

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2022-3031172
Office of Consumer Advocate	:	C-2022-3031435
Office of Small Business Advocate	:	C-2022-3031752
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	

RECOMMENDED DECISION

Before
Emily I. DeVoe
Administrative Law Judge

INTRODUCTION

This decision recommends that the Joint Petition for 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) and the Office of Consumer Advocate (OCA), and unopposed by all other parties, including the Bureau of Investigation and Enforcement (I&E) and the Office of Small Business Advocate (OSBA), be approved without modification as it is in the public interest and is consistent with the requirements of the Public Utility Code.¹ The suspension date of the Company's filing is October 1, 2022. The last public meeting date prior to the suspension date is September 15, 2022.

¹ OSBA, I&E, and The Pennsylvania State University (PSU) have indicated that they do not oppose the Settlement. Joint Petition for Settlement (Settlement) p. 1, n.1. Furthermore, letters of non-opposition from I&E and PSU were attached to the Settlement as appendices.

HISTORY OF THE PROCEEDINGS

On March 1, 2022, 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, 2022.

On April 1, 2021, Columbia filed Supplement No. 341 to Tariff Gas Pa. P.U.C. No. 9 (Supplement No. 341) to become effective for service rendered on and after October 1, 2022. In Supplement No. 341, Columbia proposed a decrease in its PGC rates of \$0.01058/Therm, decreasing the current rate of \$0.54943/Therm to \$0.53885/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 16, 2022, OCA filed a formal rate Complaint docketed at C-2022-3031435. On April 5, 2021, the Office of Small Business Advocate (OSBA) filed a formal rate Complaint docketed at C-2022-3031752. I&E entered an appearance on March 16, 2021. PSU filed a Notice of Appearance on April 5, 2022 and filed a Petition to Intervene on April 15, 2022. The Petition to Intervene was granted without objection on June 3, 2022.

On April 4, 2022, the Commission issued a Prehearing Conference Notice and Prehearing Conference Order, scheduling a prehearing conference for April 6, 2022.

A prehearing conference was held on April 6, 2022, as scheduled. Columbia, I&E, OCA, OSBA, and PSU 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

² See 52 Pa. Code § 5.341 *et seq.*

On April 6, 2022, 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-2022-3031172.

Columbia served its direct testimony and exhibits on April 1, 2022. OCA served direct testimony and exhibits on May 6, 2022. I&E, OSBA, and PSU did not serve any direct testimony. Columbia served rebuttal testimony and exhibits on May 24, 2022. No party filed surrebuttal testimony.

An Evidentiary Hearing Notice was issued April 7, 2022, scheduling telephonic evidentiary hearings for June 7, 2022, and June 8, 2022.

On June 3, 2022, Columbia filed a Motion for a Protective Order pursuant to the provisions of 52 Pa. Code § 5.365(a). The same day, June 3, 2022, 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 issues was achieved.

On June 6, 2022, Columbia and OCA filed a Joint Stipulation for the Admission of Evidence and requested that the evidentiary hearings be cancelled. No party opposed the Joint Stipulation for the Admission of Evidence or the request that the hearings be cancelled. On June 6, 2022, the undersigned issued a Hearing Cancellation Notice, cancelling the evidentiary hearings as requested.

The Joint Stipulation for Admission of Evidence was adopted by an Interim Order on June 6, 2022. The following exhibits were admitted into the record:

- Columbia Exhibits 1,1-A, 1-B, 1-C, 1-D, 1-D-1, 1-D-2, 1-D-3, 1-E, 1-F, 2, 3, 4,4- A, 4-B, 5, 5-A, 5-B, 6, 7, 8-A, 8-B, 8-C, 8-D, 8-E, 9, 10, 11, 12 (revised), 13, 14 and 15.

- Columbia Statement No. 1, the Direct Testimony of Tina Monnig, and Exhibits TMM-1 and TMM-2.
- Columbia Statement No. 2, the Direct Testimony of Jessica Fischer.
- Columbia Statement No. 3, the Direct Testimony of Nicole Paloney, and Exhibit NP-1.
- Columbia Statement No. 4-R, the Rebuttal Testimony of Patrick Pluard, HIGHLY CONFIDENTIAL VERSION and PUBLIC VERSION, and Exhibits PJP-1R, PJP-2R, PJP-3R, PJP-4R and PJP-5R;
- OCA Statement No. 1, Direct Testimony of Jerome D. Mierzwa, HIGHLY CONFIDENTIAL VERSION and PUBLIC VERSION, and HIGHLY CONFIDENTIAL Schedule JDM-1 and Schedule JDM-2.

On June 22, 2022, Columbia and OCA (collectively, Joint Petitioners) filed a Joint Petition for Settlement of Rate Investigation pursuant to 66 Pa.C.S. § 1307(f) (Joint Petition for Settlement or Settlement). There were four appendices to the Settlement, consisting of Statements in Support filed by Columbia and OCA, as well as letters of non-opposition from PSU and I&E. OSBA filed correspondence on June 23, 2022, advising it did not oppose the Joint Petition for Settlement.

The gas cost rate in effect as of April 1, 2022, is \$0.54943/Therm. The gas cost rate which Columbia proposed in its April 1, 2022, filing, to be effective on October 1, 2022, is \$0.53885/Therm. This is the same gas cost rate the Joint Petitioners propose in Settlement.

This Recommended Decision recommends the Settlement be adopted without modification as it is in the public interest and there are no objections thereto.

FINDINGS OF FACT

The Joint Petitioners agree that Columbia offered evidence to support the following facts, and, subject to the terms and conditions in Settlement, these facts are sufficient to approve the Settlement and Columbia’s 2022 PGC filing.³

³ See, Partial Settlement, pp 5-13. These Findings of Fact are provided here *verbatim*. The formatting has been preserved for ease of reference.

1. Columbia's Exhibit No. 3 lists Federal Energy Regulatory Commission ("FERC") proceedings through calendar year 2021 affecting Columbia's ratepayers. Exhibit No. 3 outlines Columbia's participation in these FERC proceedings. Columbia has intervened and actively participated in proceedings of the interstate pipelines serving Columbia. Columbia has been active before the FERC in rulemakings and policy statements that have the potential to significantly impact Columbia's efforts to provide reliable gas service at the least cost. (Columbia St. No. 1, pp. 42-46; 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 Eastern Gas Transmission ("EGTS"). (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 type rulemaking and policy proceedings which could have a material impact on Columbia's costs or operations, as fully described in Columbia Statement No. 1, pp. 42-46.

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. 6-22; Columbia Ex. No. 5, 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; 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. 38-42)

8. Columbia's available capacity is approximately 102.3% of projected firm demand for contract year 2025-26. 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, pp. 9-10; Columbia Statement No. 1, pp. 21-22; Columbia Ex. No. TMM-2)

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, 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, pp. 12-14; Columbia Ex. No. 5, pp. 10-11)

11. Columbia has several contracts for Firm Transportation Service ("FTS") with Columbia Transmission. (Columbia Ex. No. 5, pp. 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. This contract has a termination date of October 31, 2022. (Exhibit No. 5, p. 10)

12. Columbia also contracts with Columbia Transmission for 60,551 Dth designed using a tiered renewal approach with two tiers remaining. The next tier expires on October 31, 2022, and is for 39,496 Dth/day. The final tier equals 21,055 Dth/day with a termination date of October 31, 2025. (Exhibit No. 5, p. 11)

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, p. 10)

14. In analyzing its capacity portfolio and available alternatives, Columbia entered into discussions with Columbia Transmission to determine if additional firm transportation capacity could serve as a lower cost alternative to Columbia Transmission storage. As a result of those discussions, Columbia entered into negotiations and executed an additional firm transportation contract for 39,380 Dth/day with Columbia Transmission effective March 1, 2022. Columbia also obtained under the Right-of-First-Refusal process a reduction in its Firm Storage Service contract by 2,543,832 Dth and Storage Service Transportation contract by 45,862 Dth/day effective April 1, 2022. (Columbia Ex. No. 5, p. 11)

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 Eastern Gas and Transmission and Storage ("EGTS"). The first transportation contract, provided under EGTS'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 EGTS's storage fields to Columbia's city gates. Storage supplies are also transported to Columbia's city gates via a transportation contract under EGTS'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 EGTS provides Columbia with 9,000 Dth/day of peak day deliverability and approximately 941,176 Dth of seasonal supply. Columbia utilizes these EGTS 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, pp. 14-15)

(b) Columbia has two additional storage contracts and three FTNN and FT transportation contracts with EGTS 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 EGTS 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, p. 15)

(c) Lastly, Columbia has 255 Dth/day of FT capacity with EGTS that provides service to an interconnection serving the Centre Hall market. (Columbia St. No. 1, p. 15)

(d) 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; Exhibit No. 5, p. 11)

(e) 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 EGTS 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. 16; Columbia Ex. No. 5, p. 11)

(f) Columbia currently contracts for firm transportation service with Tennessee totaling 23,600 Dth/day. A total of approximately 19,300 Dth/day is required to serve the design peak day firm customer demand in Columbia markets directly connected to Tennessee, while approximately 4,300 Dth/day is delivered to Columbia’s National Fuel capacity. On days

when the 19,300 Dth/day delivered directly to Columbia cannot be absorbed by those markets, Columbia can divert that supply to Tennessee interconnects with Columbia Transmission for injection into storage or delivery to other Columbia markets that are served by Columbia Transmission. (Columbia St No. 1, p. 16)

(g) Columbia also has contracts for long-haul firm transportation service with Texas Eastern. It was determined that an additional 1,200 Dth/day was required to meet the needs of the Uniontown, State College, and York market areas. As a result, Columbia contracted with Texas Eastern for this amount effective January 1, 2022, with an expiration date of December 31, 2027. The Texas Eastern capacity totals 22,335 Dth/day. A total of 20,453 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, p. 12)

(h) Columbia contracts for 4,304 Dth/day of city gate capacity under the FTS rate schedule of National Fuel. This capacity provides service to Columbia's Warren market area. (Columbia St. No. 1, p. 17)

(i) In addition, Columbia also has a contract with National Fuel consisting of enhanced firm transportation (EFT) of 4,000 Dth per day, of which 1,571 Dth per day is received at the Mercer Interconnection and delivered to a newly requested delivery point interconnection in Allegheny County, while 2,429 Dth per day is received from National Fuel's storage receipt point and delivered to the new delivery point in Allegheny County. Additionally, National Fuel provides an enhanced storage service (ESS) with a MSQ of 267,143 Dth, a Maximum Daily Injection Quantity (MDIQ)

of 1,571 Dth per day, and a Maximum Daily Withdrawal Quantity (MDWIQ) of 2,429 Dth per day to be used in combination with the EFT service. (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. 18)

17. In order for Columbia to meet its objective of securing and delivering competitively-priced, reliable gas supplies, Columbia has developed a portfolio of gas purchase contracts, which can include long-term, short-term and spot contracts, that have flexibility both to meet reliability standards and to be able to take advantage of low priced opportunities where available and operationally feasible. (Columbia St. No. 1)

18. Columbia maintains a program for purchasing local production. In addition to local gas purchases delivered directly into Columbia's system, Columbia purchased Appalachian pool gas delivered by producers into Columbia Transmission's system and redelivered to Columbia under transportation agreements. Although it is certain that Pennsylvania production enters the Appalachian production pools, once the gas is part of pool supplies it is commingled with other sources of supply. Thus, the portion of these supplies coming from Pennsylvania production is not known. (Columbia St. No. 1, pp. 27-28)

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, p. 25)

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, 2022, 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 [Supplier of Last Resort]. (Columbia St. No. 1, pp. 35-36)

24. Pursuant to Columbia Transmission’s tariff, Columbia must plan the use of storage so that no more than 65% of its [Firm Storage Service] 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 Ex. No. 5, pp. 15-17)

25. For supply planning purposes, Columbia determines customer demand under various weather scenarios. Columbia determines customer demand under a colder-than-normal weather scenario to plan its gas supply and capacity portfolio to ensure that it is adequate to meet increased customer demand. Columbia also determines customer demand under a warmer-than-normal weather scenario to plan the flexibility needed in its supply and capacity portfolio to meet reduced customer demand at least cost. (Columbia Ex. No. 5; Columbia St. No. 1, pp. 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, pp. 3-5; Columbia St. No. 1, pp. 9-10)

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 [Purchased Gas Demand Cost]. (Columbia St. No. 1, pp. 32-34)

DESCRIPTION AND TERMS OF SETTLEMENT

In accordance with Rule 5.231 of the Commission's Rules of Practice and Procedure, 52 Pa. Code § 5.231, the parties explored the possibility of settlement. As a result of settlement discussions, the parties achieved a settlement in principle under which all issues are resolved. The Settlement, which is fully executed by Columbia and OCA, consists of 20 pages. I&E, OSBA, and PSU were not signatories to the Settlement. The Settlement contains, as appendices, letters of non-opposition from I&E and PSU. OSBA separately filed a letter of non-opposition to the Settlement. The Settlement expressly indicates OSBA, I&E, and PSU do not oppose the Settlement.

Joint Petitioners agree to the settlement terms⁴ set forth below:

A. GENERAL

29. Columbia's 2022 PGC filing meets the standards set forth in Section 1317 and 1318 of the Public Utility Code, 66 Pa.C.S., §§ 1317 and 1318, and the Commission should approve Columbia's 2022 PGC filing as filed, and make the findings described in Section V. of this Settlement, subject to the additional Settlement terms set forth below.

B. ASSET MANAGEMENT AGREEMENT (AMA)

30. For purposes of settlement, Columbia and the OCA agree that Columbia sufficiently demonstrated that its gas costs related to the Texas Eastern AMA resulted in lower costs than if Columbia itself managed the Texas Eastern FT capacity that was released, and that OCA's recommended disallowance of gas costs related to the Texas Eastern AMA will not be accepted, and Columbia will be permitted to recover the gas costs associated with the Texas Eastern AMA, as well as retain its portion of the AMA fee.

C. HEDGING

31. Columbia agrees to investigate modifications to its Gas Cost Procurement Strategy, specifically including hedging, that could

⁴ Settlement, ¶¶ 29-31.

further mitigate future potential rate volatility. This assessment will be provided as part of Columbia’s 2023 PGC pre-filing. All parties reserve the right to propose any changes to Columbia’s Gas Procurement Strategy as a result of this review.

OCA reviewed Columbia’s purchased gas costs and gas purchasing practices and 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 1318.⁵

The Settlement also includes the usual “additional terms and conditions” that are typically included in rate settlements. These terms, which, among other things, protect the parties’ rights to file exceptions 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.⁶

PARTIES’ POSITIONS ON THE SETTLEMENT

The Settlement specifically addresses three issues: (1) the proposed decrease in PGC, effective October 1, 2022; (2) TETCO Asset Management Agreement costs, and (3) Columbia’s Natural Gas Hedging Program.

Columbia

Columbia avers that the simple fact that the Settlement is unopposed is, in and of itself, strong evidence the Settlement is reasonable and in the public interest.⁷ It argues the Settlement was achieved after a comprehensive investigation of Columbia’s gas purchasing

⁵ 66 Pa.C.S. §§ 1307, 1318; Settlement ¶ 29.

⁶ Settlement, ¶¶ 38-41.

⁷ Columbia’s Statement in Support, p. 2.

practices, including extensive discovery and discussion among the parties.⁸ 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.⁹

Columbia explains the Joint Petitioners agree that: (1) Columbia's 2022 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.¹⁰ Columbia argues approval of Columbia's PGC filing 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 undisputed facts set forth in the Settlement and as more fully explained in its PGC filing.¹¹

Columbia explains that, generally, an asset management agreement is a transaction in which Columbia temporarily releases the use of a pipeline asset to a supplier in return for a fee and a commitment to deliver a certain quantity of gas to specific points on Columbia's system.¹² According to Columbia's sharing program, customers receive 75% of total AMA fees collected and Columbia retains 25% of total AMA fees collected.¹³

Pertinent to the Settlement of this proceeding is an AMA that Columbia entered with Colonial Energy, Inc. (Colonial) to manage a portion of Columbia's capacity with Texas Eastern. Columbia explains that this gas was needed to satisfy Columbia's customers' summer demand, as well as meet storage fill requirements for the upcoming winter season.¹⁴

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* at 4; see Columbia Ex. No. 8-E.

¹¹ Columbia's Statement in Support, p. 6-7.

¹² Columbia's Statement in Support, p. 7; Columbia St. No. 4-R, p. 4.

¹³ Columbia St. No. 4-R, p. 5.

¹⁴ Columbia's Statement in Support, p. 7; Columbia St. No. 4-R, pp. 4-5.

In OCA witness Mierzwa's direct testimony, Mr. Mierzwa recommended that certain gas costs related to Columbia's AMA be disallowed based on his belief that the AMA was not structured according to least cost procurement standards.¹⁵ As a result, Mr. Mierzwa recommended that a portion of the purchase gas costs related to the Company's purchase of supplies under the AMA be disallowed, as well as Columbia's 25% share of the AMA fee.¹⁶

In rebuttal testimony, Columbia witness Mr. Pluard explained that Columbia's decision to enter the AMA was reasonable and consistent with least cost and reliable gas supply planning at the time the decision was made. Columbia argues its witness, Mr. Pluard, pointed out several errors in Mr. Mierzwa's analysis and calculations.¹⁷ Based upon a corrected analysis, Columbia argues Mr. Pluard demonstrated that the AMA was expected to produce a net benefit for customers.¹⁸

Columbia argues Mr. Pluard also explained that Mr. Mierzwa overlooked important reliability reasons for Columbia's decision.¹⁹ Columbia argues that using Mr. Mierzwa's recommendations would have changed the primary receipt point to a secondary receipt point, which is less firm and subject to supplies being cut because Texas Eastern is not obligated to deliver gas to secondary points under its contract with Columbia.²⁰ Columbia argues capacity reductions could have resulted in an inability to effectively fill winter storage and/or Columbia having to purchase higher priced supplies.²¹

¹⁵ OCA St. No. 1, pp. 3-13.

¹⁶ OCA St. No. 1, p. 3.

¹⁷ Columbia St. No. 4-R, pp. 6-10.

¹⁸ Columbia Statement in Support, p. 8; Columbia St. No. 4-R, pp. 8-9.

¹⁹ Columbia Statement in Support, p. 8.

²⁰ *Id.*

²¹ Columbia St. No. 4-R, p. 7.

Columbia explains that, following the submission of Columbia’s rebuttal testimony, OCA and Columbia agreed Columbia sufficiently demonstrated that its gas costs related to the Texas Eastern AMA resulted in lower costs than if Columbia itself managed the Texas Eastern capacity that was released. Therefore, the Settlement does not accept OCA’s recommended disallowances related to the AMA.²² Columbia argues this Settlement term should be approved because it is in the public interest for Columbia to pursue a least cost and reliable gas procurement policy and to recover all necessary and prudent costs that the Company incurs to serve PGC customers.²³ Columbia argues it demonstrated that its Texas Eastern AMA was reasonable and consistent with least cost procurement standards.²⁴

With regard to hedging, Columbia explains hedging programs are aimed at mitigating volatility in commodity prices by paying a premium to “lock in” future pricing.²⁵ Columbia argues hedging programs are not cost savings mechanisms and are not meant to be started and stopped based on changes in current market prices.²⁶ Columbia notes it does not currently operate a hedging program.²⁷ However, Columbia did operate a Commission-approved hedging program until 2013 when the program was terminated as a result of the Commission-approved settlement of Columbia’s 2013 PGC proceeding.²⁸

In his direct testimony, OCA witness Mr. Mierzwa cited the recent spike in commodity price volatility and recommended that Columbia re-institute a hedging program.²⁹ In rebuttal testimony, Columbia witness Mr. Pluard explained that Columbia supports working with

²² Columbia Statement in Support, p. 9; *See* Settlement ¶ 30.

²³ Columbia’s Statement in Support, p. 9.

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*; Columbia St. No. 4-R, p. 12.

²⁷ Columbia’s Statement in Support, p. 9.

²⁸ *Id.*; Columbia St. No. 4-R, p. 12.

²⁹ OCA St. No. 1, pp. 13-16.

stakeholders on a potential future hedging program, and that the Company would commit to discuss the viability, benefits, risks and possible structures of a new Commission-approved hedging program.³⁰

As a result, Columbia argues the Settlement provides that Columbia will investigate modifications to its Gas Cost Procurement Strategy, specifically including hedging, that could further mitigate future potential rate volatility.³¹ The Settlement further obligates Columbia to provide its assessment as part of the Company's next PGC pre-filing, and reserves all parties' respective rights to propose any changes to Columbia's Gas Procurement Strategy in the next PGC case.³²

Given the recent volatility in commodity prices, Columbia argues it is in the public interest to explore whether a hedging program could be beneficial to smooth price volatility.³³ Columbia maintains this Settlement term should be approved because it provides the Company and interested stakeholders an opportunity to fully evaluate any potential hedging program and to provide input before such a program may be implemented. Columbia argues hedging programs require long-term commitments by both customers and the Company, such that it is in the public interest to allow the Company and stakeholders time to explore this option and for Columbia to provide an assessment in its next PGC case.³⁴ Further, the Settlement preserves parties' rights with respect to presenting proposals on Columbia's Gas Procurement Strategy in the next PGC case after reviewing Columbia's assessment.³⁵ Columbia argues its commitment to examine this important and timely issue is in the public interest and should be approved.

³⁰ Columbia St. No. 4-R, p. 12.

³¹ Columbia's Statement in Support, p. 10; *See* Settlement ¶ 31.

³² *See* Settlement ¶ 31.

³³ Columbia's Statement in Support, p. 10.

³⁴ *Id.*

³⁵ *Id.*

The Office of Consumer Advocate

Regarding Columbia's PGC rates, OCA submits that, based on its review of the Company's filing and testimony, the Company has met the requirements of 66 Pa.C.S. §§ 1307(f) and 1318.³⁶ OCA explains that it supports the PGC rates presented in the Settlement.³⁷

Regarding the TETCO AMA costs, OCA explained that, in his Direct Testimony, OCA witness Mr. Mierzwa, recommended that Columbia's share of the fees received under an AMA Columbia entered into with Colonial during the historic review period that provided for the delivery of gas supplies by Texas Eastern be returned to PGC customers.³⁸ The AMA with Colonial was in effect for the period April through October 2021.³⁹ Specifically, Mr. Mierzwa testified that:

[t]here are two general options available with respect to purchasing the gas supplies to be delivered under Columbia's Texas Eastern firm transportation capacity: (1) the Company can purchase the gas supplies itself and arrange for the delivery of those supplies under its Texas Eastern firm transportation capacity; or (2) the Company can release all or a portion of its Texas Eastern capacity to an Asset Manager under an AMA which would purchase gas supplies and arrange for the delivery of those supplies under the released Texas Eastern capacity. The lowest cost option may be not to enter into an AMA and have the Company itself procure the necessary gas supplies.⁴⁰

OCA argues the information provided to Mr. Mierzwa in the Company's filing and interrogatory responses led Mr. Mierzwa to reasonably conclude that the terms and

³⁶ OCA Statement in Support, p. 2.

³⁷ *Id.*

³⁸ OCA's Statement in Support, p. 3; OCA St. 1 at 3-13.

³⁹ OCA St. 1, p. 3.

⁴⁰ *Id.* at 11-12.

conditions of the Colonial AMA may be inconsistent with least-cost gas procurement standards.⁴¹

In the Rebuttal Testimony of Mr. Pluard⁴², the Company provided additional information regarding the Columbia's RFP process used for the TETCO AMA and the least-cost procurement basis for entering the AMA.⁴³ OCA acknowledges that the Company's explanation of its reasoning for entering the TETCO AMA sufficiently addressed OCA's concerns that entering the agreement may have been inconsistent with least-cost gas procurement standards.⁴⁴ For purposes of settlement, OCA explains that the parties state their agreement that Columbia sufficiently demonstrated that its gas costs related to the TETCO AMA resulted in lower costs, that OCA's recommended disallowance in gas costs related to the TETCO AMA will not be accepted, and that Columbia will be permitted to recover the gas costs associated with the TETCO AMA, as well as retain its portion of the AMA fee.⁴⁵

Regarding Columbia's Natural Gas Hedging Program, Mr. Mierzwa raised concerns that Columbia has not engaged in natural gas commodity gas price hedging activity since 2013 and that there has been a significant recent increase in natural gas prices and in the volatility of those prices.⁴⁶ Mr. Mierzwa, therefore, recommended that Columbia should re-institute a gas price hedging program to ensure that price volatility is mitigated in the current market.⁴⁷

⁴¹ OCA's Statement in Support, p. 3; OCA St. 1 at 3.

⁴² See Columbia Statement No. 4-R.

⁴³ Columbia St. 4-R at 4-6.

⁴⁴ OCA's Statement in Support, p. 3.

⁴⁵ *Id.* at 3-4; Settlement ¶ 30.

⁴⁶ OCA St. 1 at 3 and 13-16.

⁴⁷ *Id.* at 3.

In Mr. Pluard’s Rebuttal Testimony, the Company agreed Columbia will work with stakeholders to discuss the viability, benefits, risks, and possible structures of a new Commission-approved hedging program.⁴⁸ OCA explains it was satisfied with the Company’s commitment to explore the reinstatement of a gas price hedging program to ensure that price volatility is mitigated to the extent reasonable given recent volatility trends in the gas market.⁴⁹ Under the terms of the Settlement, the Company agrees to investigate modifications to its Gas Cost Procurement Strategy, specifically including hedging, that could further mitigate future potential rate volatility.⁵⁰ OCA notes that this assessment will be provided as part of Columbia’s 2023 PGC pre-filing and the parties reserve the right to propose any changes to Columbia’s Gas Procurement Strategy as a result of this review.⁵¹ OCA argues the Settlement provisions addressing the natural gas hedging program establish a reasonable resolution of this proceeding and should be approved as in the public interest.

DISCUSSION

The Commission encourages parties in contested on-the-record proceedings to settle cases.⁵² 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

⁴⁸ Columbia St. 4-R at 12.

⁴⁹ OCA’s Statement in Support, p. 4.

⁵⁰ Settlement ¶ 31.

⁵¹ *Id.*

⁵² *See* 52 Pa. Code § 5.231.

agreement reached suits the public interest.⁵³ In their supporting statements, Columbia and OCA take the position that this Settlement resolves the issues in this case, fairly balances the interests of Columbia and its ratepayers, is in the public interest, is consistent with the requirements of Sections 1307 and 1318 of the Public Utility Code,⁵⁴ 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 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.⁵⁵

With regard to Columbia's TETCO AMA, OCA acknowledges that after rebuttal testimony provided by Mr. Pluard, it was satisfied Columbia sufficiently demonstrated that its gas costs related to the TETCO AMA resulted in lower costs than if Columbia itself had managed the Texas Eastern capacity that was released.

⁵³ Pa. Pub. Util. Comm'n v. CS Water & Sewer Assocs., 74 Pa. PUC 767 (1991).

⁵⁴ 66 Pa.C.S. §§ 1307, 1318.

⁵⁵ See 66 Pa.C.S. § 1318(a), (b).

With regard to Columbia’s Natural Gas Hedging Program, the Settlement commits Columbia to explore the reinstatement of a gas price hedging program to ensure that price volatility is mitigated to the extent reasonable given recent volatility trends in the gas market.⁵⁶ Under the terms of the Settlement, the Company agrees to investigate modifications to its Gas Cost Procurement Strategy, specifically including hedging, that could further mitigate future potential rate volatility.⁵⁷ This assessment will be provided as part of Columbia’s 2023 PGC pre-filing and the parties reserve the right to propose any changes to Columbia’s Gas Procurement Strategy as a result of this review.⁵⁸

This Settlement term strikes an appropriate balance between the position of OCA and the position of Columbia in a manner that is in the best interest of customers. Columbia has agreed to investigate reinstatement of a gas price hedging program and submit its findings in its 2023 PGC pre-filing, which will then be subject to review and analysis by the statutory advocates and the Commission. This Settlement term is in the public interest because it provides the Company and interested stakeholders an opportunity to fully evaluate any potential hedging program and to provide input before such a program may be implemented.

I recommend the Commission adopt the Joint Petition for Settlement and approve Columbia’s 1307(f) filing. This Recommendation is based in large part upon the representations made by OCA that the Settlement is in the interest of Columbia’s customers and is a fair, just, and reasonable resolution of the Commission’s investigation, as well as the non-opposition to the Settlement by I&E and OSBA.

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.

⁵⁶ See Settlement ¶ 31.

⁵⁷ *Id.*

⁵⁸ *Id.*

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa.C.S. §§1307(f), 1317 and 1318.
2. There is sufficient evidence in the record to make the findings required by Section 1318 of the Public Utility Code. 66 Pa.C.S. § 1318.
3. Columbia Gas of Pennsylvania, Inc. is pursuing a least cost fuel procurement policy during the relevant time period consistent with its obligation to provide safe, adequate, and reliable service to its customers in compliance with Section 1318 of the Public Utility Code. 66 Pa.C.S. § 1318.
4. Columbia Gas of Pennsylvania, Inc.'s rates for purchased gas costs, as the settling parties have agreed upon in this proceeding, during the relevant time period, are just and reasonable and in compliance with Section 1318 of the Public Utility Code. 66 Pa.C.S. § 1318.
5. Columbia Gas of Pennsylvania, Inc. has fully and vigorously represented the interests of its ratepayers in proceedings before the Federal Energy Regulatory Commission and other relevant non-Commission proceedings during the relevant time period in compliance with Section 1318(a)(1) of the Public Utility Code. 66 Pa.C.S. § 1318(a)(1).
6. Columbia Gas of Pennsylvania, Inc. has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve itself or alleviate the impact from terms in existing contracts with its gas suppliers, which are or may be adverse to the interests of its ratepayers, during the relevant time period in compliance with Section 1318(a)(2) of the Public Utility Code. 66 Pa.C.S. § 1318(a)(2).
7. Columbia Gas of Pennsylvania, Inc. has taken all prudent steps necessary during the relevant time period to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation

arrangements with pipelines and other distribution companies in compliance with Section 1318(a)(3) of the Public Utility Code. 66 Pa.C.S. § 1318(a)(3).

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

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

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

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

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

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

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

ORDER

THEREFORE,

IT IS RECOMMENDED:

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

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

3. That upon the filing of a tariff supplement by Columbia Gas of Pennsylvania, Inc., acceptable to the Commission as conforming with this Order and the Joint Petition for Settlement of the Rate Investigation pursuant to 66 Pa.C.S. § 1307(f), and the Commission's approval thereof, the purchased gas cost rates established therein shall become effective for service rendered on and after October 1, 2022.

4. That upon acceptance and approval by the Commission of the tariff supplement and supporting data filed by Columbia Gas of Pennsylvania, Inc., as being consistent with this Order and the Joint Petition for Settlement of the Rate Investigation Pursuant to 66 Pa.C.S. § 1307(f), the inquiry and investigation at Docket No. R-2022-3031172 be terminated and the docket be marked closed; and that Docket Nos. C-2022-3031435 and C-2022-3031752 be marked closed.

Date: July 18, 2022

/s/
Emily I. DeVoe
Administrative Law Judge