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February 21, 2017

Via E-filing

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

Re: Rulemaking to Amend the Provisions of 52 Pa. Code Chapter 59 Regulations Regarding Standards for Changing a Customer's Natural Gas Supplier
Docket No. L-2016-2577413

Dear Secretary Chiavetta:

Enclosed for filing, please find herewith Comment of Columbia Gas of Pennsylvania, Inc. in accordance with the Commission's Advance Notice of Proposed Rulemaking Order, published in the *Pennsylvania Bulletin* on January 7, 2017.

Please direct any questions with regard to this filing to the undersigned by calling (724) 416-6355.

Sincerely,

Theodore J. Gallagher

Enclosure

cc: Daniel Mumford (dmumford@pa.gov)
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BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 59 Regulations Regarding Standards for Changing a Customer's Natural Gas Supplier	: : : : :	L-2016-2577413

COMMENTS OF
COLUMBIA GAS OF PENNSYLVNIA, INC.
TO ADVANCE NOTICE OF
PROPOSED RULEMAKING ORDER

I. INTRODUCTION

Columbia Gas of Pennsylvania, Inc. ("Columbia" or "the Company"), by and through its counsel, hereby submits its Comments to the Commission's Advance Notice of Proposed Rulemaking Order ("ANOPR"), and Annex A attached thereto, regarding amendments and additions to the Commission's regulations at 52 Pa. Code §§ 59.91 – 59.99, which was published in the *Pennsylvania Bulletin* on January 7, 2017. In the ANOPR, the Commission describes proposed changes to its regulations at 52 Pa. Code §§ 59.91 – 59.99 regarding "the process for transferring a customer's account from a service of last resort (SOLR) provider to a competitive natural gas supplier (NGS or supplier), from one supplier to another supplier and from a supplier to SOLR service." ANOPR at p. 1. As noted in the ANOPR, "The proposed regulatory changes are intended to accelerate this process while preserving safeguards to prevent the unauthorized switching of a customer's account, also known as 'slamming.'" *Id.*

Columbia appreciates the opportunity to weigh in on the proposals that the Commission discussed in its ANOPR. At the outset, Columbia wishes to stress that it is mainly concerned with the proposed changes to § 59.94 to establish 3-day switching and which would, of necessity, require off-cycle switching, and which the ANOPR characterizes as "the heart of the matter." ANOPR at p. 16. As will be discussed in further detail below, Columbia wishes to stress that there are operational issues concerning the manner in which natural gas is physically delivered that will create difficulties in the successful establishment of 3-day, off-cycle switching in the natural gas industry. Moreover, Columbia is concerned about the costs to implement 3-day switching, and whether those costs can be justified by the benefits of off-cycle switching. Columbia respectfully requests that the Commission give due consideration to these issues, especially when it considers the viability of the substantial changes to natural gas distribution company ("NGDC") supplier switching regulations that it has proposed.

In addition to the comments provided herein, Columbia commends to the Commission's attention and consideration the comments submitted by the Energy Association of Pennsylvania ("EAP"). Columbia fully supports EAP's comments, and offers its own comments herein in addition, and as supplemental, to EAP's comments.

II. COMMENTS

1. Customer Experience – Columbia's Customers Are Not Complaining About the Timing of Current Supplier Switching Protocols

In the ANOPR, the Commission aptly states that "Before moving forward with any regulatory changes, we must first carefully scrutinize the current customer experience with switching suppliers and the impact of the change from the 10-day to a 5-

day confirmation period." (ANOPR at p. 9). Focusing on slamming incidents, the Commission concludes that the shortened confirmation period has not resulted in significant problems, citing to the fact that there have only been an average of 29 informal complaints filed with the Commission's Bureau of Consumers Services ("BCS") regarding slamming in the years 2012 through 2016, most of which were unfounded or unsupported by sufficient evidence. (ANOPR at pp. 9-10). Columbia agrees that the rarity of BCS informal complaints regarding slamming is an indication that this issue presents no significant problems.

By the same token, Columbia submits that a lack of informal complaints filed with the BCS regarding current supplier switching timelines also reveals no significant problems that must be addressed by amending current regulations. In the years 2012 through 2016, only six of Columbia's customers filed informal complaints regarding supplier switching. Of those six informal complaints, five customers alleged that their supplier had delayed the processing of a cancellation request. In only one of the six informal complaints regarding switching did the customer take issue with a delay in his enrollment with a supplier. In that instance, it turned out that the customer had provided an incorrect account number. Accordingly, BCS informal complaint statistics demonstrate that Columbia's customers have not expressed concern or experienced confusion over established protocols for switching gas suppliers. Nor is Columbia aware of any of its NGDC counterparts in the Commonwealth experiencing such customer concern or confusion. Columbia therefore submits that the current customer experience with switching gas suppliers weighs against amending the Commission's regulations to establish 3-day switching.

2. The Establishment of 3-day Supplier Switching on Columbia's System Will Create Operational Difficulties

a. Columbia's Physical Configuration

In order to understand the impact of the ANOPR's proposed revisions to the time frame requirement under § 59.94 upon Columbia, the Company submits that it will be helpful to describe its physical configuration, and explain how that configuration impacts the delivery of natural gas into Columbia's system. Columbia serves approximately 423,000 customers in 26 counties throughout the Commonwealth of Pennsylvania. The Company is made up of an amalgamation of several different companies, many of them non-contiguous, that were acquired at different times. The timeline of Columbia's development is as follows:

- 1927 – Columbia Gas & Electric, a subsidiary of Manufacturers Light & Heat, serves customers in Pittsburgh and New Castle areas.
- 1937 – First time underground storage used for gas supply.
- 1944 – Merged with Manufacturers Gas Company and begins serving Warren, PA area.
- 1946 – Connection with "Big Inch" and "Little Inch" government interstate oil pipelines.
- 1948 – Acquisition of Gettysburg Gas Corporation, founded in 1928.
- 1954 – First receipt of interstate gas supply from Gulf of Mexico.
- 1966 – Acquisition of Central Maryland Gas Company, serving State College and portions of Center County.
- 1969 – Acquisition of York County Gas Company.

This development has resulted in a complex and widespread distribution network that is comprised of numerous isolated local systems receiving supplies at approximately 240 individual points of receipt from six interstate pipelines. Many of these local systems are served by one or two points of receipt and have limited or no interconnectivity with other distribution systems. Columbia offers two very distinct and successful distribution service programs (Gas Distribution Service ("GDS") and Choice). Each of these programs were developed through collaborative processes and were approved by the Commission. Both GDS and Choice provide opportunities for customers to shop for alternate supplies. Columbia's comments focus on its Choice program.

b. Columbia's Average Day Choice Program

While off-cycle switching has been implemented in Pennsylvania for electric service customers, in its comments, EAP explains the differences between the natural gas and electric industries that weigh against adopting off-cycle switching in the natural gas industry. Moreover, EAP also notes that there are not only differences between the natural gas and electric industries, but that there are operational differences between NGDCs based upon physical assets and the particular interstate pipeline systems that deliver gas to each Pennsylvania NGDC. As described below, Columbia's average day Choice program is unique in Pennsylvania, and would be negatively impacted by the time frame requirements that are proposed in the ANOPR.

Columbia Gas Transmission, LLC ("TCO") provides over 82% of the interstate pipeline deliveries into Columbia. As such, Columbia has designated seven Pipeline Scheduling Points ("PSP"), each corresponding with a single TCO market area. Each PSP incorporates TCO deliveries as well as deliveries from the various other interstate

pipelines from which Columbia receives supply within the physical boundary of the TCO market area. TCO's FERC-approved tariff requires that supplies be nominated for delivery into the market area of their intended delivery. Thus, Choice deliveries as well as system supply deliveries are scheduled to these seven PSPs. Columbia must balance its system on a daily basis for each interstate pipeline city gate. On critical days Columbia must balance by PSP on TCO and at each delivery point for other delivering pipelines as the pipelines may charge penalties for quantities outside of contract or scheduled quantities. Physical management of system balancing is accomplished through contracted no-notice storage services and supply management. This is accomplished primarily through Columbia's demand forecasting process, monitoring weather data, estimating customer consumption, incorporating demand uncertainty and utilization of pipeline transportation and storage assets. Due to the complexities of operating Columbia's system, with its complex, widely dispersed distribution network and multiple pipelines, it was necessary to establish parameters by which to operate the Choice program, including the use of flow orders during periods of system stress.

Columbia's Choice program is an average day program for residential and small commercial customers using less than 64,400 therms per year. Being an average day program, demand curves are generated monthly based on 12 months normalized consumption of the customers enrolled by the NGS divided by 365. Therein, Choice NGS firm delivery requirements are established at equal quantities for each day of the month. Demand curves specify the total delivery obligation of each NGS for every PSP in which they have customers. Capacity assigned is reviewed and adjusted prior to the beginning of each month to ensure supply reliability and permit the NGS to secure their supply and to have the supplies nominated for the beginning of the month, consistent

with TCO tariff requirements. The capacity that is assigned may include several receipt points and require primary firm delivery to as many as seven separate PSPs. TCO firm transportation capacity is assigned to the NGSs on a mandatory basis for 100% of the required firm delivery obligation with all assignments being for a 12-month period. Assignment of upstream Columbia Gulf capacity is optional.

On July 31st of each year, Columbia reconciles the imbalance between the Choice NGSs' deliveries and their customers' actual consumption for the 12 months ending with their July billing cycle. The selection of the July date is important in that it minimizes the imbalance, since customer demand is minimally affected by weather at that time of year.

In Columbia's Choice program, NGSs must deliver to the demand curve every day or be subject to penalty on those quantities that are greater or less than the demand curve obligation. Being an average day program, Columbia's Choice program in its simplicity has provided an opportunity for Choice NGSs, large and small, to participate in the program with minimal barriers of entry and has resulted in a very robust and premier program with many participating NGSs. Currently there are 26 active Choice suppliers on Columbia's system.

In its September 18, 2015 responses to the questions posed by the Commission's Office of Competitive Market Oversight ("OCMO") concerning accelerated switching in the Natural Gas Retail Markets Investigation, Columbia highlighted difficulties that it would encounter in decreasing the established timeline for supplier switching. Columbia described how its current program functions by noting that, through settlements reached with NGS parties to its base rate proceedings, it has accelerated switching on its system by implementing a rolling enrollment process. This was done

specifically in response to concerns raised by NGS parties relative to the historic black-out dates, known as the "freeze period" on Columbia's system, for enrollment of customers into Choice service by NGSs. As part of the settlement of its 2012 rate case, Columbia has eliminated its freeze period for Choice enrollments, and now processes enrollment and drop transactions each processing day. As of the fifteenth day of each month, or the prior business day if the fifteenth falls on a non-business day, Columbia takes a snap-shot of Choice enrollment to develop the daily delivery requirements and determine capacity assignment levels for the upcoming calendar month. Columbia's rolling enrollment process requires on-cycle switching and is working well.

In its responses to OCMO, Columbia further noted that any change to gas switching process may necessitate a fundamental change to Columbia's current average day program, which determines demand curves on the 15th of the month, in order to allow the NGSs to acquire their capacity from Columbia prior to bid week, acquire their needed supplies and nominate those supplies on the upstream pipeline(s). It is Columbia's position that shortening the switching process would result in making Columbia's program less efficient, as the current structure enables Columbia, NGSs and customers to benefit from monthly capacity releases, including avoiding daily price changes in the market.

Requiring Columbia to adopt a 3-day switching cycle creates logistic problems including, but not limited to: the development of demand curves on a daily basis, which entails the vetting of erroneous data submissions by NGSs; and the posting and acceptance of capacity release changes two days prior to the expiration of the 3-day limit in order for the NGS to acquire and nominate supplies which must occur the day prior to the actual flow of gas. This process would be further complicated by the standard

industry practice of nominating weekend gas supplies on Friday of each week for the ensuing three days (sometimes four days when the upcoming Monday is a holiday). Combining the time required to determine delivery requirements, posting and accepting capacity releases, and scheduling deliveries with weekend supply nomination practices makes a 3-day switching cycle impractical.

Beyond Columbia's average day program, a further complication can occur for those NGDCs that, like Columbia, allocate or assign storage as part of their Choice program. Customer service could be placed at risk by changes to storage capacity assignments that must be performed daily, consistent with a 3-day switching cycle.

The problems discussed herein would be the case for a single off-cycle switch during a given billing period. A 3-day switching cycle that permits multiple supplier switches within a billing period would further complicate the management of these services and the resulting supply imbalances that always occur.

A 3-day switching cycle requirement is also at odds with longstanding gas industry practices related to the pricing of natural gas. Access to daily pricing comes with inherent risks that can be difficult, if not impossible, to assess even for the most sophisticated of industry professionals. While a daily price may exist for today's purchases the only price visibility for purchases one month or longer into the future are determined only for purchases for that entire future month. As such, Columbia believes that a 3-day switching requirement will add to, not reduce, pricing volatility for consumers that have little, if any, expertise to determine the cost effectiveness of supply offers they receive today versus what they might receive a day or two later from another supplier. In the long run, Columbia submits that a 3-day switching cycle will not

provide customers any greater visibility to pricing than what NGSs have the ability to offer to them today.

3. Proposed § 59.94(b) Should be Amended to Remove the Reference to "Automated Metering" and to Clarify that the Form of Meter Reading is at the Discretion of the NDGC

The ANOPR notes that NGDCs have pointed to a lack of metering information to support off-cycle switching. Indeed, unlike electric utilities, Columbia is not equipped with advanced metering infrastructure ("AMI") that would enable it to obtain real time meter readings. To address this, the ANOPR states that "there are options available if an off-cycle switch is needed and advanced metering is not available—special meter reading, estimated meter readings and customer-supplied readings." ANOPR at pp. 16-17. Proposed § 59.94(b) incorporates those options.

Columbia submits that if off-cycle switching is to become a requirement, the Commission's regulations should provide for meter reading alternatives for NGDCs, like Columbia, that do not have AMI capabilities. However, as drafted, proposed § 59.94(b) may not provide Columbia with the option to provide an estimated reading. Columbia has implemented Automated Meter Reading ("AMR") technology on its system, which enables the Company to obtain actual meter readings each month by way of trucks that are equipped with devices that obtain metering information from AMRs that are installed on its meters. Unlike AMI, the AMR technology that Columbia has deployed is not a fixed network and it does not enable the Company to obtain daily meter reading data. As drafted, the meter reading alternatives in § 59.94(b) would not be available to Columbia since those alternatives would only apply "In instances when the NGDC does not have advanced **or automated** metering capability[.]" (Emphasis added) Columbia

submits that "or automated" should be removed from proposed § 59.94(b) in order to clarify that Columbia would not have to incur the expense to deploy a meter reading truck each time it is notified of an off-cycle switching request.

Should NGDC off-cycle supplier switching be mandated, Columbia's preferred alternative for a reading in the absence of AMI would be estimated meter readings, rather than a special actual reading, or a customer-provided reading. In Columbia's experience, customer-provided readings are prone to error. The expense of obtaining a special actual reading is unnecessary. With the implementation of AMRs on its system, the Company obtains actual meter readings each month, rather than its former practice of bi-monthly actual readings. Consequently, Columbia's transfer-of-billing meter reading estimates have proven to be extremely accurate.

Given the accuracy of its meter reading estimates, Columbia submits that proposed § 59.94(b) should be amended to clarify that the manner of obtaining a meter reading when the NGDC does not have AMI capability is at the discretion of the NGDC, and that estimated meter readings shall be updated when an actual meter read is obtained, only if necessary. With Columbia's suggested revisions, proposed § 59.94(b) would read as follows:

> The NGDC shall obtain a meter read to effectuate the switch of service within the time period provided for in subsection (a). In instances when an NGDC does not have advance metering capability, the NGDC shall choose either to obtain an actual meter read, use an estimated read, or use a customer-provided meter read. When an estimated meter read is used, the estimated meter read shall be updated when an actual meter read is obtained, if necessary.

4. Costs Associated With Implementing Changes Proposed in the ANOPR

The ANOPR invites commentary on the cost of the mechanisms and procedures that have been proposed. ANOPR at p. 23. Accordingly, Columbia has undertaken to estimate the costs that it will incur under two different scenarios. The first scenario involves no changes to current meter reading technology. The second scenario would involve Columbia's system-wide installation and implementation of AMI technology that is similar to that mandated by statute in the electric industry. Columbia stresses that, as would be the case when estimating costs for any forward-looking change to its current processes, these estimates are preliminary in nature and would be subject to upward or downward adjustment based upon confirmed final solution design. As is also customary when evaluating forward-looking changes, the cost estimates provided herein have a 30% contingency factored into them.

With no changes to its current meter reading technology, Columbia currently estimates that it will cost in excess of $6 million in one-time capital and O&M expenditures to implement the ability in its accounting and billing database for its customers to be able to switch suppliers every three days and to make necessary changes to its billing capabilities. The estimate does not include additional billing costs for an extra page of billing that would be required in the event of multiple supplier switches in one month.

If Columbia were to install a fixed network for AMI capability to capture daily meter readings in support of 3-day, off-cycle switching, Columbia estimates that it

would incur over $30 million in one-time capital and O&M expenditures, along with ongoing annual expenditures in excess of $3 million.[1]

In either scenario, Columbia submits that the costs associated with implementing 3-day, off-cycle switching on its system do not appear to be justified by the benefits of aligning NGDC switching timeframes with the electric industry, as envisioned in the ANOPR. Before moving forward with a rulemaking that would require 3-day natural gas supplier switching, Columbia requests that the Commission undertake a thorough analysis to determine whether the benefits would outweigh the associated costs.

At this juncture, Columbia would note that it has spent more than $632,000 to implement changes that were required as a result of the natural gas Retail Marketing Investigation, which costs are being recovered from Columbia's customers. The expenditures appear to have been for naught, as no NGS has taken advantage of the changes that Columbia has made. Specifically, in compliance with the Commission's Final Order in Docket No. M-2015-2468991 (Natural Gas Distribution Company Customer Account Number Access Mechanism for Natural Gas Suppliers), Columbia submitted a proposed natural gas account number access mechanism for the Commission's consideration, which the Commission approved on June 30, 2016. To implement that mechanism, Columbia spent $329,885. To date, no NGS has taken advantage of this mechanism. Similarly, in compliance with the Commission's Final

[1] The fixed network costs identified herein are inclusive of the costs identified for the installation and operation of the limited fixed network that Columbia has proposed in its Tariff Supplement at Docket No. R-2017-2586190. Columbia submitted that Tariff Supplement in compliance with a settlement provision in its most recent base rate proceeding at Docket No. R-2016-2529660 which required Columbia to propose changes to its Tariff that would mandate the installation of daily red measurement equipment for certain customer classes at Columbia's initial cost, subject to future rate recovery. In the event that Columbia's Tariff Supplement at Docket No. R-2017-2586190 were approved, Columbia's cost estimate identified herein as being necessary for system-wide implementation of a fixed network to facilitate off-cycle supplier switches would decrease.

Order in Docket No. M-2015-2474802 (Joint Natural Gas Distribution Company – Natural Gas Supplier Bill), Columbia implemented information system changes at a cost of $302,566 to include a Shopping Information Box on its Choice-eligible customer bills and to establish NGS bill messaging capabilities. To date, no NGS on Columbia's system has taken advantage of the bill messaging capabilities. Columbia offers this information in order to underscore its concern that the Commission give due consideration as to whether 3-day switching as proposed in the ANOPR is needed, particularly when Columbia's customers are not taking issue with current timelines for supplier switches.

III. CONCLUSION

As discussed above, as well as in the Comments submitted in this matter by the Energy Association of Pennsylvania, Columbia respectfully submits that there are serious issues that must be taken into consideration regarding the changes to the Commission's NGS switching regulations that are proposed in the ANOPR. Chief among these concerns are the operational difficulties and costs associated with implementing 3-day switching, which can only be achieved by requiring NGDCs to implement off-cycle switching. Columbia submits that, at this juncture, the perceived benefits of implementing 3-day natural gas switching are outweighed by the associated operational difficulties and costs that Columbia, other NGDCs, and EAP have discussed in their comments.

Respectfully submitted,

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