

§53.65: Whenever a gas utility under 66 Pa.C.S. §1307(f) (relating to sliding scale of rates; adjustments) purchases gas, transportation or storage from an affiliated interest, as defined at 66 Pa.C.S. §2101 (relating to definitions of affiliated interest), it shall, in addition to the normal submission expected of a gas utility under 66 Pa. C.S. §1307(f) file evidence to meet its burden under 66 Pa. C.S. §1317(b) (relating to regulation of natural gas costs). The evidence to be filed 60 days prior to filing of a tariff under 66 Pa. C.S. §1307(f), shall include statements regarding:

(1) The costs of the affiliated gas, transportation or storage as compared to the average market price of other gas, transportation or storage and the price of other sources of gas, transportation or storage.

Response:

Columbia Gas of Pennsylvania, Inc. ("CPA") operates as an LDC serving over 400 communities in 26 of Pennsylvania's 67 counties. Many of these communities are separate market areas in which (with some exceptions) CPA's distribution network is limited to services and mains located downstream of each community's city gate delivery points. Thus, CPA has limited ability to move gas among these separate market areas. However, the pipeline network of Columbia Gas Transmission LLC ("TCO") interconnects with virtually all of CPA's markets and, in doing so, provides flexibility of service that could not be duplicated by CPA or a third party without very significant capital expenditures.

CPA depends on the firm pipeline capacity and no-notice features of TCO's services as well as other negotiated contractual arrangements to meet the ever-changing demands of its customers consistent with CPA's public obligation to serve. The use of the TCO capacity by CPA enables it to satisfy the varying needs of its geographically diverse customer base in the least cost manner.

§53.65: (2) Estimates of the quantity of gas, transportation or storage available to the utility from all sources.

Response:

Sources of supply and quantities available for CPA are identified within Exhibit No. 5, §53.64(c)(6) and Exhibit No. 1-D-1. Firm transportation and storage capacity contracts, and the applicable maximum daily and seasonal levels, are shown in Attachment 1 to Exhibit 1-D-3.

53.65: (3) Efforts made by the utility to obtain gas, transportation or storage from nonaffiliated interests.

Response:

With regard to gas supplies, CPA's policy is to purchase gas from reliable sources of supply at the lowest cost. In accordance with that policy, CPA has structured its supply plan such that its supply mix provides reliable supplies to meet customer demand during periods of colder-than-normal weather while simultaneously remaining flexible enough to reduce purchases during warmer-than-normal periods. CPA designs this flexibility to have a minimal price impact and to take advantage of lower cost supplies from any accessible supplier. To the extent that affiliated interests from time to time offer CPA gas supplies under competitive terms and conditions, CPA will consider those supplies like all others in accordance with its policy of purchasing gas supplies from reliable sources at the lowest cost.

With regard to transportation and storage capacity, CPA has several non-affiliated pipeline companies providing such services to CPA. Each one of these pipelines provides delivery in specific areas of CPA's system and is required in order to meet CPA's customer requirements. Although there are many things to consider when contracting for capacity such as price, term, flexibility and reliability, it is delivery to the point into CPA's system where needed that is the determining factor.

§53.65: (4) The specific reasons why the utility has purchased gas, transportation or storage from an affiliated interest and demonstration that the purchases are consistent with a least cost fuel procurement policy.

Response:

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53.65: (5) The sources and amounts of gas, transportation or storage which have been withheld from the market by the utility or affiliated interest and the reasons why such gas, transportation or storage has been withheld.

Response:

During the twelve month period ending January 31, 2015, Columbia did not withhold from the market any gas supply or transportation or storage capacity, other than for purposes of retaining sufficient call upon those assets to assure reliable supply and balancing services for its customers under colder than normal weather conditions as they may be encountered throughout the winter season.

No gas offered to Columbia by affiliated companies was withheld that should have been used as part of a least cost procurement strategy.

Neither Columbia nor any affiliate intends to withhold gas in the Application that should be used as part of a least cost purchase strategy, consistent with Columbia's obligation to provide safe and adequate service.