



COMMONWEALTH OF PENNSYLVANIA

August 24, 2015

E-FILED

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

**Re: Columbia Gas of Pennsylvania, Inc. (1307(f))
Docket No. R-2015-2469665**

Dear Secretary Chiavetta:

Enclosed for filing are the Reply Exceptions, on behalf of the Office of Small Business Advocate, in the above-captioned proceeding. As evidenced by the enclosed Certificate of Service, copies have been served on all known parties in this case.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel G. Asmus".

Daniel G. Asmus
Assistant Small Business Advocate
Attorney ID No. 83789

Enclosures

cc: The Honorable Mark A. Hoyer
Robert D. Knecht
Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	DOCKET NO. R-2015-2469665
	:	
COLUMBIA GAS OF PENNSYLVANIA, INC.	:	
1307(f) Filing	:	

**REPLY EXCEPTIONS
ON BEHALF OF THE
OFFICE OF SMALL BUSINESS ADVOCATE**

**Daniel G. Asmus
Assistant Small Business Advocate
Attorney ID# 83789**

For:

**John R. Evans
Small Business Advocate**

**Office of Small Business Advocate
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Date: August 24, 2015

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I. INTRODUCTION AND PROCEDURAL HISTORY

On April 1, 2015, pursuant to Section 1307(f) of the Public Utility Code, 66 Pa. C.S. Section 1307(f), Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) submitted its annual Purchased Gas Cost (“PGC”) Rate filing with the Pennsylvania Public Utility Commission (“Commission”).

The OSBA filed a Complaint in this proceeding on April 8, 2015, as well as a Notice of Appearance and a Public Statement.

Administrative Law Judge (“ALJ”) Mark A. Hoyer was assigned as the presiding officer for this proceeding. Other parties to this proceeding include the Office of Consumer Advocate (“OCA”), the Commission’s Bureau of Investigation and Enforcement (“I&E”), the Natural Gas Supplier (“NGS”) parties, and the Columbia Industrial Intervenors (“CII”).

The Initial Prehearing Conference was held on April 7, 2015, at which time a procedural schedule was finalized. Extensive discovery was conducted, and parties submitted the testimony of their witnesses. Settlement negotiations were undertaken, and the parties eventually came to a joint settlement of all but two issues: (1) a proposed modification to the allocation of Unified Sharing Mechanism (“USM”) credits between the Purchased Gas Commodity Charge (“PGCC”) and the Purchased Gas Demand Charge (“PGDC”); and (2) the proposal by the NGS parties for a study regarding cost recovery of pipeline assets to serve the PGC.

A Hearing was held on June 3, 2015, where the parties stipulated to the testimony and the testimony was entered into the record by ALJ Hoyer. ALJ Hoyer was informed of the settlement of most of the issues.

The parties submitted briefs on the two outstanding issues. Specifically, the OSBA filed a Main Brief addressing only the issue of the allocation of Unified Sharing Mechanism credits.

Because the OSBA took no position with the respect to the NGS parties' proposal for a Study regarding cost recovery of pipeline assets to serve the PGC, the OSBA did not brief that issue.

On July 28, 2015, ALJ Hoyer issued his Recommended Decision, recommending that the allocation methodology proposed by I&E be adopted, and that the NGS parties' request for a Study be denied. On August 17, 2015, the NGS parties filed three exceptions to ALJ Hoyer's Recommended Decision. The OSBA files this Reply to the NGS parties' Exceptions.

II. OSBA REPLY EXCEPTIONS

A. Allocation of USM Revenues

1. OSBA Reply to NGS parties' Exception No. 1 – The RD erred by rejecting the NGS parties' proposal (RD at 65)

The NGS parties proposed that USM revenues be returned to all customers equally through the PGDC. Neither Columbia nor any of the other parties to this proceeding supported the NGS parties' proposal, which was rejected by ALJ Hoyer in his RD. (RD at 67, 87). The NGS parties filed Exception No. 1 to this decision. The OSBA replies as follows.

In its Main Brief, the OSBA submitted that the issue of how to allocate the ratepayer portion of the credits from Columbia's Unified Sharing Mechanism is a matter best served by a reasonable compromise, which was not reflected in the NGS parties' proposal. The OSBA argued that the positions taken by I&E, the Company and the OSBA all attempt to (a) reflect the fact that these margins are related to both the availability of capacity assets and the gas purchase activities of the Company, (b) the technical problems associated with the existing mechanism, and (c) reflect the spirit of the settlement of the 2008 Section 1307(f) proceeding in the results.

ALJ Hoyer determined that the proposal for allocation of the USM credits tendered by

I&E was “fair and reasonable” (RD at 67), while the proposal of the NGS parties was “fundamentally flawed” (RD at 65) and “one-sided” (RD at 66). The ALJ recommended the adoption of I&E’s proposal. (RD at 67). While the OSBA obviously believes that its own proposal is superior, the ALJ’s recommendation is consistent with the OSBA’s argument that “the proposals offered by the Company and I&E are not outside the range of reasonableness.” (OSBA MB at 5). The NGS parties filed an Exception to the ALJ’s recommendation.

Essentially, the NGS Parties take the position that all of the USM credits should be assigned to the PGDC, and that none of the USM credits are in any way related to activities undertaken by Columbia solely on behalf of sales customers. (NGS Parties Statement No. 1 at 15). The NGS parties Exception No. 1 asserts that there is “no evidence to support a USM allocation which effectively allocates 300% more USM revenue to PGC customers.” (NGS Exceptions at 6, emphasis in original).

In making such an overreaching statement, the NGS parties conveniently ignore the evidence of record submitted by the OSBA in the testimony of its witness Robert D. Knecht. Mr. Knecht testified that the NGS parties’ proposal fails to recognize all of the inter-related effects which allow Columbia to earn the margins. While the OSBA acknowledged that it is true that “. . . all or virtually all of the transactions in the USM make use of capacity assets which are generally paid for by both sales and Choice customers” (OSBA Statement No. 1 at 2), it must also be recognized that Columbia is able to earn these margins as a result of its activities on behalf of PGC sales customers because it is active in the natural gas markets, and that as shopping increases, the absolute level of the margins is likely to decline. (OSBA Statement No. 1

at 5). In contrast, the extreme position taken by the NGS parties ignores Columbia's gas purchase activities in the market in a one-sided approach to allocation which results only in benefits to the NGS parties. Bottom line: the ALJ correctly rejected the NGS parties' proposal.

2. OSBA Reply to NGS parties' Exception No. 2 – The USM Adjustment Mechanism Approved by the RD is Unjust, Unreasonable, and Fails to Correct the Same Issues that are inherent in the Current USM. (RD at 66-68).

In what is essentially a continuation of Exception No. 1, in Exception No. 2, the NGS parties basically argue that the I&E proposal recommended by the ALJ is as badly flawed and suffers from the same deficiencies as the current allocation methodology that has been in place with Commission approval since Columbia's 2008 1307(f) proceeding. In place of this mechanism, the NGS parties propose their biased, self-serving proposal to allocate 100% of USM revenues to the PGDC. The OSBA replies to Exception No. 2.

In its Main Brief, the OSBA argued that this is a matter best served by a reasonable compromise, rather than by taking an extreme position, such as that taken by the NGS parties. The positions taken by the I&E, the Company and the OSBA all make an attempt at compromise, endeavoring to (a) reflect the fact that the margins in question are related to both the availability of capacity assets and the gas purchase activities of the Company, (b) reflect the technical problems associated with the existing mechanism, and (c) reflect the spirit of the settlement of the 2008 Section 1307(f) proceeding in the results. The OSBA respectfully submits that the ALJ's recommendation of the I&E proposal *does* reflect a reasonable compromise, and even though the ALJ did not choose to recommend the OSBA's proposal, the RD has pointed the Commission in the right direction. The ALJ correctly recommended a USM adjustment mechanism that is reasonable and that reflects the totality of the activities engaged in by the Company, not just the interests of a single party.

B. NGS Parties' Request for a Study

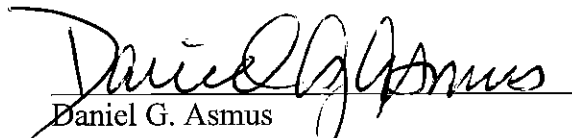
1. OSBA Reply to NGS parties' Exception No. 3 – The RD Wrongly Rejects the NGS Parties' Request for a Study (RD at 82-83)

The OSBA did not take a position regarding this issue raised by the NGS parties, and did not brief or otherwise advocate for or against the NGS parties' request. Therefore, the OSBA does not deem it necessary to reply to the NGS parties' Exception No. 3.

III. CONCLUSION

For the reasons stated above, the OSBA respectfully requests that the Commission accept the ALJ's recommendation with respect to the I&E proposal for a USM adjustment mechanism, deeming it just and reasonable, and otherwise adopt the Recommended Decision as issued.

Respectfully submitted,


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For:

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Dated: August 24, 2015

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PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
v. : **DOCKET NO. R-2015-2469665**
Columbia Gas of Pennsylvania, Inc. (1307(f)) :

CERTIFICATE OF SERVICE

I certify that I am serving true and correct copies of the foregoing, on behalf of the Office of Small Business Advocate, by e-mail, and/or first-class mail (unless otherwise noted), upon the persons addressed below:

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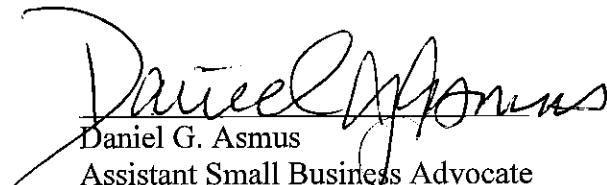
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