


COMMONWEALTH OF PENNSYLVANIA



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June 24, 2021

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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 Reply Brief in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

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Certificate of Service

*311470

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 Reply 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 24th day of June 2021.

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY BRIEF
OF THE
OFFICE OF CONSUMER ADVOCATE

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

I. INTRODUCTION

The Office of Consumer Advocate (OCA) submits this Reply Brief in support of its position that the Company's existing methodology to calculate EBS costs is unreasonable. Nothing contained in the Company's Main Brief filed in this proceeding changes the OCA's position that the Company's current EBS cost calculation methodology is unreasonable and that the alternative calculation methodology recommended by the OCA is in the best interest of consumers and should be approved. The OCA incorporates the arguments and analysis contained in its Main Brief herein by reference.

II. REPLY ARGUMENT

As stated in the OCA's Main Brief, 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 current inclusion of only Columbia's Equitrans, L.P. ("Equitrans") and Dominion Transmission, Inc. ("DTI") 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 solely served by TCO. The Company's alternative methodology provided in Rebuttal Testimony recognizes the inequity of its current calculation methodology wherein it recommends a weighted average cost calculation methodology.

In the Company's Main Brief, the Company contends that TCO has been the only pipeline serving the majority of Columbia's markets since the existing methodology was established and that there are no changed circumstances to warrant the changing of the methodology. Columbia M.B. at 5. The Company also contends that it would be "unworkable" to change the longstanding

methodology based upon whatever capacity is more costly at the time as “pipeline rates for storage and transportation capacity are constantly changing.” Id. at 5-6.

The Company’s arguments are without merit. The OCA’s recommendation of using only TCO’s costs substantially improves the accuracy of the cost calculation methodology to reflect the actual costs associated with the pipeline able to serve the majority of Columbia’s markets. In its Main Brief, Columbia argues that the OCA’s position is self-serving, and difficult to implement, but does not argue that the OCA’s position would more accurately reflect cost causation. Columbia M.B. at 5-6. Despite the longstanding use of the Company’s existing calculation, 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 recommends 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 represents 85% of the assets used by Columbia to provide EBS and it would, therefore, be more accurate than Columbia’s current EBS Option 1 cost calculation. OCA M.B. at 13-14; OCA St. 1-SR at 10-11.

A. Despite The Longstanding Use of the Company’s Existing Calculation Methodology, the OCA Has Provided Evidence That the Existing Methodology Is Inaccurate and Unreasonable.

As detailed in the OCA’s Main Brief, the Company’s current calculation of EBS Option 1 costs is inaccurate as the two interstate pipelines included in the capacity cost calculation are physically unable to serve the majority of Columbia’s markets. See, OCA M.B. at 8, 9 and 13; see also, OCA St. 1 at 6. The OCA’s TCO-only calculation recommendation of EBS Option 1 costs

should be adopted because it reflects the actual costs of providing EBS Option 1. The OCA has provided sufficient evidence to support the conclusion that the Company's calculation is currently not reasonable and should be modified to reflect the actual costs of EBS Option 1. See, OCA M.B. at 8-13.

In its Main Brief, the Company argues that it has utilized its current methodology, of excluding from the PGC the cost of incremental capacity acquired to provide EBS Option 1, since the Company began offering EBS in 2001 and no party has contested that method until now. Columbia M.B. at 4. The Company also contends that TCO has served most of the market areas where customers electing EBS are located since the existing methodology was established in 2001 and, only recently, due to TCO's recent Section 4 rate case, the cost of capacity that Columbia acquires from TCO is now more costly than the capacity that Columbia acquires from DTI and Equitrans. Id. at 5. Columbia argues that there are no changed circumstances that would warrant changing its existing methodology, and that it is inappropriate and inequitable to change the long-established, settled methodology for defining the capacity to be excluded from the PGC for EBS Option 1 based upon whatever capacity is more costly at the time. Id. at 5-6.

The OCA submits, however, that continuing with the status quo does not properly reflect changed circumstances over the past two decades. As described in the Direct Testimony of OCA witness Jerome D. Mierzwa, Columbia's interstate pipeline firm transportation and storage services are included in the Company's PGC filing, with PGC customers subsequently receiving a credit for the costs associated with the interstate pipeline services assigned to the provision of EBS Option 1. OCA St. 1 at 6. Of critical importance here, 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 calculation, which does not include the costs associated with TCO's service, 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. The costs associated with Equitrans' and DTI's services, therefore, should not be the basis of the Company's calculation of EBS Option 1.

The OCA has presented evidence to demonstrate the unreasonableness of the Company's existing EBS Option 1 calculation methodology. 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.¹ The OCA has met its burden of proving that the Company's existing methodology for calculating EBS is no longer reasonable. Specifically, it is not reasonable to base the costs upon the service of two pipelines, Equitrans and DTI, that physically cannot serve a majority of Columbia's market and exclude TCO represents more than 85 percent of the capacity assets maintained by Columbia to provide EBS.²

As explained in the OCA's Main Brief, the Company's alternative proposal to calculate EBS using the weighted average cost of all three pipelines demonstrates the Company's acknowledgement of the inequities of its existing calculation. OCA M.B. at 13; Columbia St. 1-R at 10-11. The OCA, therefore, respectfully requests that the Commission find the Company's existing EBS calculation to be unreasonable and adopt the OCA's TCO-only cost calculation proposal.

¹ 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.

² Additionally, 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 the methodology was changed in 2014 when Columbia proposed adding DTI capacity to the Equitrans capacity that had been used to determine the credits since the 2001 Settlement. See OCA M.B. at 10-11; OCA St. 1-R at 2-3.

B. The OCA Maintains That the Company's Alternative Proposal Improves Upon the Existing Inequity of the Current EBS Option 1 Credit Calculation.

As stated in Main Brief, the OCA supports Columbia's alternative weighted average cost proposal as an effort to improve the accuracy of the credit if the Commission does not adopt OCA witness Mierzwa's TCO-only calculation recommendation. As OCA witness Mierzwa testified in in Surrebuttal, TCO represents more than 85 percent of the capacity assets maintained by Columbia to provide EBS and the weighted average cost methodology resolves some of the inequities inherent in the Company's current calculation methodology. OCA St. 1-SR at 3.

In the Company's Main Brief, the Company argues that, if the Commission changes the cost and rate recovery mechanisms for EBS, the \$300,000 fixed credit to PGC customers as provided for in the 2001 settlement should be eliminated. Columbia M.B. at 16-17. In Main Brief, the OCA acknowledged that the Company's alternative weighted average cost calculation excluded the \$300,000 fixed credit to PGC customers and the OCA maintained its support of the alternative methodology as a more accurate calculation of EBS costs than the existing methodology. OCA M.B. at 13-14.

Therefore, if the Commission does not agree with the TCO-only calculation offered by OCA witness Mierzwa, the OCA respectfully requests that the weighted average cost calculation, offered by Company witness Monnig in Rebuttal Testimony, be adopted as a reasonable alternative methodology.

C. Conclusion

The OCA submits that the EBS calculation proposed by OCA witness Mierzwa more accurately reflects the costs associated with the firm transportation and storage services actually used by Columbia to provide EBS service. 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 in Rebuttal Testimony, would be an acceptable alternative methodology as it arrives at a cost that more closely reflects the reality that TCO serves a majority of Columbia's markets.

III. CONCLUSION

For the reasons set forth above and those contained in its Main Brief, 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,

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