

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,
et al.,

v.

Columbia Gas of Pennsylvania, Inc.

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Docket Nos.: R-2015-2468056
C-2015-2473682

**REVISED DIRECT TESTIMONY
OF THOMAS J. BUTLER
ON BEHALF
OF THE NATURAL GAS SUPPLIER PARTIES**

CLEAN VERSION

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June 19, 2015
NGS Parties Statement No. 1 - Revised

NGS Stmt. 1 - Revised
R-2015-2468056
8-4-15
Harrisburg JS

1 **Q. Please state your name?**

2 A. My name is Thomas J. Butler, and my business address is 501 Martindale Street, Suite
3 400, Pittsburgh, Pennsylvania 15212-5817.

4
5 **Q. By whom are you employed?**

6 A. Dominion Retail, Inc.
7

8 **Q. What is your job title and briefly describe your job responsibilities in that position?**

9 A. My title is Director Retail Gas Sales & Supply. I joined Dominion Retail in 1996 at the
10 beginning of retail choice. I was a principal player in the start-up of the retail energy
11 business unit. My role for Dominion Retail entails managing the entire natural gas retail
12 operation, identifying/evaluating new retail markets, managing regulatory policy matters
13 in states where Dominion Retail operates or plans to operate, overseeing the
14 implementation of short-term business plans, pursuing potential business
15 acquisitions/partnerships and overseeing our commercial/industrial gas sales business. I
16 have testified before this Commission on issues related to energy choice on numerous
17 occasions.

18
19 **Q. On whose behalf are you testifying?**

20 A. Dominion Retail, Inc. d/b/a Dominion Energy Solution ("DES"), Shipley Choice LLC,
21 d/b/a Shipley Energy and Interstate Gas Supply, Inc., d/b/a IGS Energy, collectively
22 referred to as the NGS (Natural Gas Supplier) Parties.
23

1 **Q. What is the purpose of your testimony?**

2 A. The NGS Parties are concerned about Columbia's imbalance charges for CHOICE and
3 general transportation as well as several gas transportation rules and procedures for
4 managing imbalances.

5
6 **Q. What is your concern about imbalance charges?**

7 A. The NGS Parties believe that Columbia's imbalance charges and associated penalties are
8 not market based and do not promote fair and equal competition. The level of the
9 imbalance charges are significantly above the highest costs of gas being delivered to
10 Columbia's system. We understand that NGSs should not rely on Columbia to deliver
11 gas on their behalf if they fail to do so. However, the sheer level of the charges places
12 inordinate supply cost risks on NGSs, causes NGSs to possibly include unfair cost pass
13 through rules in its customer contracts, and does not promote the continuation and growth
14 in competition.

15
16 **CHOICE Aggregation Imbalance Charge (4.12.5 – Tariff Page 243 and 4.11.2**
17 **Tariff page 242).**

18 **Q. What is a Choice imbalance?**

19 A. NGSs are required by the CHOICE Aggregation Tariff to deliver a Daily Delivery
20 Requirement specified by Columbia. An imbalance occurs if there is a difference
21 between the CHOICE Daily Delivery Requirement and the actual gas delivered by the
22 NGS on any given day.

23

1 **Q. What is Columbia's charge for an imbalance?**

2 A. Columbia charges \$23.30/dth for any imbalance on a given day.

3

4 **Q. What is Columbia stated reason for the level of the current imbalance charges?**

5 A. We are not sure why Columbia needs to recover more than its costs incurred from an
6 imbalance. We don't think Columbia profits from the excessive imbalance charges;
7 however, it is clear that imbalance charges at this level are extremely punitive.

8

9 **Q. Does Columbia's imbalance fee change over time, for example, if the market prices
10 for gas were to change?**

11 A. No. Columbia's imbalance fee is static, despite any swing in the market.

12

13 **Q. Does Columbia use a market based imbalance settlement for General
14 Transportation?**

15 A. Yes. But unfortunately, we have a problem with their general transportation market
16 based mechanism, but for another reason which I discuss later in my testimony.

17

18 **Q. Does Columbia charge this imbalance fee on every day of the year?**

19 A. Yes. Columbia charges this set fee whether it is a warm summer day or cold winter day.

20

21 **Q. Does Columbia allow NGSs to cure any imbalance in order to avoid the fee?**

22 A. Not that we are aware of. Even when requested, it is our understanding that Columbia
23 does not allow NGSs to make up the gas imbalance for its CHOICE customers.

1 **Q. Why does Columbia not allow NGSs to cure an imbalance?**

2 A. We suspect that Columbia is concerned that NGSs may game the difference in daily
3 prices, but Columbia will not even let NGSs cure their imbalance when it is obvious that
4 there were no gaming opportunities on daily prices.

5

6 **Q. Is there a way that Columbia could allow NGSs to cure an imbalance and limit
7 gaming?**

8 A. Columbia could charge a parking fee which could be calculated by the difference
9 between the highest price of gas at the Columbia Appalachia index point and the lowest
10 price of gas at the Columbia Appalachia index point for a given month and use that fee
11 for a NGS who wants to cure an imbalance within a particular month. We believe that
12 this would prevent any gaming on daily prices.

13

14 **Q. Does the Imbalance Fee have anything to do with the price that Columbia pays for
15 replacement gas?**

16 A. No. Columbia charges the same fee, regardless of the price it pays for the gas.

17

18 **Q. Do you consider the Imbalance Fee be fair to NGSs and their customers?**

19 A. No. It is way too high and not market based. Plus, Columbia allows no opportunity to
20 cure imbalances even knowing that CHOICE customers pay for the storage capacity/no-
21 notice service and it is reasonable that the customers/their NGS be permitted to utilize
22 those rights if necessary. There is no basis for a fee to be overtly punitive.

23

1 **Q. How does Columbia's imbalance fee compare to the prices of gas purchased by**
2 **Columbia?**

3 A. From the price information provided by Columbia, they did not pay on any day a price
4 for gas that was near the currently effective imbalance fee of \$23.30/dth or OFO
5 imbalance fee of \$46.60/dth (the specific price information was marked Highly
6 Confidential). Looking at index prices for Columbia Appalachia, the highest price of gas
7 at the Columbia Transmission (TCO) Appalachian Index point over the last 3 years was
8 \$8.60 and that price occurred on February 6th 2014. More importantly, since an
9 imbalance can occur on any day, the Columbia Appalachia average index price was
10 \$3.60/dth over the last 3 years. We realize that gas must be delivered to Columbia of PA
11 and a NGS incurs additional costs of delivery and fuel – but those costs do not exceed
12 \$.50/dth. Again, for a reference point, Columbia is charging \$23.30/dth for an imbalance
13 on any day.

14
15 **Q. What is the proposal by the NGS Parties?**

16 A. We believe that imbalance charge should be market based. The imbalance charge should
17 be based on the Columbia Appalachia Index published in Gas Daily plus delivery and
18 fuel charges. There are several prices posted each day, an Absolute High, Average and
19 Absolute Low. We are willing to pay the Absolute High on the published TCO index
20 plus delivery charges for daily imbalance shortfalls. And, to satisfy concerns that may be
21 raised by the sales customers, we are willing to pay the higher of Columbia's cost of gas
22 for the given day for the market area of the market based price based on Columbia

1 Appalachia index from Platt's Gas Daily noted above. We are willing to do this so that
2 sales customers cannot be harmed.

3
4 **Q. Why do you propose to use the Columbia Appalachia Index?**

5 A. It is our understanding that a vast majority of gas moved to Columbia of PA is delivered
6 via Columbia Transmission (TCO). Therefore, the appropriate replacement cost of gas (a
7 price reflective of local market on Columbia) should be based market reference point of
8 Columbia Appalachia Index.

9
10 **Q. Do you think there should be an additional penalty charges imposed on imbalances
11 over and above what you proposed?**

12 A. No. Our proposal has the imbalance charge is defined as the higher of the highest price
13 paid by Columbia for the market area or Absolute highest market price posted for
14 Columbia Appalachia index– that already creates a penalty.

15
16 **Q. Does Columbia have protection in extreme weather condition in its tariff related to
17 NGS's failure to deliver?**

18 A. Yes. Columbia has additional rules in place, especially for extreme conditions. Columbia
19 can call Operational Flow Order and require that we deliver the Daily Delivery
20 Requirement. If Columbia calls an OFO and a NGS fails to deliver gas, it is subject to
21 OFO charges of \$46.60/dth for any imbalance due to failure to deliver. Additionally,
22 Columbia has a statement in its tariff that says the following:

1 In addition (to imbalance charges), the NGS will be responsible for
2 payment of all other charges or costs incurred by the Company that
3 result from the NGS's failure to deliver. Including a proportionate
4 share of any pipeline penalties incurred by the Company. In
5 addition, the NGS will be required to deliver the remaining portion
6 of its CHOICE Aggregation Nomination Group's estimated
7 Normalized usage via ITS in the summer months defined as April
8 through October, unless the Company authorizes a lower or higher
9 level of deliveries via ITS.

10
11 I read that statement to say that Columbia expects to be made whole - so Columbia is
12 adequately protected from imbalances incurred by NGSs, as Columbia has the right to
13 pass on additional charges and penalties.

14
15 **Q. Do you agree with the level of the OFO imbalance penalty charge in Columbia**
16 **tariff?**

17 A. No. It is not market based and not reflective of the price paid by Columbia for
18 replacement gas.

19
20 **Q. Is it possible that the cost of gas could be more than \$46.60/dth?**

21 A. Yes.

22
23 **Q. Would NGSs accept that risk in lieu of Columbia's flat charge?**

24 A. Yes. We believe that imbalance charges should be market based and utilize the same
25 proposal where the imbalance charge would be based on the higher Columbia Appalachia
26 market index price or the highest price paid by Columbia for gas for that day.

1 **Q. Shouldn't there be a penalty on OFO days over and above the costs?**

2 A. As I discussed above, Columbia is permitted to pass on all costs incurred as a result of
3 NGS's failure to deliver. Again we are willing to pay the highest cost of gas or highest
4 Columbia Appalachia market price for that day. I am not sure what additional protection
5 that they need. That is a penalty in itself and extreme risk that any NGS should avoid at
6 all costs in an OFO situation. I do believe that Columbia should have the right to not
7 allow a NGS to cure if it fails to deliver on an OFO day.

8
9 **Q. Did the NGSs incur any imbalance charges this year?**

10 A. I am not sure – but that is not relevant to why we are disputing the imbalance charge
11 itself. The NGSs are concerned with the risk of incurring imbalance charges which are
12 not market based. The current imbalance is much higher than market prices and we have
13 no way to mitigate those costs if we were to incur them.

14
15 **Q. What are the NGSs proposed tariff language modifications?**

16 A. Replace paragraph 4.12.5 with the following:

17 If a NGS fails to deliver the CHOICE Delivery Requirement for
18 any CHOICE Aggregation Group, it shall be subject to an
19 imbalance charge on the amount of gas it failed to deliver which is
20 the positive difference between the CHOICE Daily Delivery
21 Requirement and the actual daily deliveries. The imbalance price
22 on gas volumes that Columbia had to purchase and deliver on
23 behalf of the NGS for that day and shall be equal to the higher of:
24 1) Columbia's highest cost of gas for the market area, or 2) the
25 highest market price posted using the Highest Columbia
26 Appalachia Index price published in Platts Gas Daily under the
27 heading "Columbia Appalachia" in the Appalachia section of the
28 Daily Price Survey plus delivery charges and fuel charges
29 determined by Columbia and based on Columbia Transmission's
30 interstate tariff. In addition, the NGS shall be responsible for the

1 payment of all other charges or costs incurred by the Company that
2 result from the NGS's failure to deliver. Including a proportionate
3 share of any pipeline penalties incurred by the Company. The
4 same charges apply whether an OFO, SFO and/or OMO are in
5 place for that given day.
6

7 We propose to delete paragraph 4.11.2 entirely.

8 Add the following cure language:

9 In addition, Columbia will permit an NGS to cure a daily CHOICE
10 imbalance within a calendar month by delivering additional
11 volumes on another day. If it is a winter month (November-
12 March) Columbia will charge the NGS the difference between the
13 highest and lowest TCO Columbia Appalachia price posted in
14 Platts Gas Daily for that given month. For any other month, a \$
15 .07/dth fee will apply.
16

17 If Columbia calls an OFO on that given day, the supplier will not
18 be permitted to cure any CHOICE imbalance for that given day.
19

20 **General Transportation Imbalance Charge (Sections 3.11 thru 3.13 - Tariff Pages 208-211)**

21 **Q. What is a General Transportation imbalance?**

22 A. NGSs are required by the General Transportation Tariff to deliver a monthly gas quantity
23 equal to its actual customer metered consumption for each nomination group. An
24 imbalance occurs if there is a difference between the NGS's deliveries and the actual use
25 by the nomination groups.
26

27 **Q. What is a nomination group and how is associated with market areas?**

28 A. Columbia places general transportation customers into nomination groups. A NGS has to
29 balance its deliveries and actual usage for each nomination group individually. A NGS
30 may have one or more nomination group(s) for each Columbia market area. Columbia

1 has 7 market areas in Pennsylvania. Meaning, an NGS that has general transportation
2 customers in each market area has to balance at least 7 nomination groups individually.

3

4 **Q. How does a NGS estimate what their customer is going to consume?**

5 A. An NGS will most probably examine the customer's historical usage, get estimates from
6 its customer and then estimate how much the NGS expects the customer use in a given
7 month.

8

9 **Q. What period does the NGS have to balance its deliveries and customer
10 consumption?**

11 A. On a calendar month basis.

12

13 **Q. Does Columbia read every general transportation customer's meter on a calendar
14 month basis?**

15 A. No.

16

17 **Q. Is an NGS expected to balance exactly, even when there is a functional mismatch
18 between the customer's meter read dates and calendar month deliveries?**

19 A. Yes. Given this inherent problem, I believe it is important for Columbia to release the
20 meter reading information as soon as it is available and the imbalance system should be
21 based on monthly quantities and prices as I will propose.

22

23

1 **Q. Does Columbia provide a balancing service for general transportation customers?**

2 A. Yes. Those in the aggregation pools pay the Elective Balancing Charge, for the most
3 part, under Option 1.
4

5 **Q. Why is this relevant to the imbalance charges?**

6 A. Because when customers pay for balancing service, NGSs should be able to manage
7 banks more effectively and trade gas once they know the level of their potential
8 imbalances. Columbia only gives NGSs to the third day of following month to trade
9 banked imbalances. Customer consumption for monthly metered customers is not known
10 for several days after that -- until 10 days after the end of the consumption month. We
11 will discuss the suggested improvements related to banking trades later in the testimony.
12

13 **Q. What is Columbia's price for an imbalance on general transportation?**

14 A. Columbia charges a market based imbalance charge. The exact tariff wording is as
15 follows:

16 For customer electing Rider EBS-Option 1, or Rider EBS- Option
17 2, the index price for such imbalance gas shall be determined by
18 selecting the greater of: (1) the average of the highest City Gate
19 price for deliveries to Columbia Gas for ten consecutive days
20 during the calendar month as published in Platts Gas Daily "Daily
21 Price Survey" under the heading "Texas Eastern M-3" or (2) the
22 highest commodity cost of purchases by the Company during the
23 calendar month, including the delivered cost of purchases at the
24 city gate....
25
26
27
28
29

1 **Q. Do you see a problem with Columbia's current imbalance charges for general**
2 **transportation?**

3 A. Yes. We are being required to pay the higher of highest paid by Columbia or the Texas
4 Eastern index price (that may or may not be higher price paid by Columbia). This
5 requirement says that imbalance price will be, at minimum, the highest price paid by
6 Columbia. We can agree to pay the highest price paid for by Columbia – that is fair. But
7 Columbia also uses Texas Eastern M-3 index to set its imbalance price. The Texas
8 Eastern M3 prices have increased in volatility and amplitude in the recent years due to
9 pipeline constraints on the East Coast. In reviewing the price levels as compared to price
10 for gas commonly traded on Columbia, we concluded that the Texas Eastern M3 is not
11 the correct or appropriate index for gas delivered on Columbia. Columbia should not be
12 able to settle imbalances at cost levels above their incurred costs.

13
14 **Q. Why is Texas Eastern M3 not the correct index?**

15 A. It is my understanding the very small amounts of gas are delivered to Columbia via Texas
16 Eastern. Columbia receives a vast majority of its supplies via Columbia Transmission.
17 Furthermore, we believe that Columbia cannot show that it paid the extreme Texas
18 Eastern M3 prices for any gas that it purchased for the last several years. Therefore, if
19 Columbia cannot show any evidence that it paid Texas Eastern M3 prices, especially the
20 extreme prices, which it uses to set an imbalance price for a month, then Columbia does
21 not have any justification for using those prices for imbalances. The Texas Eastern M3
22 prices can spike to extreme and different price levels due to pipeline capacity constraints
23 on the East Coast and not reflective of market prices for gas being traded and sold on the

1 Columbia system in Western and Central PA. In addition, it highly likely that Columbia
2 will incur costs similar to the Columbia Appalachia index and those costs should be
3 representative of prices paid by Columbia.

4
5 **Q. How much difference is there between the indices, TETCO M3 and Columbia**
6 **Appalachia?**

7 A. The difference can be very large when the pipeline capacity constraints appear. The
8 highest price of gas at the Columbia Transmission (TCO) Appalachian Index point over
9 the last 3 years was \$8.60 and that price occurred on February 6, 2014. The highest price
10 of gas at the Texas Eastern M3 Index point over the last 3 years was \$100.00 and that
11 price occurred on January 28, 2014. There is a big difference in the price extremes and
12 this presents significant risks for NGSs/ or their customers. The Columbia Appalachia
13 Index point for imbalances seems more relevant to Columbia's system.

14
15 **Q. With Columbia's current imbalance settlement equation, is it possible that a NGS**
16 **will pay Columbia more than it cost Columbia to resolve the imbalance?**

17 A. Yes and that is unfair. In February 2015, my Company was charged over \$27/dth for
18 imbalances; and I am fairly certain that Columbia did not pay that much for the
19 replacement gas.

20
21 **Q. If Columbia accepts the change in index point, could they or the sales customers be**
22 **harmed by a NGS imbalance?**

23 A. No.

1 **Q. Please explain?**

2 A. As I discussed before, an NGS has to pay the highest price of gas paid by Columbia for
3 the particular month or the index price. If Columbia paid more for gas than the index,
4 then they can charge that price for imbalances. In addition, depending on the size of the
5 imbalance on percentage of load basis, the NGS could be exposed to additional
6 multipliers that add to the imbalance price. For example, if a NGS is short by 15%, a
7 120% multiplier will be applied to the highest price noted above. So, if an \$8.00 price
8 was calculated as the highest price, that price would be multiplied by 120%, making the
9 imbalance charge \$9.60/dth.

10

11 **Q. So it is likely with the multipliers applied to the highest price of gas that sales**
12 **customers are going to benefit from the settlement of imbalances?**

13 A. Yes.

14

15 **Q. Do you think the multipliers should be eliminated?**

16 A. Yes. I propose that the multipliers be eliminated since NGSs are paying the highs on gas
17 traded during the month for a shortfall.

18

19 **Q. Shouldn't imbalances be settled at the highest index price or Columbia highest price**
20 **and not both?**

21 A. Yes. And we would choose the highest price paid by Columbia knowing what we know
22 about the current market index.

1 **Q. But if Columbia changed the index point to Columbia Appalachia, would you accept**
2 **the higher of the two prices?**

3 A. Yes.

4

5 **Q. Do the NGS Parties have an opinion on whether sales customers could be harmed**
6 **by your proposed solution?**

7 A. We do not believe that sales customers can possibly be harmed. As we see it, sales
8 customer could benefit with any imbalance, even with the modifications that I am
9 proposing. I say this because the highest price paid by Columbia may be area where
10 Columbia's system was constrained and they had to buy the high priced commodity. But
11 they may have been able to replace the imbalance for a much lower cost at the location of
12 the imbalance. In addition, some NGSs may have over-delivered gas and other may have
13 under-delivered gas on any given month. This fact is not taken into account when
14 Columbia is determining its imbalance price for a given month. Overall, this should not
15 be a process where Columbia is trying to make money or benefit sales customers over
16 transportation customers.

17

18 **Q. Columbia is going to say they need a "hammer"—or a way to enforce delivery**
19 **obligations. Do they need such a "hammer"?**

20 A. My proposal still provides a hammer for Columbia. The NGSs don't want to pay the
21 higher of the highest Columbia Appalachia index price or the highest price paid for by
22 Columbia. That is a significant deterrent to bad behavior.

23

1 **Q. What is the proposal by the NGS Parties?**

2 A. We believe that the imbalance charge should be based on the Columbia Appalachia Index
3 published in Platts Gas Daily plus delivery and fuel charges. There are several prices
4 posted each day, an Absolute High, Average and Absolute Low. We are willing to pay
5 the higher of: 1) Absolute High on the published Columbia Appalachia index plus
6 delivery charges; or, 2) the highest of Columbia's cost of gas for the given month. We
7 are willing to do this so that sales customers cannot be harmed.

8

9 **Q. All of your discussion above was about an NGS that may have a shortfall in its
10 deliveries? Does the opposite situation apply for a NGS delivering too much gas?**

11 A. Yes. For a given month, I am proposing that Columbia pay the NGS for excess gas at the
12 lower of: 1) absolute lows for the Columbia Appalachia index plus delivery and fuel; or,
13 2) the lowest price paid by Columbia.

14

15 **Q. What is the NGS's proposed tariff language modifications regarding the index
16 price?**

17 A. Replace paragraph 3.11.2 as follows:

18 For customer electing Rider EBS-Option 1, or Rider EBS- Option
19 2, the index price for such imbalance gas shall be determined by
20 selecting the greater of: (1) the average of the highest *Appalachia*
21 ~~City Gate~~ price for deliveries to Columbia Gas for ~~ten consecutive~~
22 ~~days during~~ the calendar month as published in Platts Gas Daily
23 "Daily Price Survey" under the heading *Columbia Appalachia*
24 ~~"Texas Eastern M-3"~~ or (2) the highest commodity cost of
25 purchases by the Company during the calendar month for the
26 market area, including the delivered cost of purchases at the city
27 gate....

28

29

1
2 Delete paragraph 3.11.3, and replace paragraph 3.12.2 as follows:

3 For customer electing Rider EBS-Option 1, or Rider EBS- Option
4 2, the index price for such imbalance gas shall be determined by
5 selecting the lower of : (1) the average of the lowest *Appalachia*
6 ~~City Gate~~ price for deliveries to Columbia Gas for ~~ten consecutive~~
7 ~~days during~~ the calendar month as published in Platts Gas Daily
8 "Daily Price Survey" under the heading *Columbia Appalachia*
9 "~~Texas Eastern M-3~~" or (2) the lowest commodity cost of
10 purchases by the Company during the calendar month for the
11 market area, including the delivered cost of purchases at the city
12 gate....

13
14 We also propose to delete paragraph 3.12.3.

15
16 **Q. What other improvements do you propose to make to the General Transportation**
17 **program?**

18 A. We would like to see the following changes made to Columbia's rules and practices
19 under General Transportation:

- 20 1) Earlier Availability of Monthly GTS Meter Reads – We would like to see Columbia
21 provide customer meter reads shortly after the read has been made. This should help on
22 managing our supply imbalances with Columbia on an ongoing basis. The current bank
23 and burn reports are provided to NGSs too late to make changes to deliveries or trade
24 banks.
- 25 2) Nomination Groups - Eliminate the splitting of nomination groups between Priority 1
26 and non-Priority 1 by market area. This provides an additional group of customers in
27 each market area for a NGS to independently balance supply and requirements. It is
28 burdensome to NGSs, costly, and unfair that NGSs are required to balance independently
29 multiple groups within a market area.

1 3) Bank and Imbalance trading – Allow NGSs to move banked and imbalance volumes from
2 market area to market area within the NGS aggregation groups and trade imbalances with
3 other NGSs to balance loads and this process should not occur until the meter reads are
4 known for all GTS customers served in the delivery month. Columbia does allow bank
5 trading but it must be completed by the 3rd day of the following month. By the 3rd of the
6 following month, NGSs don't have the monthly customer meter read information and the
7 process is ineffective as designed. NGSs should be permitted to trade prior month banks
8 up to 3 days after the Bank and Burn reports are published.

9
10 **Q. Is there anything further you wish to add?**

11
12 **A. No, and this concludes my Direct Testimony.**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,
et al.,

v.

Columbia Gas of Pennsylvania, Inc.

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Docket Nos.: R-2015-2468056
C-2015-2473682

**SURREBUTTAL TESTIMONY
OF THOMAS J. BUTLER
ON BEHALF OF THE NATURAL GAS SUPPLIER PARTIES**

July 28, 2015
NGS Parties Statement No. 1-SR

NGS Stmt. 1-SR
R-2015-2468056
8-4-15
Harrisburg JS

1 I. **INTRODUCTION**

2 Q. **Please state your name?**

3 A. My name is Thomas J. Butler, and my business address is 501 Martindale Street, Suite
4 400, Pittsburgh, Pennsylvania 15212-5817.

5

6 Q. **Are you the same Thomas J. Butler who presented Direct Testimony in this
7 proceeding?**

8 A. Yes.

9

10 Q. **What is the purpose of your Surrebuttal Testimony?**

11 A. To address the criticisms leveled by Nancy Krajovic against my proposal to modify
12 Columbia Gas of Pennsylvania's ("Columbia", "CPA" or the "Company") penalties for
13 its Choice and transportation programs.

14

15 Q. **On page 31 of Ms. Krajovic's rebuttal testimony beginning at line 6, she contends
16 that you appear to be confused with regard to the CHOICE and General
17 Distribution Service programs provided by Columbia. How do you respond?**

18 A. Mrs. Krajovic states that I am confused, but she is the one who fails to address the real
19 issues in my testimony – like justifying why Columbia needs excessive penalties and/or
20 charges for imbalances that are not reflective of costs of gas on CPA's system. I
21 presented my testimony on behalf of NGSs because CPA's choice and GTS rules present
22 significant non-performance risks for NGSs – thus making the CHOICE program and
23 GTS transportation increasingly unattractive and risky for NGSs. I also presented that

1 my proposals protects sales and PGC customers by structuring an imbalance settlement
 2 that pays the higher of highest cost of gas or highest relevant market price for shortfalls
 3 and conversely for over-deliveries. My proposed structure is a penalty to NGSs and a
 4 disincentive not to under-deliver or over-deliver gas to CHOICE and GTS customers.

5
 6 **Q. Please explain?**

7 A. Prices in the gas marketplace haven fallen considerably in the last five years and NGS
 8 margins have fallen accordingly - but Columbia, as detailed in Ms. Krajovic' testimony,
 9 does not care about the significant risks that CPA's tariffs present for NGSs.
 10 Furthermore, Columbia has perpetuated the myth that NGSs are going to move their gas
 11 elsewhere to take advantage of one-time arbitrage opportunities, while presenting no
 12 evidence whatsoever that suppliers have ever done so--anywhere. For an NGS to engage
 13 in such arbitrage, it would need firm, point to point transmission capacity to move its gas
 14 elsewhere. If a supplier had such capacity, I question why the supplier would use its gas
 15 that it had committed to deliver to CPA and not buy other gas in the market. It cannot be
 16 forgotten that in today's market gas is plentiful (especially in Western/Central
 17 Pennsylvania). Delivery capacity is the bottleneck. And why would we put our business
 18 at risk for unpredictable opportunity-- we paid to obtain our customers and wish to
 19 maintain them – that is our business – we want a consistent business. And, even more
 20 absurd, Columbia's myth suggests that we have "idle" firm capacity sitting around on the
 21 coldest days of the year that we can use to divert out gas that would otherwise flow to
 22 CPA system. That is neither logical reasoning nor justification for its excessive penalties.

1 It is neither my business plan nor the business of NGSs to make one-time, unpredictable
 2 profits on uncertain arbitrage opportunities. Our businesses are to serve end-use gas
 3 customers their gas requirements. And why would we want to chance destroying our
 4 business for a one time opportunity.

5 It is in the favor of customers that competition works and is effective. Setting up high
 6 risk penalties or rules hampers participants, deters new entrants, and ultimately harms
 7 customers.

8

9 **Q. What is Columbia’s CHOICE penalty structure and why is it a problem?**

10 A. CHOICE penalties are at \$2.33/therm or \$23.30/dekatherm, and are a flat penalty
 11 amount, i.e., they are not market based. Columbia has failed to explain why the penalties
 12 are so high. Gas delivered to CPA is selling for approximately \$0.30/therm (TCO
 13 Appalachia index \$0.28/therm plus .02/therm for delivery). A 766% penalty is not
 14 reasonable or necessary from my viewpoint. Ms. Krajovic fails to defend the level of the
 15 charges, how the penalties were calculated, and provides no greater understanding why a
 16 \$2.33/therm or \$23.30 dth is necessary or fair. Ms. Krajovic does say that none of NGSs
 17 are encountering CHOICE penalties – so the level must be right – but she fails to
 18 consider that \$.10/therm penalty for CHOICE may work equally as well. NGSs strongly
 19 prefer market based system for penalties on delivery shortfalls – which Ms. Krajovic says
 20 later that Columbia would consider for CHOICE – but if you read through the lines she
 21 wants an explosive east cost index like Texas Eastern M3 – not Columbia Appalachia
 22 that is more representative of Columbia’s market. For CHOICE, we already conceded
 23 that the NGSs would be willing to pay the higher of CPA’s cost of gas or a highest

1 Columbia Appalachia index for each market zone– which protects Columbia and its sales
2 (PGC) customers. We would just like the playing field to level and fair.

3
4 **Q. What about for OFO/OMO days when the system is under more stress?**

5 A. NGSs are willing to consider a scaled percentage penalty like 10% -50%, not 766%, for
6 additional cost on an OFO/OMO called on extreme winter day, but it should be noted that
7 Columbia calls more OFO's and OMO's than any other system that I am aware of. I
8 continue to believe that the Commission wants CHOICE and GTS programs to work
9 effectively and be balanced and minimize cost shifting between sales and transportation.
10 Columbia's penalties do not minimize cost shifting – they have the potential to cause
11 huge cost shifting from transportation to sales.

12
13 **Q. On page 31, Ms. Krajovic says that penalties and charges must be designed to take
14 into account prices across the marketplace. Where is this leading?**

15 A. Ms. Krajovic believes that penalties and charges for imbalances need to account for
16 differences in prices for markets other than Columbia. This is where Ms. Krajovic is
17 clearly diverges from our viewpoint. Columbia of PA is a market and penalties and
18 imbalances charges need to be appropriate for its market and cost of gas being sold and
19 traded in its market. The NGSs feel strongly that imbalances should be only settled at a
20 market index that is reflective of gas being traded in the specific market. For shortfalls in
21 extreme weather conditions, we are willing to concede that replacement gas (which is
22 already highest cost in my proposal) can be increased by a reasonable penalty percentage

1 to insure compliance in those conditions. Even so, NGSs have no incentive to chance
2 incurring the highest cost of gas.

3
4 **Q. Ms. Krajovic also contends that your proposal presents and oversimplified view of**
5 **the system and that your statement that “the vast majority of gas moved to**
6 **Columbia of PA is delivered via Columbia Transmission (“TCO”)” is simplistic as**
7 **well. How do you respond?**

8 A. Again, Ms. Krajovic makes a statement but presents no pertinent facts to support her
9 argument. She obviously knows exactly how much and what percentage of gas is moved
10 through Columbia Transmission (TCO) to CPA. She could use those facts to dispute my
11 statement that a vast majority of gas is delivered through Columbia Transmission (TCO)
12 --but she does not, because she cannot-- she just says that I oversimplified it. We served
13 customers on the Columbia system since the late 1990’s and I can say for certain that
14 every therm of gas that we have delivered over the past 5 years moved through Columbia
15 Transmission to CPA. That is why my recommendation for using Columbia Appalachia
16 index as a market index for imbalance settlements is relevant and has true merit.

17
18 **Q. Ms. Krajovic states that if the penalties and charges are not sufficient, that NGSs**
19 **will engage in arbitrage and sell their gas for higher prices elsewhere to the**
20 **detriment of the Company’s Distribution System and PGC customers. Have you**
21 **seen any evidence of this behavior?**

22 A. No.

23

1 **Q. Can you please explain an NGS's motivation NOT to engage in arbitrage?**

2 A. Dominion Retail is in the retail gas business to sell natural gas to end-users – that is my
 3 charter as an NGSs. I have no motivation or desire to sell gas on unpredictable, one time
 4 opportunities. My company wants my group to provide steady and known earnings to the
 5 company. In addition, my company would consider an arbitrage opportunity as
 6 speculative trading and I would be dismissed for participating in such an action. I'm sure
 7 that IGS Energy and Shipley Energy have similar charters. In addition to limited
 8 benefits, a NGS needs excess firm point to point interstate transmission capacity sitting
 9 on the shelf to execute arbitrage trades. So why would a NGS pay for capacity charges
 10 all year to sit the capacity on a shelf. Gas is not the scarce commodity; transmission
 11 capacity is the scarce commodity. So why should I take gas that I am delivering to CPA
 12 and move it elsewhere. I can get gas anywhere– I need transmission capacity to create an
 13 arbitrage opportunity. I would not need the gas that I am delivering on CPA if I was
 14 engaging in arbitrage. Columbia's statements on gas arbitrage cannot be substantiated
 15 with facts and real experiences with NGSs operating on their system and it belies the true
 16 market structure and transactional requirements to deliver gas.

17
 18 **Q. Does Mr. Krajovic agree that it would be otherwise be difficult for a CHOICE NGS
 19 to obtain capacity to deliver gas under Columbia's system were it not for the
 20 assignment of capacity provided by Columbia? (Page 32, lines 3-14).**

21 A. Yes. It would be very risky to deliver to priority 1 customer without the firm transmission
 22 capacity and the firm capacity should insure that a NGS delivers its gas. Ms. Krajovic
 23 states that "the assignment of FTS eliminates the risk of an NGS not being able to obtain

1 the appropriate firm capacity to serve its CHOICE customers”. It is interesting that Ms.
2 Krajovic agrees that it is an important facet of the CHOICE programs for a NGS to have
3 firm capacity to serve CHOICE customers on a firm basis – but Ms. Krajovic fails to
4 understand that an NGS needs that similar firm capacity to ship gas off of TCO to other
5 markets to create arbitrage opportunities which is the sole basis for excessive penalties.
6 Frankly, Ms. Krajovic is right that NGS should make their deliveries and I say that NGSs
7 are going to make their CHOICE deliveries happen. In my experience, penalties are most
8 likely the result of an NGS making an error like failing to make the right nomination on a
9 single day (that day can be any day of the year). That does not justify Columbia’s desire
10 to place this high level risk on NGSs and to charge those excessive penalties for an error.
11 I can tell you that Columbia will bill the penalty charge even though they knew you made
12 an administrative error -- we had to pay big bill like that in the past. Conversely, let’s say
13 Columbia makes the same nomination error. It would not be charged a penalty. And, in
14 part, such an error would allow Columbia, in part, to ride on the backs of the gas that
15 NGSs put into storage every day. It seems unfair and discriminatory to us.

16
17 **Q. Do you agree with Ms. Krajovic’s statement, Page 33, Line 6, that a penalty is a**
18 **charge for non-compliance and is not the same as a charge for gas supply?**

19 A. It doesn’t really matter to a NGS whether a penalty is a charge for non-compliance or a
20 charge for gas. Any amount over the cost of gas that NGS could have paid is an
21 incentive to ensure delivery of gas to CPA. And on the arbitrage front, I must repeat that
22 I have yet to see any evidence of arbitrage provided by Columbia or others that NGSs
23 have moved or would move gas out of the Columbia market area in response to price

1 differences. Gas is not the scarce commodity; rather, the scarce commodity is the
2 capacity to move that gas.

3

4 **Q. Do you agree with Ms. Krajovic that the fact that CHOICE NGSs are delivering**
5 **1/365th per day provides an advantage to Columbia in purchasing its gas for its PGC**
6 **customers because Columbia knows those CHOICE NGSs are filling its storage day-**
7 **in and day-out and Columbia can engage in arbitrage via off-system sales and not**
8 **use its pipeline capacity for filling storage as the NGSs are being required to do?**
9 **(Page 33, Lines 13-22).**

10 A. There is some advantage that NGS lose and Columbia gains. Choice NGSs are providing
11 an exact baseload of supplies to CPA. CPA is holding the storage capacity paid for by
12 CHOICE customers to balance the daily load and providing an advantage to itself. NGSs
13 would prefer to have the storage paid for by its customers assigned to them for their use.
14 Ms. Krajovic paints a picture that baseload cannot fluctuate because it will harm CPA –
15 especially if we fail to deliver gas on summer or shoulder season day – where CPA
16 charges the same egregious penalty in all circumstances. What she fails to explain is why
17 CPA wants the storage capacity.

18

19 **Q. What do you say in response to Ms. Krajovic's argument on Page 35 of her rebuttal**
20 **testimony that NGSs should not be allowed to make up gas imbalances?**

21 A. I suggested for the CHOICE program that NGSs should be given a make-up right for a
22 CHOICE delivery that is missed – a way to fix an error. Ms. Krajovic fails to realize that
23 my request for make-up is an exception request. Instead, she characterizes point as an

1 NGS demand for the right to deliver gas whenever they want. I would agree that
2 Columbia could allow an NGS 3 days of delivery exceptions each year in the non- peak
3 months. Don't forget, Columbia creates its own exceptions whenever it wants – like
4 transit points. Sometimes we are required to deliver gas to a transit point in Ohio instead
5 of delivering gas to customer load in PA. It is okay for Columbia/Columbia
6 Transmission to enforce this exception without any explanation, but if we miss one
7 CHOICE nomination in the summer – Columbia won't let us make it up. So Columbia
8 does not need the gas in PA for customer consumption -- to meet customer demand as
9 Ms. Krajovic states – but they are not going to let us make it up and they surely are going
10 to penalize us at \$2.33/therm. It also is important to understand that Columbia does not
11 assign storage to NGSs – it withholds the assignment and keeps the swing capabilities for
12 itself – but CHOICE customers pay for that same storage. Again it is clear that Columbia
13 is not being reasonable or balanced in its views on CHOICE penalties.

14
15 **Q. With regard to Ms. Krajovic's allegations (page 36, line 11) that allowing NGSs to**
16 **make up imbalances later in the month would increase Columbia's risk, do you**
17 **agree?**

18 **A.** I don't see the risk if the NGS pays a parking fee that covers the difference between daily
19 prices. According to my math, neither Columbia nor sales/PGC customers would be
20 harmed.

1 **Q. How do you respond to Ms. Krajovic's statement at the top of Page 37 that the**
2 **amount that an NGS is required to pay for gas has nothing to do with the penalty**
3 **amount?**

4 **A.** Ms. Krajovic's words sound like a utility that does not support a market based system.
5 The sum of penalty and gas is the relevant price paid for by the NGS for a shortfall. That
6 overall price amount is fundamental to a market based system settlement system.

7

8 **Q. Do you have any comment with regard to Ms. Krajovic's rejection of your**
9 **suggestion that because choice customers of NGSs pay for no notice service that they**
10 **should have access to this service (Page 37)?**

11 **A.** I clearly understand that the flat profile utilizes the storage from a no-notice perspective
12 when choice load is different from the choice delivery. I brought up the no-notice to
13 make it clear that CPA has rights with TCO to swing every day and there should be
14 latitude granted if a delivery is missed especially in non-winter months.

15

16 **Q. Ms. Krajovic states (p. 37:15): "Mr. Butler's simplified view of the market place is**
17 **astounding," suggesting that you have no concept of how gas moves in this**
18 **marketplace. How do you respond?**

19 **A.** I glad to hear that I am astoundingly simplified – because it is that simple. If a vast
20 majority of the gas moving in a market is flowing from one index point, then that index
21 point is the best reflection of cost in that market. That does not say that there can't be
22 more than one price in the market--but the index is the best indicator for price in that
23 market. So that is why most NGSs and gas producers would likely say that Columbia

1 Appalachia index is the right index for Columbia of PA market. In other markets like
2 Peoples Gas of PA and Equitable Gas, the DTI Southpointe index is the common price
3 index. This practice is commonplace and generally applied in gas markets across the US.
4

5 **Q. Do you agree with Ms. Krajovic's conclusion that using only the Appalachia Index**
6 **is not an effective method of setting a price for a market-based penalty structure?**

7 A. No. Again, Ms. Krajovic makes unsubstantiated arbitrage allegations to support using
8 indexes that are not representative of the vast majority of gas being traded in Columbia's
9 market. Her whole argument is based upon a myth that suppliers will move gas intended
10 for delivery to retail customers to take advantage of a one-time arbitrage opportunity and
11 there is no evidence to support that view.
12

13 **Q. Please respond to Ms. Krajovic's statement, on Page 38 beginning at Line 10, where**
14 **she says that the Company would be willing to entertain market based charges, but**
15 **only as a penalty and not as a replacement cost for the gas.**

16 A. I am happy to see that Ms. Krajovic is willing to consider market based charges – that is a
17 step in the right direction. But the index has to be Columbia Appalachia and it should
18 include the replacement of the gas – since it is a gas shortfall issue.
19
20
21
22

1 **Q. Do you agree with Ms. Krajovic's characterization of the GDS gas banking program**
2 **on Page 40 of her rebuttal testimony and that the bank levels are "generous" as Ms.**
3 **Krajovic states several times in her rebuttal testimony on Pages 41 and 42?**

4 A. CPA provides a bank that is reflective of what the customer pays for. So I am not sure
5 that word generous is applicable adjective.

6

7 **Q. Do you have any response to Ms. Krajovic's comments, beginning on Page 44 Line**
8 **10, of her rebuttal testimony with regard to the eighth pipeline scheduling points she**
9 **alleges are in the Columbia service territory?**

10 A. I apologize for misspeaking in citing 7 market areas. I don't believe that whether there
11 are 7 or 8 market areas has any relevance to my arguments or would change my
12 conclusions.

13

14 **Q. With regard to Ms. Krajovic's comment, at the bottom of Page 46 beginning at Line**
15 **19, that the Company's provides the meter read information by 3rd day of the month**
16 **do you have any response?**

17 A. I have since learned, through discussions between DES supply operatives and Columbia
18 personnel that meter read information is more readily available than we knew. As a
19 consequence, we are no longer pursuing this issue.

20

21

22

23

1 **Q. Do you agree with Ms. Krajovic's characterization of your proposal that Columbia**
2 **use the Appalachia price instead of the current Texas Eastern M-3 price for settling**
3 **imbalances for transportation customers?**

4 A. I have discussed two fundamental points in my surrebuttal testimony with regard to GTS
5 penalties and imbalance settlement charges. Arbitrage is not a viable business plan for
6 retail NGSs, given lack of readily available firm pipeline capacity. Columbia's index
7 price should be a price that represents the price of gas being traded on Columbia's
8 system. My GTS proposal for settlement of imbalances clearly protects sales customers –
9 but it is not intended to shifts costs to sales customers if a GTS NGS misses a delivery.
10 The Texas Eastern M-3 price does not reflect the real market, and because it is
11 systematically higher than the prices in the Columbia market, it imposes an arbitrary
12 penalty and should not be used.

13
14 **Q. Do you have any further response to Ms. Krajovic's suggestion that the current**
15 **GTS penalty structure is appropriate?**

16 A. Again speaking solely for Dominion Retail, my company paid over \$800,000 in GTS
17 imbalance charges and penalties in February 2015 on under-deliveries of 30,000 dths.
18 We paid over \$27/dth or 2.70 therm to CPA when first of the month TCO pool sold for
19 \$.273/therm in the market. I'll admit that we did a bad job of managing deliveries – but
20 we did not intentionally under-deliver gas – our customers used far more gas than we
21 expected. I proposed the changes in my testimony and made these rebuttal arguments so
22 that gas competition can grow and flourish on Columbia system. Columbia's GTS
23 penalties are excessive and don't promote fair and equal competition. Any penalty on top

1 of the cost of gas is a deterrent when your margin for GTS account is \$.01-.02/therm.
2 NGSs are fully supportive of making sales customers whole by paying the highest cost in
3 the respective marketplace like Columbia Appalachia or Columbia's highest cost of gas
4 and we would pay a small percentage penalty on top. However, a 900% penalty is
5 excessive and severely damages the market where prices and margins are extremely low.

6
7 **Q. In closing do you have any final comments on your surrebuttal testimony?**

8 A. In summary, we believe that Columbia has no basis for its penalty levels. Such penalties
9 are discriminatory and harm choice and transportation. The following points were made
10 in my surrebuttal testimony:

- 11 1. Arbitrage envisioned by Columbia is not real – Columbia has no examples of
12 arbitrage – so there is no evidence.
- 13 2. The Columbia Appalachia Index represents that vast majority of gas being
14 traded on the Columbia of PA system so it should be the relevant market index.
15 So that index should be used for gas imbalance settlements.
- 16 3. My penalty/imbalance settlement proposals are fair and equitable and do not
17 harm sales or PGC customers.

18
19 In closing, the NGSs find Columbia's lack of desire to work with NGSs as unfortunate
20 for their customers and competition in general. We had hoped, perhaps naïvely, that
21 Columbia would agree to make what we believed to be reasonable changes that we
22 proposed, but instead it has adopted the disturbing theme of Ms. Krajovic's rebuttal
23 testimony. We have no interest in negatively impacting sales customers—and our

1 proposals are not designed to hurt sales customers – but we would like to see the tariff
2 rules on penalties made to be more reasonable and reflective of market costs in the
3 Columbia’s market. Therefore we would respectfully request that the Commission adopt
4 the NGSs penalty proposals submitted in our original testimony and reject Columbia’s
5 arbitrage arguments for lack of evidence.

6

7 **Q. Is there anything further you wish to add?**

8 A. No, and this concludes my Surrebuttal Testimony.

9

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
et al.,	:	
	:	Docket Nos.: R-2015-2468056
v.	:	C-2015-2473682
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**VERIFICATION OF
THOMAS J. BUTLER**

I, Thomas J. Butler, hereby verify the following facts:

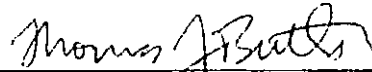
1) My name is Thomas J. Butler, and my business address is 501 Martindale Street, Suite 400, Pittsburgh, PA 15212-5817. I am employed as a Director Retail Gas Sales & Supply, for Dominion Retail, Inc.;

2) I have been duly authorized by Dominion Retail, Inc. d/b/a Dominion Energy Solution ("DES"), Shipley Choice LLC, d/b/a Shipley Energy and Interstate Gas Supply, Inc., d/b/a IGS Energy, to testify on their behalf as a witness in the above-captioned matter;

3) NGS Parties Statement No. 1-REVISED – the Direct Testimony of Thomas J. Butler, which is my direct testimony in the above-captioned matter on behalf of the NGS Parties, was prepared by me or under my supervision;

4) NGS Parties Statement No. 1-SR – the Surrebuttal Testimony of Thomas J. Butler, which is my surrebuttal testimony in the above-captioned matter on behalf of the NGS Parties, was prepared by me or under my supervision;

5) NGS Parties Statements. Nos. 1-REVISED and 3-SR are true and correct to the best of my knowledge, information and belief, and if a hearing were held today and I were asked the same questions, my answers would be the same as contained in each of my Statements. I understand that my statements are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Thomas J. Butler
Director Retail Gas Sales & Supply
Dominion Retail, Inc.

DATE: 7/29/15

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,
et al.,

v.

Columbia Gas of Pennsylvania, Inc.

Docket Nos.: R-2015-2468056
C-2015-2473682

**DIRECT TESTIMONY
OF MATTHEW SOMMER
ON BEHALF
OF THE NATURAL GAS SUPPLIER PARTIES**

RECEIVED
2015 AUG -7 PM 12:17
PA PUC
SECRETARY'S BUREAU

June 19, 2015
NGS Parties Statement No. 2

NGS Stmt. 2
R-2015-2468056
8-4-15
Harrisburg JS

1 I. **INTRODUCTION**

2 Q. **Please state your name and business address for the record.**

3 A. My name is Matthew Sommer. My business address is 415 Norway St, York, PA 17403.

4

5 Q. **By whom are you employed and in what capacity?**

6 A. I am the President of Shipley Group, the parent company of Shipley Choice LLC.

7

8 Q. **For whom are you appearing in this proceeding?**

9 A. I am appearing on behalf of Shipley Choice LLC, Dominion Retail, Inc., and Interstate
10 Gas Supply, Inc., collectively referred to as the NGS Parties.

11

12 Q. **Have you participated previously in regulatory cases?**

13 A. Yes. I have participated as a witness in a number of matters before the Commission on
14 issues related to natural gas.

15

16 Q. **What is the purpose of your testimony in this proceeding?**

17 A. The purpose of my testimony is to address a number of operational issues. These issues
18 inhibit the ability of natural gas suppliers to compete by creating administrative
19 inefficiencies, barriers to shopping, and increasing the risk of being subject to a penalty.

20

21

22

23

24

1 **II. TESTIMONY**

2 **Q. Can you describe the process of annual volume review for transportation**
3 **customers?**

4 A. Yes. Every year Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”)
5 reviews each customer’s consumption for the prior year to determine if it needs to adjust
6 the customer’s MDQ or annual volume. The report is generally distributed in mid-
7 February, which is problematic for NGSs.

8

9 **Q. What is the MDQ and why is it important?**

10 A. This is the Maximum Daily Quantity, the amount that Columbia calculates to be the
11 maximum amount of gas the customer would use in the most extreme weather conditions.
12 It is important because it is the basis for how much gas suppliers must flow in cases
13 where Columbia Gas calls on Operation Flow Order (OFO). Failure to meet the required
14 delivery quantities during these periods can lead to substantial penalties.

15

16 **Q. What is problematic about the timing of the report?**

17 A. The new MDQs calculated by the report take effect February 1. This past winter the
18 annual volume review document was not distributed, however, until February 20th.
19 During the gap between when the data takes effect and when it is made available,
20 suppliers are tasked with complying with an unknown delivery requirement. Given that
21 this occurs in the dead of winter, there is a high likelihood that it could lead suppliers to
22 inadvertently under deliver gas per the new MDQ requirements, or buy more than was
23 necessary on expensive winter days.

1 **Q. How could the system be improved?**

2 A. To avoid this, the report could be distributed sooner, or the new metrics could be
3 implemented later. I do not know what internal process Columbia undertakes to
4 complete these calculations. If speeding this process is not practicable, the effective date
5 of the new MDQ could be the month following the release.

6

7 **Q. Are there other reports where a similar dynamic occurs?**

8 A. Yes. On a monthly basis Columbia publishes the Customer Info Report. This report
9 shows all of a supplier's customers, their nomination group, their MDQ, whether they are
10 monthly or daily read, and their annual volume. Again, suppliers utilize this report to
11 determine how much gas to deliver during periods of OFO/OMO orders. As with the
12 annual volume review, this report is not available until midway through the month for
13 when it is effective, generally it is made available the day after Columbia posts the bank
14 and burns report.

15

16 **Q. When would it be best to publish this report?**

17 A. It would be most helpful to have this report made available prior to the start of the
18 delivery month. Generally the report would change month to month as a supplier adds or
19 drops customers. The applications for GTS accounts are due to the company by the first
20 of the month preceding the requested flow month. If the report were to be published by
21 the 1st of the month, this would still allow the company 30 days to compile the data.

22

1 **Q. Are there other operational issues that are a hindrance to suppliers and**
2 **competition?**

3 A. Yes. We call it the customer enrollment name game.
4

5 **Q. Please explain.**

6 A. This past year we attempted to sign a commercial account that is set up under the owner's
7 personal name. When we sent the Gas Application to Columbia to enroll the customer as
8 a GTS account, we sent it with the name that was listed on the invoice (the owner's
9 name). Columbia Gas rejected it, stating that it had to be in the company's legal entity
10 name in order to be switched to transportation. We were told that Columbia sometimes
11 set up a commercial account under the owner's name if it's a new business and credit
12 information is unknown for the business. We asked the customer to complete another
13 application using their business name, and this time it was rejected since the business
14 name did not match the customer's name on the account.
15

16 **Q. How was the name discrepancy resolved?**

17 A. The customer attempted to change the name on his account from his personal name to the
18 company's legal entity name, which appeared to be the only way to resolve the situation.
19 Columbia informed the customer that in order to change the name on his account he
20 would have to post a deposit because it would be viewed as a new account for which they
21 did not have a payment history—despite the fact that Columbia's total credit exposure
22 would drop once they were no longer billing the customer for gas commodity. Customer

1 should be able to shop without having to change names on their account or be subject to
2 additional costs and collateral requirements.

3

4 **Q. Does this conclude your direct testimony?**

5 **A. Yes it does.**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, :
et al., :
 :
v. :
 :
Columbia Gas of Pennsylvania, Inc. :

Docket Nos.: R-2015-2468056
C-2015-2473682

**SURREBUTTAL TESTIMONY
OF MATTHEW SOMMER
ON BEHALF OF THE NATURAL GAS SUPPLIER PARTIES**

RECEIVED
2015 AUG -7 PM 12:10
PA PUC
SECRETARY'S BUREAU

July 28, 2015
NGS Parties Statement No. 2-SR

NGS Stmt. 2-SR
R-2015-2468056
8-4-15
Harrisburg JF

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address for the record.**

3 A. My name is Matthew Sommer. My business address is 415 Norway St, York, PA 17403.

4

5 **Q. Are you the same Matthew Sommer who submitted Direct Testimony in this**
6 **matter?**

7 A. Yes, I am.

8

9 **Q. What is the purpose of your Surrebuttal Testimony?**

10 A. To respond to the unwarranted and invalid critique of my Direct Testimony offered by
11 Columbia witness Nancy Krajovic.

12

13 **Q. With regard to Ms. Krajovic's accusation (p. 51, ln. 11) that your testimony was**
14 **inaccurate with regard to when Shipley should have received the report in question,**
15 **do you have a response.**

16 A. Columbia has indicated to us on numerous times that they cannot update their billing
17 system with the new data produced from the annual review until their billing is complete
18 for the prior month. (See the email from Columbia to Shipley Attached hereto as NGS
19 Exhibit No. 7). So for the first three weeks of February, a time when the probability of
20 an OFO is the one of the highest during the entire year, the customer information report
21 would indicate the incorrect quantity that would be required to be delivered.

22

1 **Q. How do you respond to Ms. Krajovic's accusation (p. 52, ln. 8) that your contention**
2 **that the customer information report is not available until late in the month when it**
3 **becomes effective?**

4 A. The same system problem exists here. We have been told that Columbia cannot update
5 their records in their system until the prior month's billing is complete. (See email
6 attached hereto as NGS Exhibit No. 8). This inability limits the accuracy of the reports.

7

8 **Q. Do you have any comment with regard to Ms. Krajovic's response to your**
9 **"customer enrollment name game" testimony?**

10 A. We do understand the importance of using correct names. Our position is that if a name
11 is sufficiently "correct" to establish an account with Columbia Gas, that customer should
12 be able to elect to receive alternative supply under that same name without being required
13 to change account names, post security, or clear any other hurdle triggered only by their
14 desire to shop.

15

16 **Q. Does this conclude your surrebuttal testimony?**

17 A. Yes it does.

NGS Exhibit No. 7

From: chagerty@nisource.com
Sent: Wednesday, February 26, 2014 4:16 PM
To: Laura Greenholt
Cc: Cara Passalacqua
Subject: RE: CPA Annual Quantities

Hi Laura,

I apologize if this process is confusing. The reason the process has been completed this way is due to the fact that we cannot update the accounts with this new information until after we have completed January billing, which is not completed until mid-February. Unfortunately, Aviator's reports automatically pull from what we have currently in GTS and we have no way of delaying that selective information from populating. This was the reason we had implemented years ago sending the customer's updated information out in early January to be used for February. As you had mentioned, this was the coldest winter we have had in some time and therefore possibly why it has not been as prominent in past years. I will forward on your suggestion regarding adding verbiage to the email notice we send in January to highlight the need to use these provided quantities for February in place of the customer information report quantities. However, that has been the purpose of the email we send every year in February letting you know that updated information can be obtained by running your Customer Information Report from the GTS Reports on the Aviator website after our update is complete.

If you run into any quantities that differ between the initial email list we sent you and the present customer information report please let me know and we will investigate.

Thank You,
Christina "Tina" Hagerty
Analyst II
Gas Transportation & Sales Support
Office 614-460-4701
Fax 614-460-4291
Please make safety an important part of your every day life.

From: Laura Greenholt <loconnor@shipleenergy.com> To: "chagerty@nisource.com" <chagerty@nisource.com> Cc: Cara Passalacqua <cpassalacqua@shipleenergy.com>
Date: 02/26/2014 02:10 PM
Subject: RE: CPA Annual Quantities

Perhaps then you could speak with your manager about CPA's process for updating the web? If we were supposed to go off the excel spreadsheet for the OFOs, why did the customer report even post at all in Aviator for Feb? It was not expressly clear that the customer info report on the web was old data, since it had "Feb 2014" in the heading. We didn't think to look at the MDQs on the Aviator report vs. the ones in the spreadsheet from 1/9/14, as who would have thought the web would be reporting something totally wrong?

At this point, we fixed our noms for the 25th-28th, but need to go back and see the impact for the rest of the month, as some customer MDQs went up. I know this was a somewhat unprecedented weather event this year, and unfortunately, since we weren't told to ignore the customer report on the web for the OFOs, we thought everything was business as usual. This all could be avoided if the message in the Feb annual quantities email would have a blurb about the Aviator report not being updated and that we should use the excel sheet for the MDQs for any OFO/OMO days in Feb.

I'm just concerned, especially since we weren't the only supplier that this happened with. Sprague and SJE schedulers also mentioned that they'd been going off the customer report on Aviator.

Any solutions you could provide for us to work together on this would be very much appreciated!

Thanks,
Laura

-----Original Message-----

From: chagerty@nisource.com [mailto:chagerty@nisource.com]
Sent: Wednesday, February 26, 2014 1:29 PM
To: Laura Greenholt
Cc: Cara Passalacqua
Subject: RE: CPA Annual Quantities

Hi Laura,

I was just getting ready to call Cara back about the same question. We had sent an email back on 1/9/2014 with the new quantities effective February 2014 from the Annual Quantity Review to be utilized for Feb's billing.

Thank You,
Christina "Tina" Hagerty
Analyst II
Gas Transportation & Sales Support
Office 614-460-4701
Fax 614-460-4291
Please make safety an important part of your every day life.

From: Laura Greenholt <loconnor@shibleyenergy.com>
To: "chagerty@nisource.com" <chagerty@nisource.com>
Cc: Cara Passalacqua <cpassalacqua@shibleyenergy.com>
Date: 02/26/2014 11:23 AM
Subject: RE: CPA Annual Quantities

Hi Tina,

What impact does this have to the customer info report that we were using all month long for the OFOs each day? It appears that the info report that

suppliers were using had old information. We spoke to several other suppliers just to check, and we all saw our MDQs in Aviator for February change, even though the report that was posted up until yesterday, said "Feb 2014". What do we do now for the OFO days that already occurred, since your report in Aviator had the old #s from Jan?

Thanks,
Laura

-----Original Message-----

From: chagerty@nisource.com [mailto:chagerty@nisource.com]
Sent: Wednesday, February 26, 2014 11:15 AM
Subject: CPA Annual Quantities

Dear Gas Distribution Service Marketer

Columbia has completed the 2014 Columbia Gas of Pennsylvania (CPA) Annual Quantity Review. The Annual Transportation Quantities and Maximum Daily Quantities (MDQs) have been updated effective for February 2014 billing and are based on customer usage from November 2012 to October 2013. The updated information can be obtained by running your Customer Information Report (GTS0003) from the GTS Reports on the Aviator website (www.ldcaviator.com). If you have not obtained access to the GTS Reports on the Aviator website, please let me know and I will provide you with the GTS Reports Access form.

Please contact me should you have any questions regarding the 2014 CPA Annual Quantity Review.

Thank You,
Christina "Tina" Hagerty
Analyst II
Gas Transportation & Sales Support
Office 614-460-4701
Fax 614-460-4291
Please make safety an important part of your every day life.

NGS Exhibit No. 8

From: Cara Passalacqua <cpassalacqua@shipleenergy.com>
Sent: Wednesday, February 19, 2014 2:35 PM
To: 'chagerty@nisource.com'
Cc: Laura Greenholt; Brandy Stiles
Subject: RE: Annual Rate Review - CPA - Bank Tolerance Changes

Follow Up Flag: Follow up
Flag Status: Flagged

Hi Tina,

Sorry to bother you again about this, but I still do not see that the Customer Info Report is reflecting the bank tolerance change.

Thanks.

Cara

Cara Passalacqua
Energy Analyst

P: 717.264.3971
C: 305.510.2192
F: 717.854.9773

IM: CaraatShiple

Committed, Responsive, Progressive

-----Original Message-----

From: chagerty@nisource.com [<mailto:chagerty@nisource.com>]
Sent: Friday, February 07, 2014 3:18 PM
To: Cara Passalacqua
Cc: Laura Greenholt; Brandy Stiles
Subject: RE: Annual Rate Review - CPA - Bank Tolerance Changes

Hi Cara,

We cannot update it in GTS until after we complete Jan billing. Then it will reflect on the Customer Information report. So around 2/14/13.

Thank You,
Christina "Tina" Hagerty
Analyst II

Gas Transportation & Sales Support

Office 614-460-4701

Fax 614-460-4291

Please make safety an important part of your every day life.

From: Cara Passalacqua <cpassalacqua@shipleynenergy.com> To: "chagerty@nisource.com" <chagerty@nisource.com>
Cc: Laura Greenholt <lgreenholt@shipleynenergy.com>, Brandy Stiles
<bstiles@shipleynenergy.com>
Date: 02/07/2014 03:04 PM
Subject: RE: Annual Rate Review - CPA - Bank Tolerance Changes

Hi Tina,

Thanks for the update. I do not see this change reflected in the February 2014 Customer Info Report yet. Do you know when I can expect to see that updated?

Thanks!

Cara

Cara Passalacqua
Energy Analyst

P: 717.264.3971

C: 305.510.2192

F: 717.854.9773

IM: CaraatShipley

Committed, Responsive, Progressive

-----Original Message-----

From: chagerty@nisource.com [<mailto:chagerty@nisource.com>]

Sent: Monday, January 20, 2014 10:44 AM

To: Laura Greenholt; Brandy Stiles; Cara Passalacqua

Subject: Annual Rate Review - CPA - Bank Tolerance Changes

Effective 2/2014 Bank Tolerance % will be changing for these accounts -

(Embedded image moved to file: pic22190.gif)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
et al.,	:	
	:	Docket Nos.: R-2015-2468056
v.	:	C-2015-2473682
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**VERIFICATION OF
THOMAS J. BUTLER**

I, Thomas J. Butler, hereby verify the following facts:

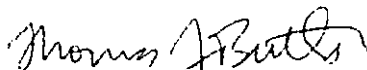
1) My name is Thomas J. Butler, and my business address is 501 Martindale Street, Suite 400, Pittsburgh, PA 15212-5817. I am employed as a Director Retail Gas Sales & Supply, for Dominion Retail, Inc.;

2) I have been duly authorized by Dominion Retail, Inc. d/b/a Dominion Energy Solution ("DES"), Shipley Choice LLC, d/b/a Shipley Energy and Interstate Gas Supply, Inc., d/b/a IGS Energy, to testify on their behalf as a witness in the above-captioned matter;

3) NGS Parties Statement No. 1-REVISED – the Direct Testimony of Thomas J. Butler, which is my direct testimony in the above-captioned matter on behalf of the NGS Parties, was prepared by me or under my supervision;

4) NGS Parties Statement No. 1-SR – the Surrebuttal Testimony of Thomas J. Butler, which is my surrebuttal testimony in the above-captioned matter on behalf of the NGS Parties, was prepared by me or under my supervision;

5) NGS Parties Statements. Nos. 1-REVISED and 3-SR are true and correct to the best of my knowledge, information and belief, and if a hearing were held today and I were asked the same questions, my answers would be the same as contained in each of my Statements. I understand that my statements are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Thomas J. Butler
Director Retail Gas Sales & Supply
Dominion Retail, Inc.

DATE: 7/29/15

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
et al.,	:	
	:	Docket Nos.: R-2015-2468056
v.	:	C-2015-2473682
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**VERIFICATION OF
MATTHEW SOMMER**

I, Matthew Sommer, hereby verify the following facts:

- 1) My name is Matthew Sommer, and my business address is 415 Norway Street, York, PA 17403. I am employed as the President of Shipley Group, the parent company of Shipley Choice LLC;
- 2) I have been duly authorized by Shipley Choice LLC, d/b/a Shipley Energy, Dominion Retail, Inc. d/b/a Dominion Energy Solution ("DES"), and Interstate Gas Supply, Inc., d/b/a IGS Energy, to testify on their behalf as a witness in the above-captioned matter;
- 3) NGS Parties Statement No. 2 – the Direct Testimony of Matthew Sommer, which is my direct testimony in the above-captioned matter on behalf of the NGS Parties, was prepared by me or under my supervision;
- 4) NGS Parties Statement No. 2-SR – the Surrebuttal Testimony of Matthew Sommer, which is my surrebuttal testimony in the above-captioned matter on behalf of the NGS Parties, was prepared by me or under my supervision;

5) NGS Parties Statements. Nos. 2 and 2-SR are true and correct to the best of my knowledge, information and belief, and if a hearing were held today and I were asked the same questions, my answers would be the same as contained in each of my Statements. I understand that my statements are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Matthew Sommer
President
Shipley Group

DATE: 8/3/15