

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2021-3024349
Office of Consumer Advocate	:	C-2021-3024643
Office of Small Business Advocate	:	C-2021-3024762
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	

RECOMMENDED DECISION

(NON-PROPRIETARY VERSION)

Before
Emily I. DeVoe
Administrative Law Judge

INTRODUCTION

This decision recommends that the “Joint Petition for Partial Settlement of Rate Investigation pursuant to 66 Pa.C.S. § 1307(f)”, executed and submitted at this docket by Columbia Gas of Pennsylvania, Inc. (Columbia or Company), the Commission’s Bureau of Investigation and Enforcement, and the Office of Consumer Advocate be approved without modification as it is in the public interest and is consistent with the requirements of the Public Utility Code.¹

There was only one litigated issue in this matter – whether Columbia’s methodology for calculating the Elective Balancing Service Option 1 credit should be modified as proposed by the Office of Consumer Advocate. With regard to the litigated issue, the

¹ The Commission’s Office of Small Business Advocate (OSBA) does not oppose the Partial Settlement. See, Settlement, p. 1, n.1.

undersigned recommends the Commission reject OCA's proposal. The suspension date of the Company's filing is October 1, 2021.

HISTORY OF THE PROCEEDINGS

On March 1, 2021, Columbia 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, 2021.

On April 1, 2021, Columbia filed Supplement No. 327 to Tariff Gas Pa. P.U.C. No. 9 (Supplement No. 327) to become effective for service rendered on and after October 1, 2021. In Supplement No. 327, Columbia proposed an increase in its PGC rates of \$0.12191/Therm, increasing the current rate of \$0.38512/Therm to \$0.50703/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.

On March 17, 2021, the Commission's Office of Consumer Advocate (OCA) filed a formal rate Complaint docketed at C-2021-3024643, and on March 22, 2021, the Office of Small Business Advocate (OSBA) filed a formal rate Complaint docketed at C-2021-3024762. The Commission's Bureau of Investigation and Enforcement (I&E) entered an appearance on March 2, 2021. No other party intervened in this proceeding.

On April 1, 2021, shortly after Columbia made its definitive filing, the Commission issued a Prehearing Conference Notice and Prehearing Conference Order, scheduling a prehearing conference for April 6, 2021.

A prehearing conference was held on April 6, 2021 as scheduled. Columbia, I&E, OCA, and OSBA were represented by counsel. At the prehearing conference, the

undersigned established a litigation schedule. The undersigned also set forth discovery rules, which included shorter response times than those provided in the Commission's regulations.²

On April 6, 2021, the undersigned issued a Prehearing Order, which, *inter alia*, confirmed the litigation schedule and consolidated the complaints filed by OCA and OSBA with the rate case docketed at R-2021-3024349.

Columbia served its direct testimony and exhibits on April 1, 2021. OCA served direct testimony and exhibits on May 4, 2021.³ I&E and OSBA did not serve any direct testimony. Columbia served rebuttal testimony and exhibits on May 21, 2021. On May 28, 2021, OCA served surrebuttal testimony.

An Evidentiary Hearing Notice was issued April 7, 2021, scheduling telephonic evidentiary hearings for June 2, 2021, and June 3, 2021.

On May 26, 2021, Columbia filed a Motion for a Protective Order pursuant to the provisions of 52 Pa.Code § 5.365(a). On May 28, 2021, the undersigned issued a Protective Order in accordance with Columbia's request.

The parties undertook settlement discussions. As a result of those discussions and the efforts of the parties to examine the issues raised in the proceeding, a settlement in principle of all but one issue was achieved. The sole issue reserved for litigation is whether Columbia's methodology for excluding from PGC rates the cost of incremental capacity acquired to provide Elective Balancing Service (EBS) Option 1 for General Service transportation customers should be modified as proposed by the OCA.

At the joint request of the parties, the undersigned issued a Hearing Cancellation Notice on June 1, 2021, cancelling the first day of the evidentiary hearing on June 2, 2021.

² See 52 Pa.Code § 5.341 *et seq.*

³ OCA's direct testimony pertained to the one litigated issue and did not address any other components of Columbia's 2021 PGC filing.

On June 2, 2021, Columbia filed correspondence with the Commission advising after it filed its pre-filing, it discovered errors in Exhibit 5, Sheets 10 and 11, and Exhibit 15, Sheet 2. Additionally, after it served its direct testimony, it discovered errors in Exhibits TMM-1 and TMM-2, which accompany its Statement No. 1. Columbia provided redline and clean versions to the parties and the undersigned and indicate its intent to offer the clean versions of these exhibits at the evidentiary hearing.

A hearing was held before the Administrative Law Judge on June 3, 2021, to allow the witnesses' testimony to be introduced and admitted into evidence. The parties waived cross examination, and the following exhibits were admitted into the record: Columbia Exhibit Nos. 1, 1-A, 1-B, 1-C, 1-D, 1-D-1, 1-D-2, 1-D-3, 1-E, 1-F (Schedule 1), 1-F (Schedule 2), 2, 3, 4, 4-A, 4-B, 5, 5-A, 5-B, 6, 7, 8-A, 8-B, 8-C, 8-D, 8-E, 9, 10, 10.1, 10.3A, 10.3B, 10.3C, 10.3D, 10.3E, 10.3F, 11, 12, 13, 14, 15, JB-1, JB-1R, NP-1, TMM-1 Corrected, TMM-2 Corrected, TMM-1R, TMM-2R, TMM-3R, TMM-4R, TMM-5R (Confidential), Columbia Statement Nos. 1, 1-R (Confidential Version and Public Version), 2, 2-R, 3, and OCA Statement Nos. 1 (Confidential Version and Public Version), and 1-SR.

Columbia and OCA addressed the sole litigated issue in their Main Briefs, which were filed on June 17, 2021, and their Reply Briefs, which were filed on June 24, 2021.⁴ I&E and OSBA did not file a Main or Reply Brief.

Columbia, OCA, and I&E (collectively, Joint Petitioners) filed the Joint Petition for Partial Settlement on June 24, 2021. Their Statements in Support of Settlement were attached to the Partial Settlement as Attachment A, B, and C, respectively. OSBA filed correspondence on June 24, 2021 advising it did not oppose the Partial Settlement.

The gas cost rate in effect as of April 1, 2021, is \$0.38512 per Therm. The gas cost rate which Columbia proposed in its April 1, 2021 filing, to be effective on October 1, 2021, is \$0.50703 per Therm. This is the same gas cost rate the Joint Petitioners propose in the Partial Settlement.

⁴ Columbia filed Public and Confidential Versions of its Reply Brief.

This Recommended Decision recommends the Partial Settlement be adopted without modification. As to the litigated issue, this decision recommends OCA's proposal to modify the EBS Option 1 methodology be rejected.

FINDINGS OF FACT

Purchased Gas Cost

The Joint Petitioners agree that Columbia offered evidence to support the following facts, and, subject to the terms and conditions in Partial Settlement, these facts are sufficient to approve the Partial Settlement and Columbia's 2021 PGC filing, subject to adjudication of the litigated issue.⁵

1. Columbia's Exhibit No. 3 lists Federal Energy Regulatory Commission ("FERC") proceedings through calendar year 2020 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. 41-45; 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. 41-45, 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

⁵ See, Partial Settlement, pp. 4-13.

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. 41-45.

4. 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)

5. 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. 5-21; Columbia Ex. No. 5 Revised, p. 1)

6. 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)

7. Columbia contracts for firm transportation and storage services to meet customers' requirements in its diverse market areas. (Columbia Ex. No. 5 Revised; Columbia St. No. 1, p. 13) 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, pp. 37-41)

8. Columbia's available capacity is approximately 101.8% of projected firm demand for contract year 2024-25. 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 Ex. No. 5 Revised, pp. 10-11; Columbia St. No. 1, pp. 20-21; Columbia Ex. No. TMM-2 Revised)

9. 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 Revised, pp. 10-11)

10. 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, p. 13; Columbia Ex. No. 5 Revised, p. 11)

11. Columbia has several contracts for Firm Transportation Service ("FTS") with Columbia Transmission. (Columbia Ex. No. 5 Revised, pp. 10-12) 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. (Columbia Ex. No. 5 Revised, p. 11)

12. 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. 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. (Columbia Ex. No. 5 Revised, p. 12)

13. 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 Revised, p. 11)

14. 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 Revised, 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 St. No. 1, p. 14).

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. (Columbia St. No. 1, pp. 14-15) 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. The storage service provides peak day deliverability of 19,130 Dth and 2,000,000 Dth of seasonal capacity. 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 sculpted with 32,000 Dth per day in April and October and 20,000 Dth per day May through September. (Columbia St. No. 1, p. 15)

(c) Columbia excludes from the PGC the cost of 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, p. 15; Columbia Ex. No. 5 Revised, 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, pp. 15-16; Columbia Ex. No. 5 Revised, p. 10)

(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. 16-17; Columbia Ex. No. 5 Revised, 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, pp. 16-17)

(g) Columbia is entering into a new contract with National Fuel consisting of enhanced firm transportation (EFT) of 4,000 Dth per day, of which 1,571 Dth per day will be received at the Mercer Interconnection and delivered to a newly requested delivery point interconnection in Allegheny County, while 2,429 Dth per day will be received from National Fuel's storage receipt point and delivered to the new delivery point in Allegheny County. Additionally, National Fuel will provide an enhanced storage service (ESS) with a MSQ of 267,143 Dth, a MDIQ of 1,571 Dth per day, and a MDWIQ of 2,429 Dth per day to be used in combination with the EFT service. This capacity is needed to serve new developments and associated demand growth in the Pittsburgh International Airport/Clinton region. (Columbia St. No. 1, p. 17)

16. Columbia continues to evaluate alternatives to its existing supply and capacity portfolio on an ongoing basis. (Columbia St. No. 1, p. 17)

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, p. 26)

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. 18-19)

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, 2021, 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. 36-38)

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 St. No. 1, pp. 7-8; Columbia Ex. No. 5 Revised, pp. 15-18)

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 Revised; Columbia St. No. 1, pp. 6-7)

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 Revised, 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)

EBS Option 1 Credit

With regard to the litigated issue, the undersigned finds the following:

28. Prior to the adoption of EBS, Columbia provided an interruptible balancing service for General Distribution Service GDS transportation service customers using then-available PGC assets to manage deliveries. (Columbia St. No. 1-R, pp. 2-3)

29. EBS was developed to provide substantial enhancements to the balancing service that Columbia had provided its GDS customers prior to the inception of EBS. (Columbia St. No. 1-R, pp. 2-3)

30. EBS provides GDS customers with two daily balancing options. (Columbia St. No. 1-R, p. 3)

31. Customers electing EBS Option 1 can carry banks over from month to month. Under EBS Option 1, natural gas suppliers (“NGSs”) and customers are provided firm cold day and warm day Operational Flow Order (“OFO”)/Operational Matching Order (“OMO”) tolerances. (Columbia St. No. 1-R, p. 3)

32. Under EBS Option 1, when cold day OFO/OMOs are issued, NGS or customer deliveries equal to or greater than 95% of actual (OMO) or estimated (OFO) demand are considered in compliance with the flow orders, provided that the customer has sufficient gas in its bank. Under warm day OFO/OMOs, NGS or customer deliveries less than or equal to 102.5% of actual (OMO) or estimated (OFO) demand are considered to be in compliance with the flow order, provided that the customer has sufficient room in its bank to accept the over deliveries. (Columbia St. No. 1-R, p. 3)

33. Under EBS Option 1, NGS and customer access to banks is provided on a seasonal firm basis, recognizing the daily OFO/OMO limitations, as long as an NGS or customer has a positive bank balance. (Columbia St. No. 1-R, p. 4)

34. Customers electing EBS Option 2 would continue with the fully interruptible nature of balancing prior to the development of EBS. Customers electing EBS Option 2 are cashed out monthly. A monthly cash out provides customers the opportunity to carry an intra-month bank, but this bank is cashed-out at the end of each month. There are no customers currently electing Option 2. (Columbia St. No. 1-R, p. 3)

35. In order for Columbia to provide the firm balancing service under EBS Option 1, Columbia needed to acquire incremental firm storage and transportation capacity above the capacity that had been acquired to satisfy sales customers' needs. (Columbia St. No. 1-R, p. 4) The Company acquired firm transportation and storage service from Equitrans. The Equitrans storage and transportation service provided a peak day deliverability of 19,130 Dth and 2,000,000 Dth of seasonal capacity. (Columbia Ex. No. TMM-3R)

36. On August 22, 2001, Columbia filed proposed tariff changes to implement EBS ("2001 Tariff Filing"). In the 2001 Tariff Filing, Columbia proposed that the costs of the incremental capacity acquired to provide EBS Option 1 be excluded from the PGC cost recovery mechanism. Columbia would offer a rate for EBS Option 1, and GDS customers could decide whether to elect the option, or elect EBS Option 2. No parties opposed this cost recovery mechanism. (Columbia St. No. 1-R, pp. 4-5, 7; Columbia Ex. TMM-1R)

37. The 2001 Tariff Filing was ultimately resolved by a Commission-approved Settlement.⁶ The Settlement modified several provisions in the 2001 Tariff Filing but did not modify the tariff provisions regarding the exclusion from the PGC of incremental capacity acquired to provide EBS Option 1. (Columbia Ex. No. TMM-2R)

38. The cost and rate recovery mechanisms agreed to in the 2001 Tariff Filing Settlement appear in Columbia's currently effective tariff. (Columbia Ex. No. JB-1R)

39. Since the adoption of EBS, Columbia has made one change to the capacity used for EBS Option 1. In Columbia's 2014 PGC case (Docket No. R-2014-2408268), the Company explained that it was terminating a portion of the Equitrans capacity and replacing that portion with DTI capacity in order to increase storage capacity in the State College market. (Columbia St. No. 1-R, pp. 6-7)

⁶ See *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Docket No. R-00016668 (Order entered January 29, 2002).

40. The new DTI storage and transportation contract effective April 2014, for 4,800 Dth/day and seasonal contract quantity of 240,000 Dth offset a capacity reduction on Equitrans. The Equitrans capacity was reduced to 14,348 Dth/day from 19,130 Dth/day along with the seasonal capacity reduced to 1,500,000 Dth from 2,000,000 Dth. No party to that PGC proceeding opposed the change. (Columbia St. No. 1-R, pp. 6-7)

41. Columbia could not provide the firm balancing afforded under EBS Option 1 without acquiring incremental interstate transportation and storage capacity. (Columbia St. No. 1-R, pp. 5-6; Columbia Ex. Nos. TMM-1R; TMM-2R; TMM-3R; and TMM-4R)

42. Columbia prices EBS Option 1 based upon the cost of incremental Equitrans and DTI capacity acquired to provide the service. (Columbia St. No. 2-R, p. 2)

43. The costs of the incremental capacity acquired to provide EBS Option 1 are excluded from PGC costs. (Columbia Ex. No. TMM-2R)

44. At the time EBS Option 1 was established, Columbia agreed that it would be at risk of recovery of the excluded costs from the GDS customers electing the service. (Columbia St. No. 2-R, p. 2.; Columbia Ex. No. TMM-4R, p. 5)

45. The Commission-approved Settlement of the 2001 Tariff Filing provides for a fixed annual credit of \$300,000 to the PGC. The Settlement further provides that if the Commission makes any material change to the terms of Rider EBS or any material change to the Tariff Rules Applicable to Distribution Service (“RADS”) Sections 3.6, 3.7, 3.8, 3.11, or 3.12, then any party may propose that the credit be modified. (Columbia Ex. No. TMM 2-R)

46. The Company operates its storage on a total system basis, based on location of storage and customer needs. (Columbia St. No. 1-R, p. 7)

47. Columbia uses all of the storage and transportation capacity it acquires to serve its customers across all market areas. (Columbia St. No. 1-R, pp. 4, 10)

48. Columbia Gas Transmission (TCO) capacity gives Columbia greater ability to increase deliveries and adjust deliveries across its numerous TCO receipt points. (Columbia St. No. 1, pp. 11-12, 24)

49. On July 31, 2020, TCO filed its currently pending rate case before FERC, and TCO's proposed rate increase has gone into effect, subject to refund. (Columbia St. No. 1-R, p. 8)

50. Pipelines' rates for transportation and storage capacity can change over time. (Columbia St. No. 1-R, p. 9)

51. Replacing the cost of Equitrans and DTI capacity with the cost of TCO capacity in the EBS Option 1 pricing mechanism would reduce the capacity cost recovered from PGC customers while increasing the cost allocated to EBS Option 1. (Columbia St. No. 2-R, p. 2)

52. Basing EBS Option 1 on TCO capacity costs would increase EBS costs by approximately [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] based upon an assumption that TCO's currently pending rate increase is resolved at an average of proposed rates and previously effective rates. (Columbia St. No. 1-R, p. 8)

53. Historically, TCO's storage and transportation costs have been lower than that of Equitrans and DTI. Over the past decade alone, the costs excluded from the PGC related to EBS Option 1, based upon Equitrans or Equitrans/DTI capacity costs, has been nearly [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] higher than if the rates had been based upon TCO capacity. (Columbia St. No. 1-R, pp. 8-9)

54. Basing the EBS cost and corresponding PGC exclusion on Equitrans and DTI capacity has historically favored PGC customers. (Columbia St. No. 1-R, pp. 8-9)

DESCRIPTION AND TERMS OF PARTIAL 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 partial settlement in principle under which all but one issue is resolved. The Partial Settlement, which is fully executed by Columbia, OCA, and I&E consists of 19 pages plus Appendices A, B, and C which are the Statements in Support of Columbia, OCA, and I&E, respectively. OSBA was not a signatory to the Settlement; however, it filed correspondence indicating it does not oppose the Settlement.

The Joint Petitioners have reviewed Columbia's purchased gas costs and gas purchasing practices and, except with respect to the issue reserved for litigation, have concluded that both are consistent with the standards set forth in the Public Utility Code. The Joint Petitioners request that the Commission make the findings required by Sections 1307 and 1318.⁷

The Partial 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 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.⁸

⁷ 66 Pa.C.S. §§ 1307, 1318; see Partial Settlement, ¶ 28.

⁸ Partial Settlement, ¶¶ 35-38.

PARTIES' POSITIONS ON PARTIAL SETTLEMENT

The Joint Petitioners have reviewed Columbia's purchased gas costs and gas purchasing practices and, except with respect to the issue reserved for litigation, have concluded that both are consistent with the standards set forth in the Public Utility Code.⁹

Columbia

Columbia avers the simple fact that the Partial Settlement is unopposed is, in and of itself, strong evidence the Partial Settlement is reasonable and in the public interest.¹⁰ It argues the Partial Settlement was achieved after a comprehensive investigation of Columbia's gas purchasing practices, including extensive discovery and discussion among the parties.¹¹ Columbia notes that by resolving all issues through a settlement, the parties were able to successfully avoid a portion of the costs associated with litigation.¹²

Columbia explains the Joint Petitioners agree that (1) Columbia's 2021 PGC as filed complies with the requirements of Section 1318 of the Public Utility Code, 66 Pa C.S. § 1318(a), and (2) the record evidence supports a findings that Columbia is pursuing a least cost fuel procurement policy, consistent with the utility's obligation to provide safe, adequate and reliable service to its customers.¹³ Columbia notes no party presented any evidence to dispute these findings.¹⁴ Columbia argues approval of Columbia's PGC filing, subject to resolution of the issue reserved for litigation, is in the public interest because Columbia has complied with all relevant provisions of the Public Utility Code with respect to its PGC, as demonstrated by the

⁹ Partial Settlement, ¶¶ 28, 30-34.

¹⁰ Columbia's Statement in Support, p. 2.

¹¹ *Id.*

¹² *Id.*

¹³ *Id.* at 4-5; see Columbia Ex. No. 8-E.

¹⁴ Columbia's Statement in Support, p. 5.

undisputed facts set forth in the Settlement and as more fully explained in its PGC filing.¹⁵ Finally, Columbia submits that the Settlement fairly balances the interests of Columbia and its customers and, therefore, is in the public interest.¹⁶

The Office of Consumer Advocate

OCA submits that, based on its review of the Company's filing and testimony, except for the one contested issue, the Company has met the requirements of 66 Pa.C.S. §§ 1307(f) and 1318.¹⁷ OCA argues that the Partial Settlement is a reasonable resolution of the Company's 2021 PGC proceeding and should be approved as in the public interest.¹⁸

Bureau of Investigation and Enforcement

I&E submits that the terms and conditions of the Partial Settlement are in the public interest and represent a fair, just and reasonable balance of the interests of Columbia and its customers.¹⁹ I&E explains that it is charged with the representation of the public interest in proceedings relating to rates, rate-related services and application proceedings affecting the public interest held before the Commission.²⁰ Consequently, in negotiated settlements, it is incumbent upon I&E to ensure that the public interest is served and to quantify to what extent amicable resolution of any such proceeding will benefit the public interest.²¹

¹⁵ Columbia's Statement in Support, p. 7.

¹⁶ *Id.*

¹⁷ OCA's Statement in Support, p. 2.

¹⁸ *Id.*

¹⁹ I&E's Statement in Support, p. 1.

²⁰ *Id.* at 1-2.

²¹ *Id.* at 2.

Through the course of discovery and settlement negotiations, I&E determined that it did not have proposed adjustments to the Company's filing.²² Accordingly, I&E did not submit testimony in this proceeding.²³ After review of the filing and discovery, I&E determined that the information provided by the Company indicates that its least cost procurement obligation under the Public Utility Code.²⁴ I&E explains that adhering to a least cost procurement policy benefits ratepayers and is in the public interest because least cost gas directly impacts customer gas bills, while still ensuring that customers receive safe, adequate and reliable service.²⁵

I&E analyzed the Company's E-factor and found that it was calculated in accordance with established Commission practices.²⁶ I&E explains that an E-factor is the experienced over/under collections and it reconciles variations between the projected gas costs and actual gas costs as well as variances between projected and actual sales.²⁷ I&E also notes that the E-factor also serves as the vehicle to pass through miscellaneous revenues and to calculate interest.²⁸ I&E explains that this review is critical because the proper calculation of the E-factor ensures that rates are adjusted appropriately.²⁹ I&E notes it is satisfied that the Company's E-factor calculation is appropriate.³⁰

Additionally, I&E explains that it reviewed the Company's projected gas costs and determined that it appears those costs are consistent with a least cost fuel procurement policy.³¹ In its filing, Columbia projects an increase of \$0.12191/Therm for a proposed PGC rate

²² *Id.*

²³ *Id.*

²⁴ *Id.* at 3.

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.* at 3-4.

²⁹ *Id.* at 4.

³⁰ *Id.*

³¹ *Id.*

of \$0.50703/Therm to be effective October 1, 2021.³² I&E notes that, while those costs are subject to review in a future PGC proceeding, ratepayers are protected in that Columbia gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies.³³ Accordingly, I&E represents that the Partial Settlement maintains the proper balance of the interests of all parties.³⁴ For these reasons, I&E maintains that Columbia is pursuing a least cost fuel procurement policy consistent with its obligation to provide safe, adequate and reliable service to its customers.³⁵

I&E further argues that acceptance of the proposed Partial 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.³⁶ I&E also submits that acceptance of the Partial Settlement will negate the need for any direct and cross-examination of witnesses and the preparation of briefs and exceptions on the settled issues.³⁷

EBS OPTION 1 CREDIT

The sole issue reserved for litigation in this case is whether Columbia's methodology for excluding from the PGC the cost of firm transportation and storage capacity used to provide EBS Option 1 should be modified as proposed by OCA.

The Company began offering EBS in 2001.³⁸ Prior to the adoption of EBS in 2001, Columbia provided an interruptible balancing service for GDS transportation service

³² *Id.*

³³ *Id.*

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.* at 4-5.

³⁷ *Id.* at 5.

³⁸ Columbia St. No. 1-R, p. 2.

customers using then-available PGC assets to manage deliveries.³⁹ GDS customers paid for the use of those assets on an interruptible basis.⁴⁰ However, because PGC assets were being used to provide the balancing, and those assets were acquired to deliver sufficient supplies to meet sales customers' requirements, it was necessary for Columbia to interrupt balancing service for GDS customers for extended periods due to cold weather.⁴¹ GDS customers and Natural Gas Suppliers ("NGSs") were dissatisfied with the interruptible nature of the balancing service.⁴² Therefore, following a series of meetings with a stakeholder group, Columbia proposed several tariff changes on August 22, 2001.⁴³ These tariff changes included the creation of EBS ("2001 Tariff Filing").⁴⁴

EBS was developed to provide substantial enhancements to the balancing service that Columbia had provided its GDS customers prior to the inception of EBS. EBS provides GDS customers with two daily balancing options.⁴⁵ Customers electing EBS Option 1 can carry banks over from month to month. Under EBS Option 1, NGSs and customers are provided firm cold day and warm day Operational Flow Order (OFO)/Operational Matching Order (OMO) tolerances.⁴⁶ Under cold day OFO/OMOs, NGS or customer deliveries equal to or greater than 95% of actual (OMO) or estimated (OFO) demand are considered in compliance with the flow orders, provided that the customer has sufficient gas in its bank.⁴⁷ Under warm day OFO/OMOs, NGS or customer deliveries less than or equal to 102.5% of actual (OMO) or estimated (OFO) demand are considered to be in compliance with the flow order, provided that the customer has

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.* See Columbia Ex. TMM-1R.

⁴⁵ Columbia St. No. 1-R, p. 3. Originally, a third option was offered, which provided for a daily cash-out. However, this option was subsequently eliminated because no customers elected the service. Columbia St. No. 1-R, p. 3.

⁴⁶ Columbia St. No. 1-R, p. 3.

⁴⁷ *Id.*

sufficient room in its bank to accept the over deliveries.⁴⁸ Under EBS Option 1, NGS and customer access to banks is provided on a seasonal firm basis, recognizing the daily OFO/OMO limitations noted above, as long as an NGS or customer has a positive bank balance.⁴⁹

Customers electing EBS Option 2 would continue with the fully interruptible nature of balancing prior to the development of EBS.⁵⁰ Customers electing EBS Option 2 are cashed out monthly.⁵¹ A monthly cashout provides customers the opportunity to carry an intra-month bank but this bank is cashed-out at the end of each month. There are no customers currently electing Option 2.⁵²

In order for Columbia to provide the firm balancing service under EBS Option 1, Columbia needed to acquire incremental firm storage and transportation capacity above the capacity that had been acquired to satisfy sales customers' needs.⁵³ As Columbia explained in its 2002 PGC proceeding at Docket No. R-00027204, in order to serve the balancing requirements of GDS customers electing EBS Option 1, the Company acquired firm transportation and storage service from Equitrans, L.P. ("Equitrans").⁵⁴ The storage and transportation service provided a peak day deliverability of 19,130 Dth and 2,000,000 Dth of seasonal capacity.⁵⁵ In Columbia's 2002 PGC proceeding, Columbia witness Mr. Anderson explained:

Q. How is Columbia able to provide EBS?

A. Columbia is able to provide this enhanced service through the acquisition of new storage and related firm transportation service capacity and the

⁴⁸ *Id.*

⁴⁹ *Id.* at 4.

⁵⁰ Columbia St. No. 1-R, p. 3.

⁵¹ *Id.*

⁵² *Id.*

⁵³ Columbia St. No. 1-R, p. 4.

⁵⁴ *Id.* at 5.

⁵⁵ *Id.*

operational integration of that capacity into Columbia's capacity portfolio. This integration will provide Columbia the opportunity to manage all supplies delivered to it for its own sales supply requirements plus those delivered for its Choice and GDS customers while providing the enhanced services of EBS. The new storage and firm transportation capacity acquired by Columbia establishes an asset to provide firm seasonal access to GDS customers banked volumes as well as the additional peak day deliverability and injection flexibility needed to provide the cold day and warm day OFO/OMO delivery tolerances.^{56]}

The 2001 Tariff Filing proposed that the costs of the incremental capacity acquired to provide EBS Option 1 be excluded from the PGC cost recovery mechanism.⁵⁷ Columbia would offer a rate for EBS Option 1, and GDS customers could decide whether to elect the option, or elect EBS Option 2.⁵⁸ Because the costs and revenues to provide EBS Option 1 are excluded from the PGC, Columbia is at risk for cost recovery of the excluded costs.⁵⁹ No parties opposed this cost recovery mechanism during the proceeding on the 2001 Tariff Filing.⁶⁰

The 2001 Tariff Filing was ultimately resolved by a Settlement.⁶¹ The Settlement modified several provisions of the 2001 Tariff Filing but did not modify the tariff provisions regarding the exclusion of the incremental capacity acquired to provide EBS Option 1 from the PGC.⁶² Furthermore, the 2001 Settlement provided that an additional credit of \$300,000 annually is to be provided to PGC customers.⁶³

⁵⁶ Columbia St. No. 1-R, p. 6. *See also* Columbia Ex. No. TMM-3R.

⁵⁷ Columbia St. No. 1-R, p.4.

⁵⁸ *See* Columbia St. No. 1-R, pp. 4-5; Columbia Ex. TMM-1R (August 22, 2001 filing of Supplement No. 22 to Tariff Gas Pa. PUC No. 9 and August 23, 2001 filing of standard filing requirements pursuant to 52 Pa. Code § 53.52).

⁵⁹ EBS Option 2 revenue continues to be credited to the PGC. *See* Columbia Ex. TMM-1R.

⁶⁰ Columbia St. No. 1-R, p. 7.

⁶¹ Columbia Ex. No. TMM-2R.

⁶² *Id.*

⁶³ *See* Columbia Ex. No. TMM-2R (Settlement Appendix A; Settlement ¶ 10c.).

Since the adoption of EBS, Columbia has made one change to the capacity used for EBS Option 1. In Columbia's 2014 PGC case,⁶⁴ the Company submitted testimony and exhibits to explain that it was terminating a portion of the Equitrans capacity and replacing that portion with capacity it acquired from Dominion Transmission (DTI).⁶⁵ That change was made to increase storage capacity in the State College market.⁶⁶ Specifically, as discussed in the testimony of witness Catron in the Company's 2014 PGC case, a new DTI storage and transportation contract effective April 2014, for 4,800 Dth/day and seasonal contract quantity of 240,000 Dth offset a capacity reduction on Equitrans.⁶⁷ The Equitrans capacity was reduced to 14,348 Dth/day from 19,130 Dth/day along with the seasonal capacity reduced to 1,500,000 Dth from 2,000,000 Dth.⁶⁸ No party to that PGC proceeding opposed the change.⁶⁹

Currently, Columbia excludes from the PGC the cost of the incremental capacity it acquired from DTI and Equitrans to provide the elective balancing service for GDS transportation customers.⁷⁰

OCA now argues that the Company's current calculation of the EBS Option 1 credit is no longer just, reasonable, or in the public interest.⁷¹ OCA argues the calculation of the EBS Option 1 Credit should be based solely on the costs associated with the firm transportation and storage services provided to Columbia by TCO.⁷²

⁶⁴ See Docket No. R-2014-2408268.

⁶⁵ Columbia St. No. 1-R, p. 6.

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ *Id.* at 6-7.

⁶⁹ *Id.* at 7.

⁷⁰ Residential and small commercial Choice transportation customers are not subject to the provisions of Rider EBS. Columbia Ex. TMM-2R (Joint Petition for Settlement ¶ 2).

⁷¹ OCA Main Brief, p. 7.

⁷² *Id.*

OCA observes that TCO is the only interstate pipeline serving the majority of Columbia's markets.⁷³ Therefore, OCA Witness Jerome D. Mierzwa proposes that future credits to PGC customers for EBS Option 1 should be based solely on the costs associated with the firm transportation and storage services provided to Columbia by TCO.⁷⁴ OCA argues that 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.⁷⁵

In response to OCA's concerns, Columbia witness Tina M. Monnig, in Rebuttal Testimony, recommended a weighted average cost calculation method as an alternative to OCA Witness Mierzwa's TCO-only calculation.⁷⁶ Although OCA argues 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, it notes that 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 1.⁷⁷

The parties' positions on this issue are discussed more fully below.

PARTIES' POSITIONS ON EBS OPTION 1 CREDIT

Office of Consumer Advocate

OCA argues that since TCO is the only interstate pipeline serving the majority of Columbia's markets, future credits to PGC customers for EBS Option 1 should be based on the

⁷³ *Id.*

⁷⁴ OCA St. No. 1, p. 6.

⁷⁵ OCA Main Brief, p. 7.

⁷⁶ Columbia St. No. 1-R, p. 11.

⁷⁷ OCA Main Brief, p. 14.

costs associated with the firm transportation and storage services provided to Columbia by TCO.⁷⁸ OCA submits that 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.⁷⁹

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.⁸⁰ Specifically, OCA argues the current calculation of the EBS Option 1 Credit, which 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.⁸¹ OCA maintains that the credit to PGC Customers should reflect accurate costs.

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.⁸² OCA argues that 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.⁸³

Additionally, OCA notes that TCO's rates have increased as a result of its current Section 4 rate proceeding before FERC; therefore, the costs associated with the service provided by TCO will likely increase as well.⁸⁴ While the extent of the increase is unknown at the time of

⁷⁸ *Id.* at 7.

⁷⁹ *Id.*

⁸⁰ *Id.* at 11.

⁸¹ *Id.* at 13.

⁸² OCA St. 1-SR at 2.

⁸³ OCA Main Brief, p. 11.

⁸⁴ *Id.* at 13.

this matter, OCA argues that 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.⁸⁵

With regard to the alternative weighted average cost calculation proposed in Company witness Monnig's Rebuttal Testimony, OCA argues the proposal itself evidences Columbia's recognition of the inequity of its current calculation.⁸⁶ OCA explains that Company witness Monnig 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.⁸⁷

OCA explains that it supports any effort by Columbia to improve the accuracy of the credit and this proposal goes a long way to improve it.⁸⁸ If the Commission does not agree with the TCO-only calculation offered by OCA witness Mierzwa, OCA concedes that the weighted average cost calculation offered by Company witness Monnig in Rebuttal Testimony would be an acceptable alternative.⁸⁹

Columbia

Columbia argues that its existing methodology is reasonable and should not be changed. The Company notes that its EBS program, including the cost and rate recovery

⁸⁵ *Id.* at 11.

⁸⁶ *Id.* at 13.

⁸⁷ *Id.*; see Columbia St. 1-R, pp. 10-11.

⁸⁸ OCA Main Brief, p. 14.

⁸⁹ *Id.*

mechanisms, was approved by the Commission, pursuant to a Settlement of the 2001 Tariff Filing.⁹⁰ The 2001 Settlement Agreement was supported by all parties, including the OCA.⁹¹

Columbia explains that, in accordance with its current tariff, it uses the cost of the incremental Equitrans and DTI capacity to calculate the amount of EBS costs to be excluded from the PGC because those assets were specifically acquired for the purpose of providing EBS.⁹² Columbia explains that it prices EBS Option 1 based upon the cost of incremental Equitrans and DTI capacity acquired to provide the service and is at risk of recovery of this cost from the GDS customers electing the service. It notes that, as provided for in the Commission-approved Settlement of the 2001 Tariff Filing, the costs of the incremental capacity acquired to provide EBS Option 1 are excluded from PGC costs and an additional credit of \$300,000 annually is provided to PGC customers.⁹³ Therefore, the Company, and not PGC customers, is at risk for any under-recovery associated with EBS Option 1.⁹⁴

Columbia notes the EBS rate calculation has been based on the costs of the Equitrans and DTI storage capacity since 2014, and prior to that, the calculation was based on the original Equitrans capacity acquired to provide EBS.⁹⁵ Columbia explains that the use of Equitrans or Equitrans/DTI storage capacity in pricing EBS Option 1 rates and the exclusion of the cost of this capacity from the PGC has been presented consistently in all PGC proceedings since the 2002 PGC case.⁹⁶

⁹⁰ Columbia Main Brief, p. 9; see also *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Docket No. R-00016668 (Order entered January 29, 2002) (approving Joint Petition for Settlement and tariff provisions contained therein).

⁹¹ Columbia Main Brief, p. 9; see also Columbia Ex. No. TMM-2R.

⁹² Columbia Main Brief, p. 10; see also Columbia St. No. 2-R, p. 3.

⁹³ Columbia Main Brief, p. 10; see also Columbia Ex. No. TMM-2R (Settlement Appendix A; Settlement ¶ 10c.).

⁹⁴ Columbia Main Brief, p. 10; see also Columbia St. No. 2-R, p. 2.

⁹⁵ Columbia Main Brief, p. 12.

⁹⁶ *Id.*; Columbia St. No. 1-R, p. 7.

The Company argues that although OCA now seeks to change the cost and rate recovery mechanisms that were agreed to in the 2001 Tariff Filing Settlement and approved by the Commission, OCA has not presented any new or changed circumstances that would justify changing the tariff provisions.⁹⁷ Columbia argues OCA contends that the change should be made because TCO serves most of the market areas where customers electing EBS are located, but Columbia notes this has been the case since EBS was established in 2001.⁹⁸ The Company argues that the circumstances of how it operates storage to provide EBS have not changed since the existing EBS cost and rate recovery mechanisms were established and agreed to in the Commission-approved Settlement of the 2001 Tariff Filing.⁹⁹ Columbia argues there is nothing “new” that would warrant changing Columbia’s existing Commission-approved tariff provisions.¹⁰⁰

Moreover, Columbia argues that the records from the 2001 Tariff Filing and the 2002 PGC proceeding are clear that Columbia could not provide the firm balancing afforded under EBS Option 1 without acquiring incremental interstate transportation and storage capacity.¹⁰¹ The Company argues it was appropriate at that time for the parties and the Commission to conclude that GDS customers should bear the cost of these new capacity assets to provide EBS Option 1, and Columbia maintains that OCA has not provided a justification for changing that approach.¹⁰²

Furthermore, Columbia argues OCA’s contention that the capacity to be excluded from the PGC should be based upon the capacity that physically serves EBS customers across all

⁹⁷ Columbia Main Brief, p. 11.

⁹⁸ *Id.*

⁹⁹ Columbia Main Brief, pp. 11-12; see also Columbia St. No. 1-R, p. 7.

¹⁰⁰ Columbia Main Brief, p. 13.

¹⁰¹ *Id.*; see Columbia St. No. 1-R, pp. 5-6; Columbia Ex. Nos. TMM-1R; TMM-2R; TMM-3R; and TMM-4R.

¹⁰² Columbia Main Brief, p. 13.

market areas is inconsistent with OCA's own recommendation to exclude only TCO capacity.¹⁰³ Columbia notes it uses all of the storage and transportation capacity it acquires to serve its customers across all market areas.¹⁰⁴ For example, Columbia explains that the additional Equitrans and DTI capacity acquired for EBS was needed above the firm capacity that Columbia used to provide sales and Choice service, but it was never intended that the incremental capacity would be dedicated solely to providing EBS. Columbia explains that this is because no single capacity could serve all of Columbia's diverse service areas and customers. Therefore, storage is used to manage service for all customers across the Company's system.¹⁰⁵

Columba argues that OCA's proposal to exclude from PGC the cost of TCO capacity is inappropriate and should be rejected. The Company submits that, for approximately twenty years, OCA has not challenged the Commission-approved mechanism of excluding from the PGC the cost of incremental capacity acquired to provide EBS Option 1.¹⁰⁶ Columbia explains that OCA's proposal to replace the cost of Equitrans and DTI capacity with the cost of TCO capacity in the EBS Option 1 pricing mechanism would reduce the capacity cost recovered from PGC customers while increasing the cost allocated to EBS Option 1.¹⁰⁷

Columbia explains that historically, TCO's storage and transportation costs have been lower than that of Equitrans and DTI.¹⁰⁸ Thus, basing the EBS cost and corresponding PGC exclusion on the more expensive Equitrans and DTI capacity has historically favored PGC customers.¹⁰⁹ On July 31, 2020, TCO filed its currently pending rate case before FERC, and TCO's proposed rate increase has gone into effect, subject to refund. Columbia points out that

¹⁰³ *Id.*; see OCA St. No. 1, p. 6.

¹⁰⁴ Columbia Main Brief, p. 13; see Columbia St. No. 1-R, pp. 4, 10.

¹⁰⁵ Columbia Main Brief, p. 13; see Columbia St. No. 1-R, p. 4.

¹⁰⁶ Columbia Main Brief, p. 15.

¹⁰⁷ *Id.*; Columbia St. No. 2-R, p. 2.

¹⁰⁸ Columbia Main Brief, p. 15.

¹⁰⁹ *Id.* at 15-16; see Columbia St. No. 1-R, pp. 8-9.

although FERC has not issued a final order in that case, OCA's proposal is based on the assumption that the outcome of the FERC proceeding will result in TCO's rate now being higher than the rates for Equitrans and DTI.¹¹⁰ Columbia explains that based on this assumption, OCA now proposes that the calculation of the EBS credit to PGC customers should be changed to use TCO rates.¹¹¹ Columbia argues OCA did not recommend changing the EBS cost or rate recovery calculation in any of these previous years during which the TCO capacity was less expensive.¹¹²

The Company maintains that the cost of storage and transportation capacities should not be the basis for determining which capacity is used to calculate the EBS rate.¹¹³ It argues it is inappropriate, inequitable and unworkable to base the EBS rate on whatever storage and transportation capacity is more expensive.¹¹⁴ Columbia explains that the storage and transportation capacities for the pipelines can change over time.¹¹⁵ Equitrans has historically been more expensive and it is possible that its rates could be higher than TCO's proposed rates in the future.¹¹⁶ Columbia suggests that the storage and transportation capacity used to calculate the EBS rate should not change every time a pipeline's rates change.¹¹⁷ Rather, the more objective and reasonable approach is to base the EBS rate on the storage and transportation capacity that was acquired for the purpose of providing the service, as provided in Columbia's tariff and the Commission-approved Settlement Agreement of the 2001 Tariff Filing.¹¹⁸

¹¹⁰ Columbia Main Brief, p. 16; see Columbia St. No. 1-R, p. 8.

¹¹¹ Columbia Main Brief, p. 16.

¹¹² *Id.*

¹¹³ *Id.*

¹¹⁴ *Id.*

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ *Id.*

¹¹⁸ *Id.*

Columbia argues that, according to OCA’s position that the excluded capacity should be based on the assets used to serve the market areas where GDS customers are located, any change to the calculation of EBS should not be based solely on TCO capacity, but rather on a combination of all three capacities.¹¹⁹ Columbia emphasizes that it is not its position that this alternative calculation should be adopted as a form of “compromise” position.¹²⁰ Rather, Columbia requests that the current Option 1 credit methodology remain unchanged.¹²¹

Finally, Columbia argues that if the Commission changes the cost rate and recovery mechanisms for EBS in this proceeding, the \$300,000 fixed credit to PGC customers as provided for in the Commission-approved Settlement of the 2001 Tariff Filing should be eliminated.¹²²

Other Parties

I&E and OSBA have not taken a position regarding the EBS Option 1 calculation.

BURDEN OF PROOF AND APPLICABLE LEGAL STANDARD

Burden of Proof

In this case, Columbia has the burden of proof with regard to the rates and modifications included in its definitive filing.¹²³ In this regard, Section 315(a) of the Public Utility Code, 66 Pa. C.S. § 315 (a), provides as follows:

¹¹⁹ *Id.* at 13-14.

¹²⁰ *Id.*

¹²¹ *Id.*

¹²² *Id.* at 17.

¹²³ 66 Pa.C.S. § 332(a).

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.^[124]

The term ‘burden of proof’ is comprised of two distinct burdens, the burden of production and the burden of persuasion.”¹²⁵ The burden of production dictates which party has the duty to introduce enough evidence to support a cause of action.¹²⁶ The burden of persuasion determines which party has the duty to convince the finder-of-fact that a fact has been established.¹²⁷ “The burden of persuasion never leaves the party on whom it is originally cast.”¹²⁸

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.”¹²⁹ 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 a 1307(f) Purchased Gas Cost Proceeding, a party challenging a previously-approved tariff provision bears the burden

¹²⁴ 66 Pa.C.S. § 315(a).

¹²⁵ *Hurley v. Hurley*, 754 A.2d 1283, 1285 (Pa. Super. 2000) (*Hurley*).

¹²⁶ *Id.* at 1286.

¹²⁷ *Id.*

¹²⁸ *Id.*; 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*).

¹²⁹ *Burleson v. Pa. Pub. Util. Comm’n*, 461 A.2d 1234, 1236 (Pa. 1983) (*Burleson*).

to demonstrate the Commission’s prior approval is no longer reasonable.¹³⁰ In that proceeding wherein the OCA challenged the company’s truncation methodology, the Commission found:

[A]bsent any specific language directing the modification of the methodology as a part of NFGD’s existing tariffs, the methodology, 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.^[131]

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.¹³²

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.¹³³ 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.¹³⁴ Both Sections 1317 and 1318 require Columbia to pursue a least cost fuel procurement policy.¹³⁵

¹³⁰ *Pa. Pub. Util. Comm’n v. National Fuel Gas Dist. Corp.*, Docket No. R-2017-2582461 (Opinion and Order entered July 12, 2017) Order at 11-12 (*NFGD*).

¹³¹ *Id.* at 12.

¹³² *Id.*

¹³³ 66 Pa.C.S. §§ 1307(f), 1317, 1318, 2212; 52 Pa.Code §§ 53.64, 53.65.

¹³⁴ 66 Pa.C.S. §§ 1317, 1318.

¹³⁵ *Id.*

Section 1318 provides:

(a) General rule.--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.

(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.^[136]

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66 Pa.C.S. § 1318(a).

ANALYSIS AND RECOMMENDATION

EBS Option 1 Credit

Consistent with its current tariff, Columbia excludes from the PGC the cost of the incremental capacity it acquired from DTI and Equitrans to provide the elective balancing service for GDS transportation customers. OCA now argues that the cost of the incremental capacity acquired from Equitrans and DTI to provide EBS Option 1 should no longer be excluded from the PGC. Rather, the amount excluded should be based on the cost of firm transportation and storage services provided by TCO.

OCA's argument is essentially two-fold: (1) the current calculation of the EBS Option 1 Credit, which 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, and (2) due to the anticipated increase in TCO's rates, utilizing TCO costs in the calculation of the credit, will result a greater credit and lower cost for PGC customers.

As the party challenging an existing, previously-approved tariff provision, OCA bears the burden to prove that the current method is no longer reasonable.¹³⁷

First, OCA maintains 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 argues that 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. Columbia, however, has operated, and continues to operate, its storage capacity on a total system basis, based on location of storage and customer needs.¹³⁸

¹³⁷ *Pa. Pub. Util. Comm'n v. National Fuel Gas Dist. Corp.*, Docket No. R-2017-2582461 (Opinion and Order entered July 12, 2017) Order at 11-12.

¹³⁸ Columbia St. No. 1-R, p. 9.

Second, OCA argues TCO's rates have increased as a result of its current Section 4 rate proceeding before FERC. OCA witness Mierzwa testified that according to his calculation, "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."¹³⁹ Although FERC has not issued a final order in that case, OCA's proposal is based on the assumption that the outcome of the FERC proceeding will result in TCO's rate now being higher than the rates for Equitrans and DTI.

At this point, the potential change to TCO's rates and costs is speculative and based on Mr. Mierzwa's assumptions. Even if TCO's rates increased as Mr. Mierzwa calculates, it remains reasonable to base EBS Option 1 credits on the storage and transportation capacity Columbia acquired to provide Option 1 rather than the cost of storage and transportation capacities. The storage and transportation capacities for the pipelines can change over time. Although Equitrans has historically been more expensive, it is possible that its rates could be higher than TCO's proposed rates in the future. Basing the EBS rate on the storage and transportation capacity could result in frequent rate/credit fluctuations.

The records from the 2001 Tariff Filing and the 2002 PGC proceeding are clear that Columbia could not provide the firm balancing afforded under EBS Option 1 without acquiring incremental interstate transportation and storage capacity.¹⁴⁰ It was appropriate at that time for the parties and the Commission to conclude that GDS customers should bear the cost of these new capacity assets to provide EBS Option 1.

Indeed, OCA has not challenged this mechanism of excluding from the PGC the cost of incremental capacity acquired to provide EBS Option 1 in any prior year since 2001.

¹³⁹ See OCA St. No. 1, pp. 7-8.

¹⁴⁰ See Columbia St. No. 1-R, pp. 5-6; see also Columbia Ex. Nos. TMM-1R; TMM-2R; TMM-3R; and TMM-4R.

OCA is only challenging the methodology now that it appears TCO's rates will increase as a result of the FERC proceeding. That TCO's rates may increase resulting in a greater Option 1 credit using OCA's proposed methodology does not necessarily render the current Commission-approved methodology unreasonable. Therefore, it is recommended that OCA's proposal to change the EBS Option 1 credit calculation be denied.

Purchased Gas Price

The Commission encourages parties in contested on-the-record proceedings to settle cases.¹⁴¹ 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.¹⁴² In their supporting statements, Columbia, OCA, and I&E take the position that the Partial Settlement, but for the one litigated issue, 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,¹⁴³ and should be approved.

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

¹⁴¹ See 52 Pa.Code § 5.231.

¹⁴² *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assocs.*, 74 Pa. PUC 767, 771 (1991).

¹⁴³ 66 Pa.C.S. §§ 1307, 1318.

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.¹⁴⁴

It is recommended that the Commission approve the Partial Settlement. This Recommendation is based in large part upon the representations made by the statutory advocates averring that the Partial 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, I 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.

¹⁴⁴ See 66 Pa.C.S. § 1318(a), (b).

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 Partial Settlement of the Rate Investigation executed and submitted at this docket by Columbia Gas of Pennsylvania, Inc., the Office of Consumer Advocate, and the Commission's Bureau of Investigation and Enforcement is in the public interest.

15. The party challenging an existing, previously-approved tariff provision bears the burden to prove that the current method is no longer reasonable. *Pa. Pub. Util.*

Comm'n v. National Fuel Gas Dist. Corp., Docket No. R-2017-2582461 (Opinion and Order entered July 12, 2017) Order at 11-12.

16. The Office of Consumer Advocate failed to meet its burden to prove it is no longer reasonable for Columbia to calculate its Elective Balancing Service Option 1 credit by excluding from the Purchased Gas Cost the cost of the incremental capacity acquired to provide Elective Balancing Service Option 1.

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Partial 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 Office of Consumer Advocate, and the Commission's Bureau of Investigation and Enforcement be approved.
2. That the Office of Consumer Advocate's proposal to change Columbia's methodology for calculating the Elective Balancing Service Option 1 credit be denied.
3. 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 Partial Settlement of the Rate Investigation pursuant to 66 Pa.C.S. § 1307(f).
4. That Columbia Gas of Pennsylvania, Inc., the Office of Consumer Advocate, and the Commission's Bureau of Investigation and Enforcement, shall be ordered to

