



1 **I. Introduction**

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

3 A. Nicole Paloney, 121 Champion Way, Suite 100, Canonsburg, PA 15317.

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

5 A. I am employed by Columbia Gas of Pennsylvania as Director of Rates and Regulatory  
6 Affairs.

7 **Q. What are your responsibilities as Director of Rates and Regulatory**  
8 **Affairs?**

9 A. I am responsible for developing and directing rate activity on behalf of the Company  
10 before the Pennsylvania Public Utility Commission ("Commission") as well as  
11 coordinating and representing the Company's position in a variety of regulatory  
12 matters and proceedings.

13 **Q. What is your educational and professional background?**

14 A. I have a Bachelor of Science in Business and Administration with an emphasis in  
15 Accounting and Finance from The Ohio State University. In 1998, I was hired as a  
16 staff auditor for Deloitte, primarily serving middle market clients in a variety of  
17 industries, including manufacturing, public pension systems and not for profit  
18 clients. I was promoted to manager in 2004, and served in that capacity until I left  
19 Deloitte in July 2005. From August 2005 until August 2008, I was employed by  
20 Cardinal Health in Dublin, Ohio. Cardinal Health provides pharmaceutical and  
21 medical products to the Health Care industry, and is also a manufacturer of medical

1 and surgical products. I was a manager in Internal Audit during my tenure at  
2 Cardinal, with responsibility over internal audits that took place in the  
3 manufacturing and corporate segments of the company.

4 In August 2008, I joined NiSource Corporate Services Company (“NCSC”) as an  
5 Internal Audit manager, with responsibility for internal audits that took place in  
6 NiSource Inc.’s (“NiSource”) Gas Distribution segment. In September 2011, I  
7 transitioned to the Regulatory Strategy and Support group in the role of Project  
8 Manager, providing support to the state regulatory teams in Pennsylvania and  
9 Maryland. In May 2014, I began my role as Director of Rates and Regulatory Affairs  
10 for the Company.

11 **Q. Have you previously filed testimony in this matter?**

12 **A.** No.

13 **Q. What is the purpose of your rebuttal testimony?**

14 **A.** I will respond to the testimony submitted in this proceeding by Anthony Cusati on  
15 behalf of Shipley Choice, LLC (“Shipley”) and Interstate Gas Supply (“IGS”)  
16 regarding inclusion of Natural Gas Supplier’s non-commodity charges on Columbia’s  
17 bills. In addition, I will respond to limited issues presented in testimony submitted  
18 by Christopher M. Henckel on behalf of the Bureau of Investigation and Enforcement  
19 (I & E) and by James Crist on behalf of Pennsylvania State University (Penn State).

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1 **Non-Commodity Charges**

2 **Q. Does Columbia currently allow any other entity to include non-**  
3 **commodity charges on Columbia's natural gas distribution service bills?**

4 **A.** Yes. As answered in Columbia's response to data request NGS Parties 1-014  
5 (included as NMP Exhibit 1-R), service plan charges appear on Columbia monthly  
6 billing statements for Columbia Service Partners, Inc ("CSP") and Nicor Energy  
7 Services Company ("Nicor"). The response to NGS Parties 1-014 also provides a list  
8 of services Columbia provides to CSP and Nicor.

9 **Q. What is the relationship between Columbia Gas of Pennsylvania, CSP**  
10 **and Nicor?**

11 **A.** Both are former Columbia affiliates. Prior to its sale in 2003, CSP provided various  
12 service plans for the repair and maintenance of customer-owned facilities (e.g.,  
13 piping) to Columbia customers for 7 years. NiSource Retail Services, Inc., a  
14 Columbia affiliate, sold its retail services business assets in 2013 to Nicor. Prior to  
15 the sale, NiSource Retail Services provided various service plans for the repair and  
16 maintenance of customer-owned heating and cooling systems, water heaters,  
17 appliances, pipes and wires to Columbia customers for 9 years. Prior to the sale of  
18 CSP and the NiSource Retail Services assets, Columbia provided on bill billing  
19 services to these affiliates. The charges Columbia collects are negotiated in an  
20 arm's length transaction, and revenues received are credited as Miscellaneous  
21 Revenues and reflected in computing revenue requirement in this and prior cases.

1 **Q. Are either CSP or Nicor licensed as Natural Gas Suppliers (“NGSs”)?**

2 A. No.

3 **Q. Do either CSP or Nicor provide natural gas supply services as you**  
4 **understand that term under the Public Utility Code?**

5 A. No.

6 **Q. Why does Columbia bill non-commodity charges for CSP and Nicor?**

7 A. The Billing Agreements for CSP and Nicor provide them with access to Columbia  
8 utility bills for the purpose of billing of various Covered Products and Services, as  
9 listed in Exhibit NMP 1-R. CSP and Nicor are permitted to have the charges appear  
10 on Columbia’s monthly billing statements because they each purchased various retail  
11 service businesses that a Columbia affiliate provided to Columbia customers. These  
12 billing arrangements were entered into with CSP and Nicor in order to maintain, for  
13 the convenience of Columbia customers who wished to subscribe to various Covered  
14 Products and Services, the ability to continue to have those charges appear on their  
15 monthly gas bill.

16 **Q. So, are Columbia non-commodity billing charges for CSP and Nicor part**  
17 **of the terms of sale with independent third parties?**

18 A. Yes.

19 **Q. Does Columbia permit any parties other than CSP and Nicor to include**  
20 **non-commodity charges on Columbia’s bill?**

1 A. No.

2 **Q. Is Columbia under any obligation to provide billing for non-commodity**  
3 **services for Natural Gas Suppliers?**

4 A. No. Columbia bills customers who choose to use a natural gas supplier in accordance  
5 with 66 Pa. C.S. § 2205(c)(iii). I am advised that the billing of non-commodity  
6 charges for natural gas suppliers is not required under the Public Utility Code, and  
7 Columbia has opted not to provide this service. I am further advised that the  
8 Commission has previously rejected requests, in the electric competition market,  
9 to require electric utilities to bill for other services, or to require electric utilities to  
10 provide bill inserts for EGSs. *See Investigation of Pennsylvania's Retail*  
11 *Electricity Market: Joint Electric Distribution Company – Electric Generation*  
12 *Supplier Bill*, Docket No. M-2014-2401345 (Order entered May 23, 2014) at pp.  
13 24, 28.

14 **Q. Does Columbia have any provision(s) in its tariff that allow for or**  
15 **provide conditions under which it will provide non-commodity billing?**

16 A. Columbia's Pa. P.U.C. Tariff No. 9 does not contain conditions under which it will  
17 provide non-commodity billing.

18 **Q. What is your response to Mr. Cusati's assertion that Columbia's billing**  
19 **of non-commodity charges for CSP and Nicor is a discriminatory**  
20 **practice?**

1 A. It is simply untrue. The non-commodity billing charges for CSP and Nicor are the  
2 result of unique business transaction between Columbia, Nicor and CSP and  
3 independent third parties. Further, it is not discriminatory because CSP and Nicor  
4 are not natural gas suppliers or marketers on Columbia's system.

5 **Q. What is the difference between the services billed by Columbia for CSP**  
6 **and Nicor relative to the services being propose by Mr. Cusati in his**  
7 **testimony?**

8 A. Per Columbia's response to data request in NGS 1-014, attached as Exhibit NMP 1-  
9 R, CSP and Nicor provide various service plans for repair and maintenance for  
10 appliances and appurtenances related to the service of natural gas. Several of the  
11 products Mr. Cusati has provided as examples, such as products bundled with  
12 loyalty rewards and products bundled home protection are in no way related to  
13 providing natural gas services to customers. This is simply a claim to market  
14 Columbia's customers for products not related to natural gas service. Further, he  
15 has provided no evidence to support his statement that these services will enable  
16 customers to "use gas more efficiently, reduce energy costs and enhance reliability".

17 **Q. What other concerns do you have with some of the charges being**  
18 **proposed by Mr. Cusati?**

19 A. Certain services, such as distributed solar energy are in direct competition with  
20 services provided by Columbia.

1 **Q. Do you agree with Mr. Cusati's statement that one invoice would**  
2 **eliminate customer confusion?**

3 A. No. It has been Columbia's experience that when changes are made to customer  
4 bills, calls to the customer contact center about billing questions increase. The  
5 charges that are currently on the bills are contractually defined, and not subject to  
6 change. The types of charges that Mr. Cusati proposes adding to the bills in his  
7 testimony, such as home protection services and loyalty rewards programs, are not  
8 charges customers would reasonably expect to see on their gas bills.

9 **Q. What type of additional costs would be incurred with adding the types of**  
10 **charges proposed by Mr. Cusati to customer bills?**

11 A. In his testimony, Mr. Cusati addresses costs related to functionality and billing  
12 systems. However, he does not address the costs that Columbia will incur to update  
13 documentation and training that would need to be provided if these costs are  
14 allowed on natural gas bills. Currently, billing is limited to a very specific subset of  
15 services relative to the services being proposed by Mr. Cusati. Examples of  
16 additional processes that would need to be developed for Columbia to address  
17 issues expected to be incurred by allowing NGS's to include non-commodity billing  
18 on Columbia's bills include training of employees to understand the products,  
19 development of a hierarchy to determine the impact of non-payment of services  
20 and development of a customer complaint process.

21 **Q. Please summarize your response to the request of NGS's to Columbia to**

1       **bill for non-commodity services.**

2       A.     The billing arrangements with Nicor and CSP are the result of a unique transaction  
3             not related to the sale of natural gas. Further, Nicor and CSP are not natural gas  
4             suppliers on Columbia's system, and therefore, providing services that were result  
5             of a unique transaction to entities that are not natural gas suppliers on Columbia's  
6             system is not a discriminatory practice. Further, Mr. Cusati offers no evidence of  
7             how these products will benefit customers, and clearly does not understand the  
8             cost and process impacts to the business adding the proposed products to the bill  
9             would have.

10      **Long Term Debt Issuance**

11      Q.     **Bureau of Investigation and Enforcement (I & E) Witness Henckel**  
12             **makes some recommendations regarding documentation of long term**  
13             **debt issuances to be included in Columbia's next base rate case on page**  
14             **12 of his testimony. What is Columbia's response to his**  
15             **recommendations?**

16      A.     Mr. Henckel recommends that as part of Columbia's next base rate case, Columbia  
17             supply 1) all documentation, including all term sheets or estimated from  
18             investment bankers, supporting debt issued between this base rate case and the  
19             next base rate case and; 2) the Treasury yield as reported in the Federal Reserve  
20             Statistical release H.15 Selected Interest Rates and the Yield spread as reported by  
21             Reuters Corporate Spreads as of the dates of each issuance. Columbia is amenable

1 to providing this documentation as part of its next base rate case.

2  
3 **Risk of Competitive Alternatives for Columbia's Large Volume Customers**

4 **Q. Explain the risks Columbia faces regarding bypass in its service**  
5 **territory.**

6 **A.** Columbia continues to face the risks of being bypassed to an interstate pipeline  
7 and to other local distribution companies (LDC's) in our service territory. In  
8 addition, customers have communicated to Columbia that natural gas suppliers  
9 (NGS's) share opportunities to bypass Columbia's system, either on interstate  
10 pipelines or other LDC's. Further, shale gas can be an additional risk for CPA as  
11 numerous pipelines are being built to move processed gas to market, thereby  
12 potentially becoming a bypass source of supply for our customers.

13 **Q. Has Mr. Crist performed any analysis to support his assertion on page**  
14 **9 of his testimony that all gas companies in the proxy group identified**  
15 **by Company Witness Moul experience potential bypass to interstate**  
16 **pipelines?**

17 **A.** As indicated in Exhibit NMP 2-R, Mr. Crist has not performed any analysis on  
18 overlapping service territories with another local distribution company in the  
19 companies used in the barometer group by Columbia, I & E and the Office of the  
20 Consumer Advocate.

21 **Q. Do you agree with Mr. Crist's assertion on page 9 of his Direct**

1           **Testimony that Columbia’s risk of bypass to other local distribution**  
2           **companies has significantly lessened?**

3    **A.**    No. On page 9 of his testimony, Mr. Crist states that there are two primary reasons  
4           for the reduction in LDC competition. First, he addresses merger activity in the  
5           western region of Pennsylvania reducing the number of LDC’s within the region  
6           and thereby effectively reducing competition. Second, he addresses the Gas on Gas  
7           Rule Making order issued on May 4, 2017 in Docket P-2011-2277868. Neither of  
8           these issues change the underlying risk of customer’s bypassing Columbia’s  
9           system, or that current flex customers continue to get competitive offers for service  
10          from competitors. Columbia has lost customers to other LDC’s in the area, and  
11          those LDC’s are actively pursuing Columbia customers today. Natural gas suppliers  
12          continue to talk with their customers about the difference between the NGDCs.  
13          Columbia’s experience is the polar opposite of Mr. Crist’s unsupported assertions  
14          regarding the risk of bypass.

15    **Application of Transportation Penalties to Columbia Customers**

16    **Q.**    **On page 20 of his testimony, Mr. Crist states that Columbia uses the**  
17           **penalty structure to benefit customers who choose to retain Columbia**  
18           **as their natural gas supplier because penalties collected from**  
19           **transportation customers are applied to the cost of gas of Columbia**  
20           **supply customers. What is your response to this statement?**

21    **A.**    In order to balance the system and insure that supply is adequate for customers

1 paying for firm service, Columbia relies on transportation customers to meet their  
2 delivery obligations. Similar to transportation customers who must purchase gas  
3 on the open market when their supply is not adequate to meet their needs,  
4 Columbia must do the same when deliveries by transportation customers are not  
5 met. As the gas purchased in the open market is to serve customers on Columbia's  
6 system paying for firm service, it is appropriate that penalties collected from  
7 transportation customers for not meeting delivery obligations offset the cost of gas  
8 to customers paying for firm service. Further discussion on system balancing can  
9 be found in Company Witness Catron's rebuttal testimony.

10 **Q. Did Penn State agree to the settlement terms defining the existing**  
11 **penalty structure in Columbia's most recent base rate case in Docket**  
12 **R-2016-2529660?**

13 **A.** Yes, they did.

14 **Q. Is Mr. Crist correct on page 20 of his testimony in stating that Columbia**  
15 **supplies 87.2% of the residential market?**

16 **A.** No. In his testimony on page 20, he states that the natural gas suppliers supply  
17 18.8 percent of the residential market. The remaining 81.2%, not 87.2%, is supplied  
18 by Columbia.

19 **Q. Does this complete your Prepared Rebuttal Testimony?**

20 **A.** Yes, it does.

Question No. NGS Parties 1-014  
Respondent: N. Paloney  
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COLUMBIA GAS OF PENNSYLVANIA INC.

R-2018-2647577

Data Requests

NGS Parties – Set 1

Question No. NGS Parties 1-014:

Has Columbia ever allowed any other entity, including affiliated companies, to include non-commodity charges on Columbia's natural gas distribution service bills to customers?

- a. If the answer is anything other than "No", provide the name of the entity, the time period during which the non-commodity charges have been billed, and the nature of the charges included.

Response:

Yes. Currently, service plan charges appear on Columbia monthly billing statements for Columbia Service Partners, Inc (CSP) and Nicor Energy Services Company (Nicor).

CSP is a former Columbia affiliate. Prior to its sale in 2003, CSP provided various service plans for the repair and maintenance of customer-owned facilities (e.g., piping) to Columbia customers for 7 years. NiSource Retail Services, Inc., a Columbia affiliate, sold its retail services business assets in 2013 to Nicor. Prior to the sale, NiSource Retail Services, provided various service plans for the repair and maintenance of customer-owned heating and cooling systems, water heaters, appliances, pipes and wires to Columbia customers for 9 years. Prior to the sale of CSP and the NiSource Retail Services assets, Columbia provided on bill billing services to these affiliates.

Currently, CSP and Nicor are permitted to have the charges appear on Columbia's monthly billing statements because they each purchased various retail service businesses that a Columbia affiliate provided to Columbia customers. These billing arrangements were entered into with CSP and Nicor in order to maintain, for the convenience of Columbia customers who wished to subscribe to various Covered Products and Services, the ability to continue to have those charges appear on their monthly gas bill. No third parties, other than CSP and Nicor, have

Question No. NGS Parties 1-014  
Respondent: N. Paloney  
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their non-utility or non-commodity charges appear on Columbia's bills. CSP and Nicor are not natural gas suppliers or marketers on Columbia's system.

The Billing Agreements for CSP and Nicor provide them with access to Columbia utility bills for the purpose of billing of various Covered Products and Services.

Columbia provides to each company the Billing Services described below:

- Columbia provides the companies with the billing services described below (collectively, the "Billing Services") with respect to their respective covered products and services. The companies and Columbia are independent contractors. No agency, partnership, joint-venture, or other relationship exist between the companies and Columbia.
- Columbia includes a line item on its bills that reflects the charge for the companies' covered products and services subscriptions.
- Columbia remits, via wire transfer, a payment to each company that reflects the subscription revenue and any collections for appropriate taxes collected by Columbia for the preceding month. Each company is responsible for the applicable taxes on the subscription revenue that is collected and remitted.
- The payment remitted to each company does not include subscription revenue for any customer who makes payment in an amount that is insufficient to fully satisfy amounts due on such customer's Columbia utility bill, including, but not limited to, past due amounts, late charges and the like.
- Columbia may bill each company on a cost causation basis for any Billing Services that result in incremental business costs, including but not limited to excessive bill weight, additional bill pages and printing services.
- Columbia will not interrupt or discontinue service to customers solely for non-payment of amounts owed to either company.
- Fees are subject to adjustments required, directed, ordered or determined by any regulatory body with jurisdiction over the applicable Columbia.
- Columbia may increase fees for any Renewal Period upon advanced notice.

Pennsylvania Public Utility Commission

v.

Columbia Gas of Pennsylvania, Inc.

Docket No. R-2018-2647577

**THE PENNSYLVANIA STATE UNIVERSITY'S ANSWERS TO INTERROGATORIES  
OF THE COLUMBIA GAS OF PENNSYLVANIA, INC. (SET II)**

5. Of the Companies included in the barometer groups of OCA, I&E and the Company, identify those having overlapping service territories with another local distribution company.

**RESPONSE:**

**Provided by: James Crist**

Mr. Crist is not aware of any companies in the barometer groups provided by OCA, I&E, and the Company having overlapping service territories with another local distribution company.

Penn State reserves its right to supplement or amend this response.