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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Establishing A Uniform Definition and Metrics for Unaccounted-For-Gas :  
: Docket No. L-2012-2294746  
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REPLY COMMENTS OF  
COLUMBIA GAS OF PENNSYLVANIA, INC.  
TO PROPOSED RULEMAKING ORDER

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A. INTRODUCTION

On June 7, 2012, the Pennsylvania Public Utility Commission ("Commission") issued a Proposed Rulemaking Order ("Order") to establish a uniform definition and metrics for unaccounted-for-gas ("UFG"). The Order adopted recommendations contained in a joint report by the Commission's Bureau of Investigation & Enforcement and the Bureau of Audits dated February 2012, entitled "*Unaccounted-for-Gas in the Commonwealth of Pennsylvania*" ("Joint Report"). The Order was published in the *Pennsylvania Bulletin* on October 20, 2012, and interested parties were invited to submit comments and reply comments on November 19, 2012, and December 4, 2012, respectively. Columbia Gas of Pennsylvania, Inc. ("Columbia" or "the Company"), joined in the "*Comments of the Energy Association of Pennsylvania to the Proposed Rulemaking Order*" submitted on November 19, 2012. Columbia, by and through its attorneys, hereby submits its reply comments specifically to respond to an issue addressed in comments submitted by the Office of Small Business Advocate ("OSBA") and in the comments submitted by the Energy Association of Pennsylvania ("EAP").

**B. REPLY COMMENTS**

*1. Comments and Reply Comments of the EAP*

As a preliminary matter, Columbia wishes to emphasize its endorsement of all issues addressed by the EAP in its comments submitted on November 19, 2012, and in its reply comments submitted December 4, 2012 in this matter. Columbia commends to the Commission's attention and consideration the comments submitted by the EAP, particularly EAP's discussion of matters that Columbia does not address in these reply comments. In addition to EAP's Comments on those issues, Columbia submits its own reply comments in order to focus on an issue that is of particular concern to it.

*2. Companies With UFG Levels Below Established Metrics*

In its Order, the Commission indicated that it "may also require NGDCs to file plans or perform additional remediation in conjunction with a rate proceeding or similar settlement if the NGDC's level of UFG is worsening, even if the NGDC's level of UFG is below the metric established in Annex A" to the Order. (Order at pp. 2-3)<sup>1</sup> Later, the Order states that "Companies with UFG levels below the metrics are expected to maintain or improve their UFG levels and, if increasing, must provide a specific rationale in an appropriate filing and/or proceeding to explain why their UFG is increasing and why it is in the public interest to pass the additional UFG cost to ratepayers." (Order at p. 8)

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<sup>1</sup> Page citations to the Proposed Rulemaking Order in these comments are made in reference to pagination in the version of the Proposed Rulemaking Order as published in the *Pennsylvania Bulletin*.

EAP addressed this issue in its comments (page 8, second bullet), and recommended that utilities below the targeted 3% should not be required to justify their losses when there are small year-to-year increases in the UFG rate. By way of contrast, the OSBA expressed its general agreement “with the Commission’s proposal that NGDCs whose distribution-related UFG rates are below the distribution metric should demonstrate continuous improvement and recommends that similar language be put in the Final Rulemaking Order, if not in the amendment of the Commission’s regulations at Section 59.111.” (OSBA comments at pp. 3-4). Notwithstanding that recommendation, OSBA went on to note “that some NGDCs have extremely low UFG rates (*e.g.* NFG) at which level a requirement for continuous improvement may not be necessary.” (OSBA comments at p. 4).<sup>2</sup>

By way of reply to OSBA’s endorsement of a continuous improvement requirement for NGDCs whose distribution-related UFG rates are below the proposed distribution metric, Columbia suggests that such a requirement is not consistent with the Commission’s determination “that it is important that all UFG be treated in a uniform manner.” (Order at p. 2) That is to say, an NGDC whose UFG levels exceed the standard will be at risk only for non-recovery of costs for UFG above the established standard (*See* § 59.111), while an NGDC whose UFG levels conform to the standard may be at risk for non-recovery of costs for UFG below the standard. This not only treats UFG in a non-uniform matter, it is completely at odds with the Commission’s establishment of “a standard set of metrics that will serve as a *bright line for the recovery and non-recovery of those costs.*” (Order at p. 2, emphasis added) Moreover,

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<sup>2</sup> Columbia agrees with this facet of OSBA’s comments, so long as compliance with the established standard is considered to be the level at which a requirement for continuous improvement is not necessary.

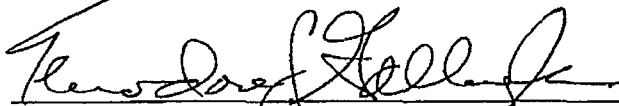
there is an inherent unfairness in putting an NGDC at risk for non-recovery of losses that fall within an established cap beyond which incremental UFG quantities would be defined as "excessive." (See Joint Report at p. 12). If the Commission seeks to curtail excessive losses, Columbia respectfully submits that it would be inequitable to penalize an NGDC that has, by definition, not experienced excessive losses.

**C. CONCLUSION**

Columbia appreciates the opportunity to participate in this matter, and to provide its reply comments regarding the Proposed Rulemaking Order. Columbia requests that the Commission consider the recommendations in these reply comments and in the comments and reply comments of the Energy Association of Pennsylvania.

Respectfully submitted,

COLUMBIA GAS OF PENNSYLVANIA, INC.

By: 

Theodore J. Gallagher (Atty I.D. No. 90842)

Kimberly S. Cuccia (Atty I.D. No. 308216)

NISOURCE CORPORATE SERVICES  
COMPANY

121 Champion Way, Suite 100

Canonsburg, Pennsylvania 15317

Telephone: (724) 416-6355

Facsimile: (724) 416-6382

Its Attorneys

Dated: December 4, 2012

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**NISource™**

Theodore J. Gallagher  
Senior Counsel  
Legal Department

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121 Champion Way, Suite 100,  
Canonsburg, PA 15317  
Office: 724.416.6355  
Fax: 724.416.6384  
tjgallagher@nisource.com

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VIA UPS

December 4, 2012

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

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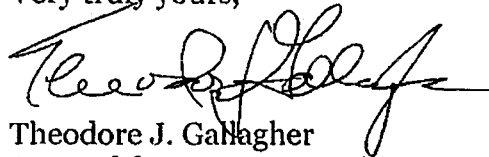
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**RE: Establishing a Uniform Definition  
and Metrics for Unaccounted-for-Gas  
Docket No. L-2012-2294746**

Dear Secretary Chiavetta:

Enclosed please find the original and sixteen (16) copies of Columbia Gas of Pennsylvania, Inc's Reply Comments regarding the above-referenced matter. Please file the original and fifteen (15) copies and return the extra copy to me, file-stamped, in the postage prepaid envelope provided herewith.

Very truly yours,



Theodore J. Gallagher  
Counsel for  
Columbia Gas of Pennsylvania, Inc.

enclosures