

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2024-3047014
Office of Consumer Advocate	:	C-2024-3047737
Office of Small Business Advocate	:	C-2024-3047686
	:	
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), the Office of Consumer Advocate (OCA), and the Bureau of Investigation and Enforcement (I&E), and unopposed by 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, 2024. The last reasonable public meeting date prior to the suspension date is September 12, 2024.

¹ OSBA, while not a signatory to the Settlement, does not oppose the Settlement. Joint Petition for Settlement (Settlement) p. 1, n.1.

HISTORY OF THE PROCEEDINGS

On March 1, 2024, 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, 2024.

On April 1, 2024, Columbia filed Supplement No. 379 to Tariff Gas Pa. P.U.C. No. 9 (Supplement No. 379) to become effective for service rendered on and after October 1, 2024. Relative to the current rate of \$0.41059/Therm, Columbia's pre-filing anticipated an increase of \$0.01968/Therm to a rate of \$0.43027/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 20, 2024, OSBA filed a formal rate Complaint docketed at C-2024-3047686, and OCA filed a formal rate Complaint docketed at C-2024-3047737.

On March 26, 2024, I&E entered an appearance.

On March 27, 2024, the Commission issued a Prehearing Conference Notice and Prehearing Conference Order, scheduling a prehearing conference for April 3, 2024.

A prehearing conference was held on April 3, 2024, 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

² See 52 Pa. Code § 5.341 *et seq.*

On April 4, 2024, 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-2024-3047014.

Columbia served its direct testimony and exhibits on April 1, 2024. OCA served direct testimony and exhibits on May 3, 2024. No other party submitted direct testimony. Columbia served rebuttal testimony on May 20, 2024. No other party filed rebuttal testimony. No party filed surrebuttal testimony.

An Evidentiary Hearing Notice was issued April 4, 2024, scheduling telephonic evidentiary hearings for May 31, 2024, and June 3, 2024.

On April 9, 2024, Columbia filed a Motion for a Protective Order pursuant to the provisions of 52 Pa. Code § 5.365(a). On April 10, 2024, 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.

A hearing was held May 31, 2024, so the parties could offer their testimonies and exhibits into the record. The hearing scheduled for June 1, 2024, was cancelled by Hearing Cancellation Notice dated May 31, 2024.

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, 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, and Exhibits JF-1, JF-2, and JF-3.

- Columbia Statement No. 3, the Direct Testimony of Nicole Paloney, and Exhibit NP-1.
- Columbia Statement No. 4, the Direct Testimony of Patrick Pluard
- Columbia Statement No. 4-R, the Rebuttal Testimony of Patrick Pluard, CONFIDENTIAL VERSION and PUBLIC VERSION
- OCA Statement No. 1, Direct Testimony of Jerome Mierzwa, CONFIDENTIAL VERSION and PUBLIC VERSION, and HIGHLY CONFIDENTIAL Schedule JDM-1

On June 20, 2024, Columbia, OCA, and I&E 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 three appendices to the Settlement, consisting of Statements in Support filed by Columbia (Appendix A) and OCA (Appendix B), as well as a letter of non-opposition from I&E (Appendix C). The Settlement indicates OSBA does not oppose the Settlement.³

The gas cost rate in effect as of April 1, 2024, is \$0.41059/Therm. The gas cost rate which Columbia proposed in its April 1, 2024, filing, to be effective on October 1, 2024, is \$0.43027/Therm, which is an increase of \$0.01968. 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 2024 PGC filing.⁴

³ OSBA, while not a signatory to the Settlement, does not oppose the Settlement. Joint Petition for Settlement (Settlement) p. 1, n.1.

⁴ See, Settlement, pp 3-15. 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 2023 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. 37-40; Columbia Ex. No. 3)

2. Columbia was active in relevant FERC cases involving Columbia Gas Transmission, L.L.C. ("Columbia Transmission"), 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. 37-40; 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. 37-40.

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. 4-29; Columbia Ex. No. 5, p. 1)

6. Columbia contracts for sufficient firm gas supplies to serve, at a minimum, the demand of its firm service customers under design weather conditions, both design day and seasonal. Firm gas supplies include storage supplies, purchases under firm gas supply contracts and firm monthly and daily gas supply purchases, delivered through firm transportation capacity and local gas supplies on a seasonal basis. (Columbia St. No. 4, p. 4)

7. Columbia purchases firm supplies to provide flexibility in recognition of annual fluctuations in seasonal and daily demand and to minimize gas costs for its customers. (Columbia St. No. 4, p. 4)

8. 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)

9. 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, pp. 10-12) 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. 23-25, 33-37)

10. Columbia's available capacity is approximately 101.8% of projected firm demand for contract year 2027-28. 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. 10-11; Columbia Statement No. 1, p. 19; Columbia Ex. No. TMM-2)

11. Columbia's reconciliation of its firm peak day capacity entitlement level with its future years' firm design day demand includes a maximum hourly design adjustment ("Max Hour Adjustment") to the design day demand. (Columbia Ex. 5, p. 9; Columbia Ex. TMM-

2) The Max Hour Adjustment was made to account for the potential of hourly flow restrictions on Eastern Gas Transmission and Storage (“EGTS”). (Columbia St. No. 1, p. 19)

12. EGTS imposes hourly restrictions in its pipeline pursuant to its tariff. The threat of hourly restrictions has increased in recent winters, including an hourly restriction issued on two separate occasions during the winter of 2022-2023 on EGTS’ PL-1 System, which serves the State College market. EGTS also issued several alert notices for potential hourly restrictions during the winter of 2023-2024. (Columbia St. No. 1, pp. 20-21)

13. Columbia would have received a penalty during the winter of 2022-2023 if its capacity had equaled the actual firm daily throughput. In addition, if Columbia’s hourly demand exceeds its hourly rights, then EGTS may experience low pressure on its system, which could negatively impact Columbia’s ability to provide reliable service to its customers. (Columbia St. No. 1, p. 23)

14. 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. 10-12)

15. 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. 9-11; Columbia Ex. No. 5, pp. 10-11)

16. Columbia contracts with Columbia Transmission for 60,551 Dth of Firm Transportation capacity, under a contract expiring March 31, 2026, to retain enough capacity to meet firm demands. (Exhibit No. 1-D-3 Attachment 1, p. 1; Exhibit No. 5, p. 10)

17. 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, pp. 10-11)

18. Columbia contracts for three primary firm services from Columbia Transmission: Firm Transportation Service ("FTS"), Firm Storage Service ("FSS"), and Storage Service Transportation ("SST"). The FTS capacity provides for the firm transportation of flowing gas supplies delivered by Columbia Transmission, either from Appalachian receipt points or interconnects with upstream pipelines, to Columbia's city gates or storage. The FSS capacity provides daily injection and withdrawal capacity into or out of storage, along with firm daily deliverability and seasonal storage capacity. SST capacity primarily is used to provide firm transportation of storage volumes from Columbia Transmission's storage fields to Columbia's city gates. SST capacity also transports flowing gas supplies, in excess of Columbia's FTS capacity level, to fill storage during the summer. The use of FSS in conjunction with SST provides Columbia with its primary daily no-notice balancing service. (Columbia St. No. 1, p. 10)

19. 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 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. 11-12)

(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. 12)

(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. 12)

(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, pp. 12-13; Exhibit No. 5, p. 11)

(e) Columbia excludes from the PGC the cost of the Equitrans storage service, approximately 9,635 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, pp. 12-13; Columbia Ex. No. 5, pp. 10-11)

(f) Columbia 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. 13)

(g) Columbia contracts for firm transportation service under two rate schedules with Texas Eastern, FT-1 and Comprehensive Delivery Service (“CDS”), totaling 23,635 Dth/day. A total of 20,453 Dth/day is required to serve the design 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, to meet design day demand in Columbia markets served by Columbia Transmission. (Columbia St. No. 1, p. 13; Columbia Ex. No. 5, pp. 11-12)

(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. 14)

(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 the Columbia Findlay Township 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 Findlay Township delivery point. Additionally, National Fuel provides an enhanced storage service (“ESS”) with a Maximum Storage Quantity (“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. 14)

20. In the past year, Columbia acquired two new contracts: (1) 7,000 Dth of firm transportation on Tennessee with a one winter only term of December 1, 2023, through February 29, 2024; and (2) 2,000 Dth firm transportation on Texas Eastern for a term of December 1, 2023, through November 30, 2024. Columbia entered into these two contracts to address market needs in the Warrendale and Uniontown areas, respectively. (Columbia St. No. 1, p. 15, Columbia Ex. No. 5, p. 11)

21. In addition, Columbia entered into a precedent agreement for capacity as a result of an open season on Texas Eastern's Appalachia to Market III offering. The negotiated agreement has a term of 15 years and is for 3,000 Dth/day from November 1, 2027, through October 31, 2028, and 5,000 Dth/day beginning November 1, 2028, for the remainder of the agreement. Columbia entered into the precedent agreement to meet forecasted growth in the York area, which was expected to exceed its supply/capacity by the 2031/32 winter season. (Columbia St. No. 1, p. 15, Columbia Ex. No. 5, p. 12)

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

23. 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)

24. 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. 10; Columbia St. No. 4, p. 7; Columbia Ex. 5, p. 9)

25. Columbia annually submits Requests 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. 17-18)

26. Columbia’s gas purchases were a least cost supply mix during the historic reconciliation period, consistent with reliable service. (Columbia Ex. No. 8-C; Columbia St. No. 4, p. 3)

27. In the twelve months ended January 31, 2024, 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)

28. Columbia’s gas purchasing strategy is to contract for a portfolio of gas supplies and capacity that has the flexibility both to meet reliability standards and be able to take advantage of low-price opportunities when available and operationally feasible. (Columbia St. No. 4, p. 4)

29. 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)

30. 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, p. 36-37)

31. 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 Ex. No. 5, pp. 15-17)

32. 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. 4-8)

33. 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. 6-8)

34. In order for Columbia to inject sufficient gas supplies into its storage accounts, particularly its FSS account with Columbia Transmission, to meet winter season customer demand, it purchases gas supplies in volumes exceeding its FTS capacity during the summer. These additional gas purchases are made under spot market contracts and delivered to

its storage accounts using Columbia Transmission's SST capacity at secondary receipt and delivery points. (Columbia St. No. 4, p. 6)

35. Columbia manages its off-system sales and capacity release programs under its Unified Sharing Mechanism ("USM"). Off-system sales include exchanges with third-parties, also known as "park and loan" transactions. (Columbia St. No. 4, p. 8; Columbia St. No. 4-R pp. 2-3) 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 ("PGDC"). (Columbia St. No. 4, pp. 8-9)

36. Consistent with the 2023 1307(f) Settlement, Columbia executed financial hedges according to the agreed upon program. (Columbia St. No. 4, p. 11)

37. The Company's financial hedges are carried out under a product known as a "fixed to float," whereby the price is fixed upon execution and settles out monthly at the NYMEX Henry Hub futures expiration price. Upon the expiration of the contract, the difference between the expiration price and fixed price is exchanged between Columbia and the supplier. The funds received flow through to the PGC customers. (Columbia St. No. 4, pp. 11-12)⁵

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, OCA and I&E, consists of 21 pages. OSBA was not a signatory to the Settlement. The Settlement contains, as appendices, Statements in Support from Columbia and OCA, and a letter of non-opposition from I&E. The Settlement expressly indicates OSBA does not oppose the Settlement.

⁵ Settlement, pp 3-15.

Joint Petitioners agree to the settlement terms set forth below:⁶

A. GENERAL

39. Columbia’s 2024 PGC filing meets the standards set forth in Sections 1317 and 1318 of the Public Utility Code, 66 Pa.C.S., §§ 1317 and 1318, and the Commission should approve Columbia’s 2024 PGC filing as filed, and make the findings described in Section V of this Settlement.

B. MAX HOUR ADJUSTMENT

40. The Company’s proposed Max Hour adjustment, included in Table 4 of Columbia Exhibit No. 5 and described on page 20 of the direct testimony of Tina Monnig (Columbia St. No. 1), is accepted.

C. PARK AND LOAN TRANSACTIONS

41. The OCA agrees to not challenge the completed park and loan transactions or pursue a disallowance of costs related thereto in the historic review period as set forth in the Direct Testimony of Jerome D. Mierzwa based on the explanation contained in the Company’s Rebuttal Testimony, which fully satisfied the concerns of the OCA.^[7]

OCA and I&E 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 1318.⁸

The Settlement also includes the usual “conditions of settlement” 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

⁶ These terms are included here verbatim.

⁷ Settlement, ¶¶ 39-41.

⁸ 66 Pa.C.S. §§ 1307, 1318; Settlement, ¶ 39, 42-47.

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.⁹

PARTIES' POSITIONS ON THE SETTLEMENT

The Settlement specifically addresses three issues: (1) the proposed increase in PGC, effective October 1, 2024; (2) Max Hour Adjustment, and (3) Park and Loan Transactions¹⁰.

Columbia

Columbia avers that the fact that the Settlement is unopposed is, in and of itself, strong evidence the Settlement is reasonable and in the public interest.¹¹ It argues the Settlement was achieved after a comprehensive investigation of Columbia's gas purchasing practices, including extensive discovery and discussion among the parties.¹² Columbia avers the Settlement fairly balances the interests of the Company and, by resolving all issues through a settlement, the parties were able to successfully avoid a portion of the costs associated with litigation.¹³

Columbia notes the Joint Petitioners agree that: (1) Columbia's 2024 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 finding that Columbia is pursuing a least cost fuel

⁹ Settlement, ¶¶ 48-50.

¹⁰ A park is a transaction wherein a counterparty delivers gas to Columbia during one month and Columbia returns that gas during a subsequent month. A loan is a transaction wherein Columbia delivers gas to a counterparty during one month and the counter-party returns that gas during a later month. A park or loan can be for an extended period of multiple months. Columbia generally receives a fee from the counterparty for its park and loan transactions. The fee is currently shared 75% with PGC customers and Columbia retains the remaining 25% under the Company's Unified Sharing Mechanism. OCA St. 1 at 5.

¹¹ Columbia's Statement in Support, p. 2.

¹² *Id.*

¹³ *Id.*

procurement policy, consistent with the utility's obligation to provide safe, adequate and reliable service to its customers.¹⁴ Columbia argues approval of its 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 above, in the Settlement, and as more fully explained in Columbia's PGC filing.¹⁵

Columbia explains that the "Max Hour Adjustment is short for the 'Maximum Hourly Design Adjustment.'"¹⁶ In assessing the reasonableness of its contracted pipeline capacity, Columbia has a policy that its design day capacity be within 103% of its peak day requirements, five years into the future.¹⁷ As explained in the direct testimony of Columbia witness Monnig, Columbia's reconciliation of its firm peak day capacity entitlement level with its future years' firm design day demand includes a Max Hour Adjustment to the design day demand.¹⁸ The Max Hour Adjustment was made to account for the potential of hourly flow restrictions on EGTS.¹⁹ EGTS's FERC-approved tariff allows it to impose peak usage restrictions on the basis of hourly demands.²⁰ EGTS has increased its enforcement of hourly restrictions in recent years.²¹ The enforcement of hourly demand restrictions by EGTS has potential real world consequences for Columbia. For example, Columbia would have received a penalty during the winter of 2022-2023 if its capacity had equaled the actual firm daily throughput, because Columbia would have exceeded its EGTS hourly flow limits.²² In addition, if Columbia's hourly demand exceeds its hourly rights, then EGTS may experience low pressure

¹⁴ *Id.* at 4; *see* Columbia Ex. No. 8-E.

¹⁵ Columbia's Statement in Support, p. 6.

¹⁶ *Id.* at 7.

¹⁷ Columbia St. No. 1, p. 19.

¹⁸ *Id.* at 19-23; Columbia Ex. TMM-2; Columbia Ex. No. 5, p. 9.

¹⁹ Columbia St. No. 1, p. 19.

²⁰ *Id.* at 21.

²¹ *Id.*

²² *Id.* at 23.

on its system, which could negatively impact Columbia’s ability to provide reliable service to its customers.²³ To address the need to account for sufficient capacity to meet the hourly demand requirements of EGTS on a design day, Columbia has included a Max Hour Adjustment.²⁴

Columbia notes that no party opposed the Company’s proposed Max Hour Adjustment. In the Settlement, the Joint Petitioners agree to accept the Company’s Max Hour Adjustment as set forth in Table 4 of Columbia Exhibit No. 5 and described on page 20 of the direct testimony of Columbia witness Monning.²⁵

Columbia argues that approval of the Max Hour Adjustment is in the public interest because it allows the Company to recognize additional flexibility for Columbia’s EGTS contracts, remain in compliance with the hourly restrictions of EGTS, and have enough firm capacity to serve its firm customers across its system and provide reliable service.²⁶ For these reasons and as explained in the testimony of Columbia witness Monning, Columbia avers the Settlement term approving the Max Hour Adjustment is in the public interest and should be approved.²⁷

Columbia explains that it manages its off-system sales and capacity release programs under its Unified Sharing Mechanism (USM), including exchange transactions with third-parties known as “park and loan” transactions.²⁸ During a park and loan transaction, a third party will give Columbia gas on a day or a series of days, after which Columbia will return the gas.²⁹ Similarly, for a loan transaction, a third party will take gas from Columbia on a day or a

²³ *Id.*

²⁴ Columbia’s Statement in Support, p. 7.

²⁵ Settlement ¶ 40.

²⁶ Columbia’s Statement in Support, p. 8; Columbia St. No. 1, p. 23.

²⁷ Columbia’s Statement in Support, p. 8.

²⁸ *Id.*; Columbia St. No. 4, p. 8; Columbia St. No. 4-R pp. 2-3.

²⁹ Columbia’s Statement in Support, p. 8.

series of days and return it later.³⁰ Columbia explains that it typically receives a payment, or premium, from the third party for the exchange, which lowers rates for customers.³¹ The premium amount received is shared 75% to PGC customers and 25% to Columbia, pursuant to the terms of the USM.³²

Columbia notes that, in his direct testimony, OCA witness Mr. Mierzwa recommended a disallowance related to certain park and loan transactions the Company completed during the historic review period, claiming that PGC customers were harmed by these transactions because they increased the purchased gas costs of Columbia's PGC customers.³³ In rebuttal testimony, Columbia witness Mr. Pluard explained that the OCA's claim that customers were harmed by these transactions was based on the erroneous assumption that gas was somehow bought or not bought at the published Inside FERC monthly rate to complete these transactions.³⁴ As Mr. Pluard explained, park and loan transactions are completely different from purchases and sales; rather, parks and loans are transactions that the Company uses to manage storage levels, as well as pipeline restrictions, during various temperature swings.³⁵ In his rebuttal testimony, Mr. Pluard detailed how Columbia managed each of the exchange transactions questioned by OCA witness Mr. Mierzwa.³⁶ This demonstration showed that each transaction was not managed by sales of gas in the relevant months, but instead was managed through use of storage.³⁷ Mr. Pluard further showed that the exchanges helped Columbia meet its daily, monthly, or seasonal storage targets, and avoid potential pipeline penalties for storage balances outside of monthly storage limits.³⁸

³⁰ Columbia St. No. 4-R, p. 2.

³¹ Columbia's Statement in Support, p. 8.

³² Columbia St. No. 4-R, p. 2.

³³ OCA St. No. 1, pp. 5, 8.

³⁴ Columbia St. No. 4-R, pp. 2-3.

³⁵ *Id.*

³⁶ Columbia's Statement in Support, pg. 9.

³⁷ *Id.*

³⁸ *See* Columbia St. No. 4-R, pp. 4-10.

In the Settlement, the Joint Petitioners agree that OCA’s proposal to disallow costs related to completed park and loan transactions in the historic review period will not be adopted because the Company’s rebuttal testimony on this issue fully satisfied the concerns of the OCA.³⁹ Columbia argues this Settlement term is in the public interest and should be approved because it maintains Columbia’s existing process for completing park and loan transactions under its USM, which in turn helps the Company lower rates for customers and achieve storage targets.⁴⁰ For these reasons and as explained in Mr. Pluard’s testimony, Columbia submits that the Settlement term approving the completed park and loan transactions is in the public interest and should be approved.⁴¹

The Office of Consumer Advocate

OCA submits that the proposed Settlement is in the public interest and should be approved. The OCA, with the assistance of its expert witness, Mr. Mierzwa, conducted discovery in this proceeding through five sets of interrogatories.⁴²

OCA explains that, as part of his review, Mr. Mierzwa reviewed Columbia’s actual gas procurement activity during the historic review period of February 1, 2023, through January 31, 2024, for consistency with least-cost gas procurement standards.⁴³ Actual and projected purchased gas costs and revenues experienced by Columbia during the 2023 PGC period (August 1, 2023 through July 31, 2024) are reconciled, and any under- or over-collections are reflected in determining the PGC rate applicable during the 2024 PGC period (August 1, 2024, through July 31, 2025).⁴⁴ The 2024 PGC rate, through quarterly PGC rate adjustments,

³⁹ Settlement ¶ 41.

⁴⁰ Columbia’s Statement in Support, pg. 9.

⁴¹ *Id.*

⁴² OCA’s Statement in Support, pg. 2.

⁴³ OCA St. 1 at 4-5.

⁴⁴ *Id.* at 4.

will reflect projected purchased gas costs for that period, adjusted for the 2023 PGC period purchased gas cost net under-collections or over-collections.⁴⁵

In his Direct Testimony, Mr. Mierzwa expressed concern with Columbia's park and loan transactions because they could have increased the purchased gas costs for Columbia's PGC customers, which would be inconsistent with Columbia's statutory, least-cost procurement obligation.⁴⁶ In determining the impact of Columbia's park and loan transactions, Mr. Mierzwa used Columbia Gas Transmission index prices as reported by *INSIDE FERC's Gas Market Report (Inside FERC)* given that Columbia Gas Transmission is Columbia's primary interstate service provider.⁴⁷ Mr. Mierzwa recommended that Columbia present an analysis and demonstrate in its rebuttal testimony that an adjustment is not appropriate; otherwise, he recommended a reduction to the PGC rate to be recovered from PGC customers.⁴⁸ Mr. Mierzwa testified that he attempted to address his concerns through discovery but that the Company had responded to OCA's interrogatory Set 4, question 4, in a way (under a confidential response) that provided no analysis or demonstration that PGC customers were not adversely affected by the Company's park and loan transaction that had been completed during the historical period.⁴⁹

OCA explains that, in rebuttal testimony, Columbia's witness Mr. Pluard testified that the gas subject to the park and loan transactions was not bought and sold at the published *Inside FERC* monthly rate and was used to achieve month-end storage withdrawal targets and seasonal storage targets to avoid penalties and, in the process, it received a fee and shared that revenue with PGC customers.⁵⁰ Mr. Pluard explained fully how each of the park and loan exchanges listed in Mr. Mierzwa's Exhibit JDM-1 resulted in no ratepayer harm.⁵¹

⁴⁵ *Id.*

⁴⁶ OCA St. 1 at 6.

⁴⁷ *Id.* at 7.

⁴⁸ *Id.* at 8.

⁴⁹ *Id.* at 9.

⁵⁰ Columbia St. No. 4-R at 3-4, 5-6.

⁵¹ *Id.* at 4-10.

The Settlement provides that OCA's concerns with the park and loan transactions discussed in Mr. Mierzwa's testimony are satisfied based on the full explanation contained in Mr. Pluard's rebuttal testimony.⁵² Accordingly, in the Settlement, the OCA agreed to not challenge the completed park and loan transactions or pursue a disallowance of costs related thereto in the historic review period as set forth in Mr. Mierzwa's direct testimony.⁵³ The Company's rebuttal testimony of Mr. Pluard and the Settlement provisions, taken together, address the OCA's concerns and recommendations on these issues and represent a reasonable compromise of the parties' positions in this proceeding and is in the public interest; thus, OCA argues it should be approved.⁵⁴

As a result of its review of the filing and testimony in this proceeding, the OCA submits that Columbia's PGC filing meets the requirements of 66 Pa.C.S. § 1307(f) generally and specifically with regard to showing that the Company's natural gas costs are consistent with a least cost fuel procurement policy required by 66 Pa.C.S. § 1318.⁵⁵ As such, the OCA submits that the Commission should approve Columbia's proposed PGC rate and tariff changes in accordance with the Settlement.⁵⁶

DISCUSSION

The Commission encourages parties in contested on-the-record proceedings to settle cases.⁵⁷ 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

⁵² OCA's Statement in Support, pg. 4; Settlement ¶ 41.

⁵³ OCA's Statement in Support, pg. 4; Settlement ¶ 41.

⁵⁴ OCA's Statement in Support, pg. 4.

⁵⁵ *Id.*

⁵⁶ *Id.* at 4-5.

⁵⁷ *See* 52 Pa. Code § 5.231.

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.⁵⁸ 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,⁵⁹ 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 that 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

⁵⁸ *Pa. Pub. Util. Comm’n v. CS Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991).

⁵⁹ 66 Pa.C.S. §§ 1307, 1318.

relevant time period consistent with a least cost fuel procurement policy.⁶⁰ Further, I note no party objected to the amount of increase in price per Dth.

With regard to the Max Hour Adjustment, this adjustment is necessary to account for the potential of hourly flow restrictions on EGTS, which has increased its enforcement of hourly restrictions in recent years.⁶¹ Notably, Columbia would have received a penalty during the winter of 2022-2023 if its capacity had equaled the actual firm daily throughput, because Columbia would have exceeded its EGTS hourly flow limits.⁶² In addition, if Columbia's hourly demand exceeds its hourly rights, then EGTS may experience low pressure on its system, which could negatively impact Columbia's ability to provide reliable service to its customers.⁶³

I note that no party opposed the Company's proposed Max Hour Adjustment, and in the Settlement, the Joint Petitioners agree to accept the Company's Max Hour Adjustment.⁶⁴ The Max Hour Adjustment is in the public interest because it allows the Company to recognize additional flexibility for Columbia's EGTS contracts, remain in compliance with the hourly restrictions of EGTS, and have enough firm capacity to serve its firm customers across its system and provide reliable service.

With regard to the park and loan transactions, OCA witness Mr. Mierzwa initially raised concerns that PGC customers were harmed by these transactions because they increased the purchased gas costs of Columbia's PGC customers. In rebuttal testimony, Columbia witness Mr. Pluard responded to these concerns, explaining how these transactions worked and how they did not harm customers. In its statement in support, OCA explained that the information Columbia provided in its rebuttal testimony had satisfied its concerns.⁶⁵

⁶⁰ See 66 Pa.C.S. § 1318(a), (b).

⁶¹ Columbia's Statement in Support, pg. 7.

⁶² *Id.*

⁶³ *Id.*

⁶⁴ Settlement ¶ 40.

⁶⁵ OCA's Statement in Support, pg. 4.

The Settlement term regarding park and loan transactions is in the public interest and should be approved because it maintains Columbia's existing process for completing park and loan transactions under its USM, which in turn helps the Company lower rates for customers and achieve storage targets.

Accordingly, I recommend the Commission adopt the Joint Petition for Settlement and approve Columbia's 1307(f) filing, 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, 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., the Office of Consumer Advocate, and the Commission's Bureau of Investigation and Enforcement, and unopposed by the Office of Small Business Advocate is in the public interest. *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991).

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., the Office of Consumer Advocate, and the Commission's Bureau of Investigation and Enforcement and unopposed by the Office of Small Business Advocate be approved without modification.

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, 2024.

4. That the Complaint of the Office of Small Business Advocate at Docket No. C-2024-3047686 be dismissed.

5. That the Complaint of the Office of Consumer Advocate at Docket No. C-2024-3047737 be deemed satisfied.

6. 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-2024-3047014 be terminated and the docket be marked closed.

Date: July 10, 2024

/s/
Emily I. DeVoe
Administrative Law Judge