeline services which are assigned to the provision of EBS Option 1. The costs associated with the firm transportation and storage services assigned to the provision of EBS Option 1 and constitute the credit amount awarded to PGC customers includes Columbia's Equitrans, L.P. ("Equitrans") and Dominion Transmission, Inc. ("DTI") firm transportation and storage services.

OCA witness Jerome D. Mierzwa identified that Columbia Gas Transmission, LLC ("TCO") is the only interstate pipeline serving the majority of Columbia's markets and, therefore, future credits to PGC customers for EBS Option 1 should be based on the costs associated with the firm transportation and storage services provided to Columbia by TCO. The inclusion of Equitrans' and DTI's costs in the EBS Option 1 Credit calculation is not just and reasonable as Equitrans and DTI services physically cannot provide EBS in most of Columbia's markets because most of Columbia's markets are only served by TCO. The Company also recognizes the inequity of its current calculation method in the Rebuttal Testimony of Columbia witness Tina M. Monnig by recommending a weighted average cost calculation method as an alternative to OCA Witness Mierzwa's TCO-only calculation. While the OCA submits that Mr. Mierzwa's EBS Option 1 calculation using TCO-only costs is more reasonable because it considers the proper costs

associated with the transportation and storage service utilized and the amount that should be credited to PGC customers, the Company's alternative weighted average cost method is more reasonable than its current calculation as it moves towards a more accurate calculation of the cost of EBS Option 1.

The Bureau of Investigation and Enforcement (I&E) and the Office of Small Business Advocate (OSBA) have not taken a position in regards to the EBS Option 1 calculation issue.

For the reasons set forth below, the OCA submits that it has provided substantial evidence to demonstrate that Columbia's current calculation of the EBS Option 1 Credit is not just, reasonable, and in the public interest. The OCA, therefore, respectfully requests that the Commission require that Columbia's calculation of EBS Option 1 costs include the costs associated with the transportation and storage service provided by TCO only. In the alternative, the OCA respectfully requests that the calculation of EBS Option 1 costs, as proposed in the Company witness Monnig's Rebuttal Testimony, including the weighted average costs of DTI, Equitrans, and TCO, be adopted as TCO serves 85% of the markets served by Columbia and it would, therefore, be more accurate than Columbia's current EBS Option 1 Credit calculation. Columbia St. 1-R at 10-11.

II. PROCEDURAL HISTORY

On March 1, 2021, pursuant to Sections 53.64 and 53.65 of the Commission's Rules and Regulations, Columbia 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 \$0.38512/Therm, Columbia's pre-filing anticipates an increase of \$0.12191/Therm to a rate of \$0.50703/Therm for service rendered on and after October 1, 2021. Columbia submitted its definitive annual PGC filing on April 1, 2021.

On March 2, 2021, the Bureau of Investigation and Enforcement (I&E) filed its Notice of Appearance and, on March 17, 2021, the OCA filed its Formal Complaint, Public Statement and Notice of Appearance. On March 22, 2021, the Office of Small Business Advocates (OSBA) filed its Formal Complaint, Public Statement, and Notice of Appearance.

The Company's filing was assigned to the Office of Administrative Law Judge and was further assigned to Administrative Law Judge Emily I. DeVoe (ALJ 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. A telephonic prehearing conference was held on April 6, 2021.

On May 4, 2021, the OCA submitted the Direct Testimony of Jerome D. Mierzwa. No other party filed direct testimony. Columbia submitted Rebuttal Testimony on May 21, 2021. On May 28, 2021, the OCA submitted Surrebuttal Testimony.

The parties informed ALJ DeVoe that a partial settlement had been reached on all issues except the calculation of the credits to PGC customers for EBS Option 1. The EBS Option 1 issue was reserved for litigation. An evidentiary hearing was held on June 3, 2021 wherein the parties' testimony was entered into the record and cross-examination was waived by all parties. A Joint Partial Settlement on all other issues will be filed on June 24, 2021.

In accordance with the procedural schedule, the OCA hereby submits this Main Brief.

III. BURDEN OF PROOF AND APPLICABLE LEGAL STANDARDS

A. Burden of Proof

In this case, Columbia has the burden of proof with regard to the rates and modifications included in its definitive filing. 66 Pa.C.S. § 332(a). In this regard, Section 315(a) of the Public Utility Code, 66 Pa. C.S. § 315 (a), provides as follows:

Reasonableness of rates – In any proceeding upon the motion of the Commission, involving any proposed or existing rate of any public

utility, or in any proceedings upon complaint involving any proposed increase in rates, the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility.

66 Pa. C.S. § 315 (a).

The term “burden of proof” is comprised of two distinct burdens, the burden of production and the burden of persuasion.”¹ The burden of production dictates which party has the duty to introduce enough evidence to support a cause of action.² The burden of persuasion determines which party has the duty to convince the finder-of-fact that a fact has been established.³ “The burden of persuasion never leaves the party on whom it is originally cast.”⁴

The Pennsylvania Supreme Court has stated that the party with the burden of proof has a formidable task to show that the Commission may lawfully adopt its position. Even where a party has established a prima facie case, the party with the burden must establish “the elements of that cause of action to prevail, precluding all reasonable inferences to the contrary.”⁵ Thus, a utility has an affirmative burden to establish the justness and reasonableness of every component of its rate request. The Commission has found, however, that in the context of 1307(f) Purchased Gas Cost Proceeding, a party challenging a previously-approved tariff provision bears the burden to demonstrate the Commission’s prior approval is no longer reasonable.⁶ In that proceeding whereas the OCA challenged the company’s truncation methodology, the Commission found:

...absent any specific language directing the modification of the methodology as a part of NFGD’s existing tariffs, the methodology,

¹ Hurley v. Hurley, 754 A.2d 1283, 1285 (Pa. Super. 2000) (Hurley).

² Id. at 1286.

³ Id.

⁴ Hurley at 1286; see also Pa. Pub. Util. Comm’n v Equitable Gas Co., 1983 Pa. PUC LEXIS 33 at *126-127 (Pa. PUC Jul. 8, 1983) (Equitable Gas 1983).

⁵ Burleson v. Pa. Pub. Util. Comm’n, 461 A.2d 1234, 1236 (Pa. 1983) (Burleson).

⁶ Pa. Pub. Util. Comm’n v. National Fuel Gas Dist. Corp., Docket No. R-2017-2582461 et al. (Opinion and Order entered July 12, 2017) Order at 11-12 (NFGD).

until so modified, is, prima facie, reasonable. And, the OCA should have received the burden of coming forward with the evidence to establish that the methodology is no longer reasonable as a result of, e.g., changed or other circumstance.⁷

Thus, the burden is on the party challenging an existing, previously-approved tariff provision to provide evidence to demonstrate that the current method is no longer reasonable.⁸

B. Applicable Legal Standard

Columbia filed its pre-filing information required for its annual PGC rate filing pursuant to Section 1307(f), 1317, 1318 and 2212 of the Public Utility Code, and Sections 53.64 and 53.65 of the Commission's Rules and Regulations. 66 Pa. C.S. §§ 1307(f), 1317, 1318, 2212; 52 Pa. Code §§ 53.64, 53.65. The legal standard for evaluation of just and reasonable rates under Section 1307(f) of the Public Code is set forth in Sections 1317 and 1318 of the Public Utility Code. 66 Pa. C.S. §§ 1317, 1318. Both Sections 1317 and 1318 require Columbia to pursue a least cost fuel procurement policy. 66 Pa. C.S. §§ 1317, 1318.

Section 1318 provides:

In establishing just and reasonable rates for those natural gas distribution companies, as defined in section 2202 (relating to definitions), with gross intrastate operating revenues in excess of \$40,000,000 under section 1307(f) (relating to sliding scale of rates; adjustments) or 1308(d) (relating to voluntary changes in rates) or any other rate proceeding, the commission shall consider the materials provided by the utilities pursuant to section 1317 (relating to regulation of natural gas costs). No rates for a natural gas distribution utility shall be deemed just and reasonable unless the commission finds that the utility is pursuing a least cost fuel procurement policy, consistent with the utility's obligation to provide safe, adequate and reliable service to its customers. In making such a determination, the commission shall be required to make specific findings which shall include, but need not be limited to, findings that:

(1) The utility has fully and vigorously represented the interests of its ratepayers in proceedings before the Federal Energy Regulatory Commission.

⁷ Id. at 12.

⁸ Id.

(2) The utility has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with its gas suppliers which are or may be adverse to the interests of the utility's ratepayers.

(3) The utility has taken all prudent steps necessary 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.

(4) The utility has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy.

66 Pa. C.S. § 1318.

For the reasons set forth below, the OCA submits that the Company's calculation of the EBS Option 1 Credit is currently not just, reasonable, and in the public interest.

IV. STATEMENT OF QUESTIONS PRESENTED

Is the Company's current calculation of the EBS Option 1 Credit just, reasonable, and in the public interest?

Suggested Answer: No

Should the calculation of the EBS Credit 1 be based solely on the costs associated with the firm transportation and storage services provided to Columbia by TCO as it is the only interstate pipeline serving the majority of Columbia's markets?

Suggested Answer: Yes

V. ARGUMENT

A. Introduction

Columbia provides Enhanced Balancing Service ("EBS") to its General Delivery Service ("GDS") transportation customers under Option 1 and Option 2. No customers have currently elected Option 2. As described in the Direct Testimony of OCA witness Jerome D. Mierzwa, "[t]he costs associated with all of Columbia's interstate pipeline firm transportation and storage services are initially reflected in the Company's PGC filing" and "PGC customers subsequently receive a credit for the costs associated with the interstate pipeline services assigned to the provisions of EBS Option 1." OCA St. 1 at 6. TCO is the only interstate pipeline serving the majority of Columbia's markets and, therefore, future credits to PGC customers for EBS Option 1 should be based on the costs associated with the firm transportation and storage services provided to Columbia by TCO. The OCA submits that the Company's current calculations is not just, reasonable, and in the public interest because Columbia's Equitrans and DTI firm transportation and storage services cannot serve the majority of Columbia's markets and the costs associated with their service should not be the Company's calculation of EBS Option 1.

B. The Company's Current Calculation of the EBS Option 1 Credit Does Not Properly Reflect the EBS Option 1 Costs.

In Direct Testimony, Columbia's witness Tina M. Monnig provides a description of the two balancing options Columbia provides to GDS customers.⁹ Columbia St. 1 at 26-27. On August 1 of each year, the Company posts on its electronic bulletin board an estimate of the rate that will be assessed under EBS Option 1 to become effective the following April 1 for a one-year period. Id. GDS customers have until August 15 to notify the Company as to whether they wish to change their EBS service election (Option 1 or Option 2). Id.

As described in the Direct Testimony of OCA witness Jerome D. Mierzwa, "[t]he costs associated with all of Columbia's interstate pipeline firm transportation and storage services are initially reflected in the Company's PGC filing" and "PGC customers subsequently receive a credit for the costs associated with the interstate pipeline services assigned to the provisions of EBS Option 1." OCA St. 1 at 6.

In his Direct Testimony, Mr. Mierzwa identified an issue with the transportation and storage service providers included in Company's calculation of the EBS Option 1 Credit that consequentially resulted in a lower accompanying credit to PGC customers. OCA St. 1, *passim*. Specifically, Mr. Mierzwa testified:

As explained by Ms. Monnig at page 13 of her Direct Testimony, the vast majority of Columbia's customers (market areas) are only served by facilities operated by TCO. Therefore, the Equitrans and DTI services assigned to the provision of EBS Option 1 do not and cannot physically serve most GDS customers electing EBS Option 1. Since TCO is the interstate pipeline serving most of Columbia's GDS customers electing EBS Option 1, the costs associated with the firm transportation and storage services provided by TCO should be utilized to determine the EBS Option 1 credit to PGC customers.

⁹ Under Option 1, the natural gas suppliers ("NGS") which serve GDS customers have the ability to utilize storage to address imbalances between deliveries on their behalf and usage. Under Option 2, the imbalances of NGSs of their customers are cashed out on a monthly basis. See Columbia St. 1 at 26-27; see also, OCA St. 1 at 5.

OCA St. 1 at 6. As a result, OCA witness Mierzwa presented a comparison of the calculated estimates of the PGC Customer EBS Option 1 Credit under the Company's existing approach and OCA witness Mierzwa's amended calculation which only includes the costs associated with TCO. Id. at 7. As shown in OCA witness Mierzwa's Confidential Direct Testimony and Confidential Exhibit JDM-1, "...the annual PGC EBS Option 1 credit for the period April 1, 2022 through March 31, 2020 would be [BEGIN CONFIDENTIAL] ██████████ [END CONFIDENTIAL] which is [BEGIN CONFIDENTIAL] ██████████ [END CONFIDENTIAL] higher than the current annual credit if the TCO costs are utilized for calculating the credit."¹⁰ Therefore, the OCA submits that the annual credit is higher than what is reflected in Columbia's PGC filing and properly returned to PGC customers. The OCA's recommendation of using only the TCO costs in the calculation would lead to a just and reasonable assessment of the balancing service costs and resulting credit to PGC customers.

In Rebuttal Testimony, Company witness Monnig contends that, historically, the EBS filed rate using Equitrans and/or DTI capacities favored PGC customers as it was greater and in some years significantly higher than the TCO calculation alone. Columbia St. No. 1-R at 8-9. The Company argues that the calculation has only changed once in 2014 since its initiation in 2001 and that the OCA agreed to the initial calculation in the 2001 settlement agreement at Docket No. R-00016668 (Order entered October 12, 2001) and hasn't protested its calculation until now when

¹⁰ It should be noted that TCO filed a Section 4 base rate case with the FERC on July 31, 2020 in Docket No. RP20-1060-000. Subsequently, FERC accepted and suspended the effectiveness of TCO's filed rates until February 1, 2021, permitting TCO's filed rates to go into effect February 1, 2021, subject to refund. At the time Mr. Mierzwa filed his Direct Testimony, settlement negotiations in that matter were still on-going. Therefore, for purposes of Mr. Mierzwa's amended calculation, he estimated the PGC EBS Option 1 credit assuming the permanent rates are half-way between the TCO's rates in effect prior to the new rates which became effective February 1, 2021, and the rates approved by the FERC subject to refund effective February 1, 2021. Mr. Mierzwa explained that he took this approach because, "...whether TCO's base rate filing is eventually litigated or settled, the permanent rates eventually approved by the FERC effective February 1, 2021 will almost certainly be less than TCO's filed rates and TCO will be required to issue refunds to account for the differences between its filed and permanent rates." See OCA St. 1 at 7-8.

TCO's rates are likely increasing. Id. at 5-9. Company witness Monnig also argued that the cost of TCO storage and transportation capacities should not be the basis for determining the EBS rate, but rather, the rate should continue to be based on the storage and transportation capacity that was acquired for the purpose of providing EBS, as provided in Columbia's tariff and the settlement at R-00016668. Id. at 9.

In Surrebuttal Testimony, to respond to Company witness Monnig's Rebuttal argument that the calculation based upon storage and transportation capacity that was acquired for the purpose of providing EBS should remain unchanged, OCA witness Mierzwa testified:

... TCO is the pipeline physically serving the majority of the markets served by Columbia. Columbia serves over 70 isolated markets. Many of the Company's GDS transportation customers are located in the markets that can only be served by TCO. Therefore, the incremental capacity acquired as a result of the 2001 Settlement cannot physically provide EBS service to many of the Company's GDS customers. EBS service is physically provided to these markets by TCO and, therefore, it is appropriate to base the PGC EBS Option 1 credits based on the costs associated with the firm transportation and storage services provided by TCO. If Columbia were no longer to provide EBS Option 1, it could reduce its pipeline capacity entitlements and assuming it was adhering to least-cost procurement principles, it would reduce its TCO firm transportation and storage capacity because it is higher cost than its other capacity entitlements.

OCA St. 1-SR at 2. Additionally, to rebut Company witness Monnig's arguments that the current EBS rate calculation method was agreed to by the OCA in the 2001 settlement, OCA witness Mierzwa testified that the 2001 settlement agreement "...did not preclude any party from proposing changes to the pipeline firm transportation and storage capacity used to determine PGC EBS Option 1 credits" and that "[i]n 2014, Columbia proposed such a change adding DTI capacity to the Equitrans capacity that had been used to determine the credits since the 2001 Settlement." Id. at 2-3.

The OCA submits the Company's current inclusion of only Equitrans' and DTI's costs in the EBS Option 1 calculation results in an inaccurate assessment of the costs to provide the transportation and storage service resulting in an inaccurate EBS Option 1 Credit to PGC Customers. OCA witness Mierzwa's TCO-only calculation is more reasonable as it reflects the actual cost associated with the provision of EBS service and the EBS Option 1 Credit. The Company's arguments in Rebuttal concerning the calculation agreed upon in the 2001 settlement agreement has no merit because the Company has since altered the calculation in 2014 and the settlement does not include language stating that the calculation cannot be modified. Additionally, the Company's contention that, historically, the current calculation yielded a higher credit than OCA witness Mierzwa's TCO-only calculation is without merit as TCO's rates have increased as a result of its current Section 4 rate increase proceeding at FERC. While the extent of the increase is unknown at the time of this matter, if TCO receives even half of its requested increase amount, the costs associated with its provision of EBS service will be quite higher than the amount under the Company's current calculation. For these reasons, the OCA submits that Columbia's current calculation of the EBS Option 1 Credit is not accurate as it is missing the costs associated with TCO, the pipeline serving the majority of Columbia's markets. Therefore, the OCA's modified TCO-only cost calculation should be adopted to reflect to true cost of the EBS service and the EBS Option 1 Credit awarded to the PGC customers.

C. The Company's Current Calculation of the EBS Option 1 Credit Is Not Just, Reasonable, And In the Public Interest.

Columbia must demonstrate that the proposed PGC rates are "just and reasonable" pursuant to "a least cost fuel procurement policy, consistent with the utility's obligation to provide safe,

adequate and reliable service...”¹¹ Section 1307(f)(3) of the Public Utility Code, 66 Pa.C.S. Section 1307(f)(3), requires that the utility show how the natural gas costs in its 1307(f) filing are consistent with a least cost procurement policy as required by Section 1318 (relating to determination of just and reasonable rates), 66 Pa. C.S. § 1318. Pursuant to Section 1318, the Commission, in determining whether the Company is pursuing a least cost fuel procurement policy, shall make specific findings, but need not be limited to, findings that:

- (1) The utility has fully and vigorously represented the interests of its ratepayers in proceedings before the Federal Energy Regulatory Commission.
- (2) The utility has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with its gas suppliers which are or may be adverse to the interests of the utility's ratepayers.
- (3) The utility has taken all prudent steps necessary 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.
- (4) The utility has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy.

66 Pa. C.S. § 1318. Therefore, the Company must affirmatively establish the reasonableness of every element of its claims and demonstrate that its proposed rates are just, reasonable, and in the public interest.¹² In the context of 1307(f) Purchased Gas Cost proceeding, however, a party challenging a previously-approved tariff provision bears the burden to demonstrate the Commission’s prior approval is no longer reasonable.¹³

¹¹ See National Fuel Gas Distribution Corp. v. Pa. PUC, 473 A.2d 1109, 1117-1119 (Pa. Cmwlth. 1984).

¹² While the calculation the Company utilizes to determine its estimated EBS rates is not specifically listed among the aforementioned findings in Section 1318, 66 Pa. C.S. § 1318, the Commission is not limited from examining the Company’s calculation for arriving at the estimated costs of its EBS service which is ultimately flowed back to PGC customers through the EBS Option 1 Credit.

¹³ NFGD at 11-12.

The OCA has provided substantial evidence to demonstrate that the Company's existing calculation of the EBS Option 1 Credit is currently not just, reasonable, and in the public interest. Specifically, the current calculation of the EBS Option 1 Credit, that only includes Equitrans and DTI, is not the most accurate calculation of EBS Option 1 costs as Equitrans and DTI cannot serve 85% of Columbia's markets. The costs associated with all of Columbia's interstate pipeline firm transportation and storage services are initially reflected in the Company's PGC filing and the credit to PGC Customers should reflect accurate costs. Even the Company recognizes the inequity of its current calculation by offering an alternative weighted average cost calculation in Rebuttal Testimony which produces an amount closer to the actual costs of EBS Option 1, as described in more detail in Section (D) below. Columbia St. 1-R at 10-11.

The OCA submits that, given TCO serves the majority of the markets served by Columbia, the costs associated with the EBS service provided by TCO are the costs upon which the EBS Option 1 Credit should be calculated. OCA St. 1-SR at 2. Additionally, TCO's rates have increased as a result of its current Section 4 rate proceeding before FERC as likely will the costs associated with the service provided by TCO. *Id.* at 7-8. The OCA submits that OCA witness Mierzwa's calculation using the costs associated with only TCO is aligned with true costs of EBS Option 1 and, therefore, is just and reasonable. The OCA respectfully requests that Columbia be required to adjust its EBS Option 1 cost calculation to include TCO costs only.

D. The Company's Alternative Proposal Improves Upon the Existing Inequity of the Current EBS Option 1 Credit Calculation.

In Rebuttal, Company witness Monnig's Rebuttal Testimony presented an estimated EBS rate calculation using the costs on a weighted average basis for TCO, Equitrans, and DTI storage and transportation capacities and excluding the \$300,000 fixed credit. Columbia St. 1-R at 10-11. This calculation, shown in CONFIDENTIAL Columbia Exhibit No. TMM-5R, would increase the

PGC Credit by [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] to equal [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]. *Id.* Compared to OCA witness Mierzwa's TCO-only calculation estimate in Confidential JDM-1 of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL], Company witness Monnig's weighted average calculation is [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] less.

The OCA supports any effort by Columbia to improve the accuracy of the credit and this proposal goes a long way to improve it. As OCA witness Mierzwa testified in in Surrebuttal, TCO represents more than 85 percent of the capacity assets maintained by Columbia to provide EBS. OCA St. 1-SR at 3. If the Commission does not agree with the TCO-only calculation offered by OCA witness Mierzwa, the weighted average cost calculation offered by Company witness Monnig is Rebuttal Testimony would be an acceptable alternative.

E. Conclusion

The OCA submits that the Commission should adopt the OCA's adjustment regarding the calculation of the EBS Option 1 Credit. The proposed calculation more accurately reflects the costs associated with the firm transportation and storage services provided to Columbia. As stated before, the inclusion of only Equitrans and DTI, and not TCO, in the current calculation of the EBS Option 1 Credit is unreasonable. Equitrans and DTI both physically cannot serve the majority of Columbia's market and, therefore, basing the cost of EBS Option 1 on the costs associated with Equitrans and DTI does not arrive at an accurate assessment of EBS Option 1 costs. Given that Columbia's PGC customers receive a credit for the costs associated with the interstate pipeline services assigned to the provisions of EBS Option 1, the TCO-only calculation of EBS Option 1 costs should be approved as it is just, reasonable and in the public interest. Alternatively, the

weighted average cost calculation of all three pipelines, offered by Company witness Monnig is Rebuttal Testimony, would be an acceptable alternative as it arrives at a cost that more closely reflects the reality that TCO serves a majority of the Columbia's markets.

VI. CONCLUSION

For the reasons set forth, the Office of Consumer Advocate respectfully requests that the Commission adopt the modified calculation of the Company's EBS Option 1 Credit as proposed by OCA witness Mierzwa to account for only the costs associated with TCO's service.

Respectfully submitted,

/s/ Laura J. Antinucci

Laura J. Antinucci
Assistant Consumer Advocate
PA Attorney I.D. # 327217
E-Mail: LAntinucci@paoca.org

Aron J. Beatty
Senior Assistant Consumer Advocate
PA Attorney I.D. # 86625
E-Mail: ABeatty@paoca.org

Counsel for:
Christine Maloni Hoover
Interim Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
DATE: June 17, 2021