

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket No. R-2018-2647577
	:	
Columbia Gas of Pennsylvania, Inc.	:	

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**SURREBUTTAL TESTIMONY  
OF LAURA GREENHOLT-TASTO  
ON BEHALF  
OF DOMINION ENERGY SOLUTIONS, INC.,  
SHIPLEY ENERGY, AND INTERSTATE GAS SUPPLY, INC.**

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NGS Parties Statement No. 1-SR  
July 17, 2018

1 **Q. Please state your name and business address.**

2 A. My name is Laura Greenholt-Tasto and business address is 415 Norway Street, York, PA  
3 17403.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. Shipley Choice, LLC d/b/a Shipley Energy as General Manager of Shipley Choice.

7

8 **Q. For whom are you appearing in this proceeding?**

9 A. Shipley Choice, LLC d/b/a Shipley Energy, Interstate Gas Supply, Inc. d/b/a IGS Energy,  
10 and Dominion Energy Solutions, Inc., which will be referred to collectively as the “NGS  
11 Parties” in my statement

12

13 **Q. Are you the same Laura Greenholt-Tasto that presented Direct Testimony in this  
14 proceeding?**

15 A. Yes, I am.

16

17 **Q. What is the purpose of your surrebuttal testimony?**

18 A. To address certain statements and contentions raised by other witnesses in their rebuttal  
19 statements. In particular, I will address the rebuttal testimony of:

- 20 • Robert D. Knecht on behalf of the OSBA (OSBA Statement No. 1-R);
- 21 • Michelle L. Caddell on behalf of Columbia Gas Company “Columbia”) (Columbia  
22 Statement No. 17-R); and,
- 23 • Henry A. Catron, also on behalf of Columbia (Columbia Statement No. 16-R).

1 **I. Response to Robert D. Knecht. (OSBA St. No. 1-R, pp.21-25)**

2 **Q. What concerns does Mr. Knecht raise regarding your direct testimony?**

3 A. Mr. Knecht begins by summarizing the delivery requirements for NGSs and their  
4 customers, both Choice and Transportation. He then makes a very broad and unsupported  
5 statement that these requirements do not appear to be anti-competitive. He states however,  
6 that unless Columbia is making suppliers deliver more gas than they use during high  
7 demand periods, there is no obvious subsidy. He also claims that by allowing  
8 transportation customers to inject into and withdraw gas from banks during non-critical  
9 periods, the company would appear to be using mechanisms to encourage competition. He  
10 also opines that it does not appear that Columbia uses OFO/OMO's to reduce capacity  
11 needed to serve PGC customers.

12

13 **Q. Does Mr. Knecht make any other claims?**

14 A. Yes. He goes on to describe the Columbia process for forecasting and states his belief that  
15 the Company over-forecasts design day demands which he claims ultimately makes  
16 transportation more attractive than company supplied gas, and also results in the Company  
17 retaining more capacity resources than it actually needs. He also claims that NGDC  
18 penalties are not designed to reflect the cost of making up any shortfall gas, and instead are  
19 intended as a deterrent. He suggests that suppliers would be better off making up shortfalls  
20 rather than paying penalties.

21

22 **Q. How do you respond to these opinions?**

1 A: To first clarify, since some of the operation rules mentioned in Mr. Knecht's testimony are  
2 mistaken, OMOs are "Operational Matching Orders", where the utility requires suppliers  
3 to match customer demand for daily metered customers. OFOs, "Operational Flow  
4 Orders", are called for customers that are not daily metered, in which the utility dictates  
5 the percentage of MDQ, "Maximum Daily Quantity" that must be delivered. While we  
6 agree with Mr. Knecht in that it is fair for the requirements for sales and transportation  
7 customers to be the same, since Columbia uses opposing methods for determining  
8 transportation and sales customers deliveries during OFOs, the underlying issue is the lack  
9 of transparency and accuracy in their use of MDQs for transportation customers only. The  
10 focus of my testimony is on the OFO percentages called. We do not take issue with OMOs,  
11 since customers are daily metered. The non-daily metered customer OFO requirements to  
12 deliver were set higher this past winter, than they were during the extreme weather of 2014,  
13 even though temperatures were the same or warmer. Why would Columbia require  
14 suppliers to deliver more for transportation customers with OFOs, unless Columbia's total  
15 position was short, meaning they did not have enough gas purchased for sales customers.

16 Spot market prices for Texas Eastern M3 went from a monthly average of \$2.304  
17 in November 2017 and \$4.789 in December 2017 to \$13.29/dth in January 2018. Columbia  
18 required suppliers to deliver more and then promptly lowered the Price to Compare.  
19 Lowering the Price to Compare directly after coming out of a high-priced environment  
20 suggests that they were a seller, not a buyer, during this time frame. The combination of  
21 these factors certainly gives the appearance that transportation customers were subsidizing  
22 sales customers, whether intentionally or not.

1           It is also important to note, that although transportation customers can utilize  
2 banking services, the banks are not permitted for use during OMO/OFOs, so the benefits  
3 of the bank disappear during critical times. Transportation customers utilizing elective  
4 balance services may pay a lower load balancing charge than Choice, as Mr. Knecht stated,  
5 but they do not have access to manage storage in the same way that Choice does. They are  
6 limited to a 5% bank by the end of the summer injection season in October. The bank for  
7 smaller transportation customers can grow to 10% in November and December, when  
8 prices are typically higher, but they must be back to 5% by the following October, or risk  
9 an unfavorable cash-in with Columbia. Larger transportation customers are limited to 5%  
10 banking year-round. On days of OFOs and OMOs, transportation customers can utilize a  
11 2.5%-5% balancing tolerance, depending on if suppliers are required to under or over-  
12 deliver. Although having a tolerance is better than not having a tolerance, the actual impact  
13 is small. For example, a customer delivery requirement of 50 dths on a typical OFO day  
14 has a tiny 1 or 2.5 dth tolerance, depending on the type of order.

15           Finally, with regards to penalties, a penalty that is 1.2 times the index is more than  
16 sufficient as a deterrent. A penalty that is 3 times the index in a \$2 environment seems  
17 palatable. However, a penalty that is 3 times the index when the index is \$94.925, is absurd.  
18 That equates to a \$284.78 penalty per dth. Any amount higher than the index is a deterrent;  
19 there's no reason it needs to be 3 times the index.

20  
21 **II. Response to Michelle L. Caddell (Columbia St. No. 17-R)**

22 **Q. What comments does Ms. Caddell make regarding your direct testimony?**

1 A. She first comments on my statement that “Customers should not be able to use more than  
2 their MDQ-this is misleading when scheduling supply.” She provides the definition of  
3 MDQ, stating that it is close to an average day from the prior year, but she claims that it is  
4 not intended to represent a maximum usage for a customer for a particularly cold day. She  
5 then goes on to provide an example of how a customer’s usage could exceed its MDQ and  
6 criticizes my reliance on the MDQ as a tool to formulate maximum exposure.

7  
8 **Q. Do you have other comments on her description of the pitfalls of using MDQ?**

9 A. As Ms. Caddell mentioned, Columbia provides 24 months historical usage. Historical  
10 usage plays a major role in forecasting for customers. However, although Ms. Caddell  
11 suggests that a supplier should never use an MDQ to help forecast, the reality is that if the  
12 MDQ is what is being used to determine what suppliers must deliver during OFOs, then it  
13 absolutely must be considered in part of the forecasting equation for suppliers, whether it  
14 was originally intended by Columbia for that or not. In her example, you can see a  
15 monthly-metered customer may use more or less than their MDQ. However, Columbia  
16 does not give suppliers access to daily usage for monthly-metered customers. Although  
17 we know what the customer used for a monthly time frame, and can extrapolate the per day  
18 by dividing the monthly usage by the number of days in the month, it’s still not a perfect  
19 solution to forecasting. Columbia ultimately controls what is required to deliver based on  
20 the MDQ that is set for the customer.

21  
22 **Q. Do you have any reaction to Ms. Caddell’s comments on your interpretation of the**  
23 **imbalance trading fees (pg. 13)?**

1 A. I believe she misinterpreted my comments, as I was questioning the validity of having a  
 2 per unit charge with a minimum charge vs. a per transaction or processing fee. As it  
 3 currently stands, an imbalance trade, whether as a bank transfer or gas transfer, is an  
 4 administrative function. The cost of the administrative function, ie, the time to input into  
 5 the system, does not change with the quantity of dths traded. If a customer does a bank  
 6 transfer of 10 dths, Columbia charges \$0.70 to do the trade. If the same customer does a  
 7 bank transfer of 1,000 dths, Columbia charges \$70. In either case, it takes the same amount  
 8 of time for Columbia personnel to enter the trade. The trade does not impact pipelines or  
 9 Columbia's overall system volumes, as it has a net effect. It is strictly administrative. If a  
 10 customer does the same 10 dths volume as a gas transfer, it costs a minimum \$21. If the  
 11 customer does 1,000 dths as a gas transfer, it costs them \$70. Again, even though the trade  
 12 takes the same amount of Columbia personnel time to input or confirm the trade, they are  
 13 being charged different amounts. We propose that bank transfers have a flat fee of \$10 per  
 14 trade, since our understanding is that they do require manual entry by Columbia personnel.  
 15 Gas transfers should be free of charge, since they are done electronically through the EBB  
 16 system.

17  
 18 **Q. How do you respond to Ms. Caddell's explanation of the need for approval of bank**  
 19 **balance transfers (pg. 13)?**

20 A. Although we can appreciate the clarity on how Columbia views the need for approval, the  
 21 customer is appointing the supplier to act as its Agent on all things related to scheduling of  
 22 their natural gas. We manage their deliveries and bank balances. Customers want to give  
 23 us access to handle the bank transfers for them, since they are an important mechanism that

1 helps the customer stay within scheduling tolerances and avoid cash in or outs. Also, on  
2 page 4 of the General Distribution Application & Agreement, Columbia does not explicitly  
3 exclude suppliers from the ability to handle this function exclusively on behalf of the  
4 customer while acting as their agent. In fact, they do just the opposite by saying “on behalf  
5 of Customer, including (by way of illustration and not limitation) the following...” If it  
6 needed to be more explicit, a simple solution would be to add a check box on the application  
7 that gives the supplier the right to bank transfer on the customer’s behalf without consent  
8 from the customer with each transfer.

9  
10 **III. Response to H.A. Catron (Columbia St. No. 16-R, pp. 13 to 17)**

11 **Q. Can you please summarize the salient points of Mr. Catron’s testimony as it pertains**  
12 **to your direct testimony?**

13 **A.** Mr. Catron attempts to refute my statement that it appears that Columbia’s use of OFOs  
14 and OMO’s results in GDS customers or their suppliers subsidizing sales customers.

15  
16 **Q. Mr. Catron suggests that you simply don’t want to pay for the volumes necessary to**  
17 **meet your customer’s needs, is that true?**

18 **A.** Absolutely not. Customers, whether on transportation or sales service, should be required  
19 to pay for the gas that they use, including on expensive days. However, no customer should  
20 have to deliver or pay for more gas than what is necessary to meet their demand. It is the  
21 lack of transparency and contradicting methods in how Columbia handles customer  
22 demands for shopping customers vs. non-shopping customers that is the crux of the issue.  
23 They use a design day methodology for sales customers, while using a completely separate

1 set of rules based on a MDQ for transportation customers. It has been made abundantly  
2 clear that an MDQ is not based on a design day requirement. Customers are at the mercy  
3 of Columbia's MDQ OFO percentage requirements, as there's absolutely no transparency  
4 for what a monthly-metered customer is actually using during OFO times frames. Instead,  
5 customers are required to just "trust" the utility that they need to deliver the required  
6 amount that Columbia sets.

7  
8 **Q. Does Columbia provide a per customer Design Day usage calculation for GDS**  
9 **customers?**

10 A. Not to my knowledge.

11  
12 **Q. Mr. Catron claims that the frequency and duration of the OFO's and OMO's were**  
13 **caused by the upstream pipeline requirements, not Columbia's actions. Does this**  
14 **mean your suggestion that the OFOs and OMOs are causing a subsidy is necessarily**  
15 **not correct?**

16 A. No. It is understood that pipelines are the upstream cause for OFOs, but just because a  
17 pipeline is the reason for the OFO or OMO does not mean a subsidy isn't occurring. If  
18 Columbia does not have enough physical supply purchased for sales customers, they could  
19 increase the OFO requirements to ensure sales customers are paying the least cost method.  
20 Although egregious as this would be, this could happen as there's currently no transparency  
21 behind Columbia's purchasing and they do not have a uniform way of looking at sales and  
22 transportation customers, but rather look at one based on design day and the other on MDQ.

23

1 **Q. Mr. Catron also mentions balancing requirements for a few other utilities. Is this an**  
2 **accurate comparison?**

3 A. No. For instance, while PECO may require a +/- 10% daily balancing tolerance, every  
4 single transportation customer is daily metered, whereas not every Columbia customer is  
5 daily metered. He also fails to compare the balancing costs. UGI Choice transportation  
6 customers only pay a small \$0.0154/Mcf balancing fee, which is significantly lower than  
7 Columbia's \$0.1472/Dth for small transportation customers. Transportation customers on  
8 Columbia's system are clearly paying their fair share of the balancing costs and the  
9 flexibility that Columbia grants is certainly reflected in its pricing.

10

11 **Q. Mr. Catron also takes issue with your suggestion that the MDQ method should be**  
12 **used for sales customers as for transportation customers. How do you respond?**

13 A. If the MDQ method is inappropriate for sales customers, then why is Columbia using it for  
14 transportation customers during times of constraint? A customer is a customer, whether  
15 on transportation or sales. They should be treated equally with regards to demand  
16 forecasting and delivery requirements, especially in times of constraint. If Columbia is  
17 requiring suppliers to deliver 70% of MDQ for transportation customers, they should  
18 implement MDQs for sales customers and be required to deliver an equal share of 70% of  
19 the MDQ for sales customers. Otherwise, they should use design day for both sets of  
20 customers.

21

22 **Q. Is there another possible solution to the issue?**

1 A. Yes, Columbia can install daily metering on customers not currently metered. This would  
2 ensure that all transportation customers are delivering based on consumption and would  
3 provide the needed transparency to ensure OFOs for non-daily metered customers cannot  
4 be used to subsidize sales customers.

5 **Q. Does this conclude your surrebuttal testimony?**

6 A. Yes, thank you.

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