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October 30, 2015

VIA HAND DELIVERY

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.
Docket No. R-2015-2468056, etc.**

Dear Secretary Chiavetta:

Enclosed please find the Reply Exceptions of Columbia Gas of Pennsylvania, Inc. in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Michael W. Hassell

MWH/skr
Enclosure

cc: Certificate of Service
Honorable Mary D. Long

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2015-2468056
Office of Consumer Advocate	:		C-2015-2473682
Office of Small Business Advocate	:		C-2015-2477816
Pennsylvania State University	:		C-2015-2476623
Columbia Industrial Intervenors	:		C-2015-2477120
G. Thomas Smeltzer	:		C-2015-2482395
	:		
v.	:		
	:		
Columbia Gas of Pennsylvania, Inc.	:		

REPLY EXCEPTIONS OF COLUMBIA GAS OF PENNSYLVANIA, INC.

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*Attorneys for Columbia Gas of
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I. INTRODUCTION

Columbia Gas of Pennsylvania, Inc. (“Columbia”) hereby files these Replies to Exceptions in response to the Exceptions filed by the Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (“Commission”) to the Recommended Decision (“RD”) of Administrative Law Judge Mary D. Long (“ALJ Long” or the “ALJ”) issued September 29, 2015.¹

II. REPLY TO I&E EXCEPTION NO. 1: THE ALJ PROPERLY RECOMMENDED THAT COLUMBIA TEMPORARILY CONTINUE TO RECOVER A \$375,000 HARDSHIP FUND CONTRIBUTION THROUGH RIDER USP WHILE UNDERTAKING EFFORTS TO PRODUCE ADDITIONAL VOLUNTARY HARDSHIP FUND FUNDING. (RD AT 58-59.)

A. The ALJ correctly concluded that the Commission did not decide in its USECP Order that the \$375,000 Hardship Fund contribution should be removed from Rider USP.

I&E contends that the ALJ erred in concluding that the Commission did not decide, in its Final Order approving Columbia’s Universal Service and Energy Conservation Plan (“USECP”), how the parties should address Columbia’s recovery of a \$375,000 Hardship Fund contribution through Rider Universal Service Program (“Rider USP”). *Columbia Gas of Pennsylvania, Inc. Universal Service and Energy Conservation Plan for 2015-2018 Submitted in Compliance with 52 Pa. Code § 62.4, Docket No. M-2014-2424462, Final Order* (July 8, 2015) (“USECP Order”). (I&E Exc.

¹ The Pennsylvania State University (“PSU”) also filed Exceptions to the RD. Columbia concurs with PSU’s position that the RD erred in recommending that the “service-related” provisions of the settlement between Columbia and PSU be held in abeyance pending Columbia’s application for abandonment. (RD at 61; PSU Exc. at 1-4.) However, Columbia seeks to clarify PSU’s explanation regarding the effective rates, should the Commission adopt the RD and PSU withdraw from the settlement. PSU’s Exceptions indicate that the requested rate increase cannot go into effect upon the expiration of the statutory suspension period unless the Commission has rendered a decision resolving all issues in this proceeding. (PSU Exc. at 4, 15.) This interpretation is contrary to 66 Pa. C.S. § 1308(d). Pursuant to Section 1308(d), if a final decision has not been entered by the Commission before the expiration of the statutory suspension period, the full requested rate increase will go into effect, subject to refund.

at 4.) According to I&E, the Commission decided in its USECP Order that Columbia must immediately remove the \$375,000 Hardship Fund contribution from its Rider USP. (I&E Exc. at 4.) I&E's position should be rejected because I&E offers no response to the ALJ's sound analysis which fully supports the RD's conclusions.

The RD bases its interpretation of the Commission's USECP Order on several facts, including those that were identified in Columbia's Main Brief. The RD supports the conclusion that the Commission did not decide in its USECP Order that Columbia must immediately remove the \$375,000 Hardship Fund contribution from Rider USP. (Columbia MB at 10-11; RD at 54-56.) The Commission clearly explained its intent in the Tentative Order on Columbia's USECP:

Although we are not seeking to amend Columbia's funding mechanism for its Hardship Fund program at this time and would not do so in this proceeding, the Commission invites comments from interested parties on whether monies for Hardship Fund grants should be recovered, and if so, how.

Columbia Gas of Pennsylvania, Inc. Universal Service and Energy Conservation Plan for 2015-2018 Submitted in Compliance with 52 Pa. Code § 62.4, Docket No. M-2014-2424462, Tentative Order (March 26, 2015) ("Tentative Order"). As ALJ Long pointed out, when read in context with the Tentative Order, the Commission in its USECP Order was clearly directing the parties to consider ways to raise additional voluntary funding. (RD at 56.)

The Commission's USECP Order did not direct Columbia to cease recovery of \$375,000 in Hardship Fund funding through Rider USP abruptly, without allowing any time to initiate substitute fundraising efforts. (Columbia MB at 10.) Removal of the \$375,000 Hardship Fund contribution was not among the list of amendments that the Commission directed Columbia to make to its Universal Service Plan, nor was Columbia

directed to remove the \$375,000 Hardship Fund contribution from Rider USP in the ordering paragraphs of the USECP Order. (RD at 5 -6.) If the Commission intended for Columbia to remove the Hardship Fund contribution from Rider USP immediately, it would have simply said so in the USECP Order. Consequently, the parties would not need to address the issue in this proceeding. (Columbia MB at 11; RD at 56.)

Not only does I&E fail to respond to any of the factors in the RD's analysis or in Columbia's Main Brief, I&E offers no support for its own interpretation of the Commission's USECP Order, other than to state that the Commission directed the parties to "address" the issue in this case. (I&E Exc. at 4.) I&E assumes that the Commission decided the issue of Columbia's recovery of the \$375,000 Hardship Fund contribution in its USECP Order, but does not describe how it arrives at this conclusion. I&E does not explain why it interprets the Commission's use of the word "address" to mean that Columbia must remove the \$375,000 Hardship Fund contribution from Rider USP in this proceeding. As such, I&E's interpretation of the word "address" is contrary to the plain meaning of the word "address" as well as the context in which the language is used.

I&E's Exceptions fail to identify any error in the RD's interpretation of the Commission's USECP Order and lack support for the erroneous interpretation that I&E advances. For these reasons alone, I&E's Exceptions should be denied.

B. I&E's recommendation fails to consider the negative effects on low-income customers that would result from an immediate removal of the \$375,000 Hardship Fund contribution from Rider USP, and therefore should be rejected.

I&E recommends immediate removal of the \$375,000 Hardship Fund contribution from Rider USP, even though additional voluntary funding efforts are not

yet in place. (I&E Exc. at 8.) The RD correctly rejected I&E's position because evidence showed that low-income customers would be harmed by I&E's recommendation. Further, the RD correctly concluded that I&E failed to present any evidence that temporary recovery of the \$375,000 Hardship Fund contribution through Rider USP while Columbia undertakes additional voluntary fundraising efforts would be an undue burden on ratepayers. (RD at 57.)

According to I&E, the \$375,000 Hardship Fund contribution is a "relatively small sum," but I&E fails to consider the effects of removing that amount from low-income customers. (I&E Exc. at 8.) The OCA, CAUSE-PA and Columbia explained that immediately removing the \$375,000 Hardship Fund contribution from Rider USP before Columbia develops supplemental voluntary fundraising could negatively impact low-income customers who rely on this funding. (Columbia MB at 13; CAUSE-PA MB at 1-14; OCA MB at 9.) Yet, I&E recommends, without consideration of the harm to low-income customers, that recovery of the Hardship Fund contribution be removed from Rider USP before securing any additional voluntary fundraising. (I&E Exc. at 8.)

I&E attempts to justify this result by placing the burden of providing the necessary Hardship Fund funding entirely on Columbia. I&E suggests, "Columbia has the ability to choose to 'voluntarily' provide the \$375,000 in Hardship Fund funding until Columbia finds other voluntary funding to replace its voluntary contribution." (I&E Exc. at 7.) Although phrased differently, this proposal is the same as the recommendation I&E previously made in its Main Brief that Columbia be ordered to provide a \$375,000 Hardship Fund contribution without allowance for recovery. (I&E MB at 9-10). By quoting the word "voluntary," I&E only emphasizes the point that such a contribution would not, in fact, be voluntary. As the RD acknowledges, CAUSE-PA

and Columbia already explained that Columbia cannot be directed to provide \$375,000 in Hardship Fund funding voluntarily. (Columbia RB at 3-6; CAUSE-PA RB at 8-9.)

I&E recommends that the Commission adopt a proposal that would leave the issue of additional voluntary funding entirely unresolved. The Commission consistently balances consideration for low-income customers with the interests of ratepayers who bear the costs of low-income programs, and I&E fails to offer any reason why the needs of low-income customers are not relevant in this case. (Columbia RB at 3.) Presumably, the Commission's concern for low-income customers is the very reason the Commission directed the parties to address the issue in this case, rather than simply ordering Columbia to remove the \$375,000 Hardship Fund contribution from Rider USP.

The Commission should not adopt I&E's approach because it would unnecessarily harm low-income customers.

C. Columbia was under no prior duty to find voluntary sources to replace the \$375,000 Hardship Fund contribution being recovered through Rider USP.

I&E argues that in the three years since the settlement of Columbia's 2012 base rate case, which provided for the recovery of a \$375,000 Hardship Fund contribution through Rider USP, Columbia did not replace the funding with voluntary sources. (I&E Exc. at 8.) I&E's statement implies that Columbia failed to fulfill an ordered or directed duty by not securing voluntary replacement funding following the settlement of its 2012 base rate case. However, Columbia was under no prior obligation, pursuant the 2012 base rate settlement or otherwise, to seek additional voluntary funding to replace the \$375,000 Hardship Fund contribution. I&E's allegation that previously Columbia did not replace the \$375,000 Hardship Fund contribution in Rider USP with additional

voluntary funding does not support its argument that Columbia will not seek additional voluntary funding now.

Columbia has engaged in voluntary fundraising since its 2012 base rate case. To the extent that additional voluntary Hardship Fund funding was raised during this time, Columbia did not reduce the amount recovered through Rider USP by the amount of voluntary funding collected. Rather, Columbia added the voluntary funds to the \$375,000 contribution recovered through Rider USP for distribution to low-income customers. Other parties, including I&E, could have challenged this practice in Columbia's subsequent rate cases but chose not to do so. Therefore, Columbia previously had no reason to seek additional voluntary sources of funding with the intent to reduce the amount recovered through Rider USP.

I&E points to the fact that Columbia has not replaced the \$375,000 contribution with voluntary funds in the past as support for its contention that Columbia's future efforts to raise additional voluntary funding might never occur. (I&E Exc. at 8.) I&E's argument is without merit. First, as explained above, Columbia had no prior obligation to seek out replacement funding for the \$375,000 and, thus, there is no basis to contend that Columbia will not undertake such efforts now. Second, Columbia committed to undertake new efforts to raise additional voluntary hardship funding and agreed to present a plan outlining its efforts at the outset of its next base rate case. (Columbia MB at 12.) Parties in that proceeding, including I&E, can evaluate Columbia's efforts or offer their own alternatives. (Columbia MB at 12.) Columbia also committed to establishing a Universal Service Advisory Committee and intends to engage the Committee in developing additional ways to secure voluntary funding. (Columbia MB at 12).

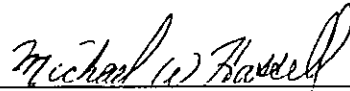
Notably, the Commission issued the USECP Order well into the course of this proceeding, shortly before the due date for rebuttal testimony. (Columbia MB at 11.) As a result, none of the parties to this proceeding were in a position to identify replacement sources of voluntary funding or the amount that could be raised. Columbia has just begun the process of investigating additional, available options to produce further voluntary hardship funding. Columbia will continue to develop a plan that is aimed at producing the maximum possible level of voluntary funding, and commits to presenting that plan in its next base rate proceeding.

I&E's argument that Columbia "theoretically may never" engage in additional efforts to produce voluntary Hardship Fund funding lacks merit and should be rejected. (I&E Exc. at 8.)

III. CONCLUSION

For the foregoing reasons, and for reasons explained in Columbia's Main Brief and Reply Brief, the Bureau of Investigation and Enforcement's Exceptions should be rejected.

Respectfully submitted,



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Date: October 30, 2015

Attorneys for Columbia Gas of Pennsylvania, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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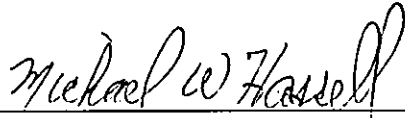
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