

Case 16-G-0257 Rebuttal Testimony of Tariff Reorganization Panel

1 Q. Please state the members of this Tariff Reorganization Panel
2 (“Panel”).

3 A. We are Michael E. Novak and Sheila Suarez.

4 Q. Please state your business address.

5 A. Our business address is 6363 Main Street, Williamsville, New York,
6 14221.

7 Q. Have you previously submitted testimony in this proceeding?

8 A. Yes, we previously submitted testimony as members of the Tariff
9 Reorganization Panel on behalf of National Fuel Gas Distribution
10 Corporation (“Distribution” or “the Company”).

11 Q. What is the purpose of your Rebuttal Testimony?

12 A. The purpose of the Panel’s rebuttal testimony is to respond to the
13 testimonies of Staff Gas Policy and Supply Panel (“Staff”).

14 Q. What portion of Staff’s testimony does the Panel wish to respond to?

15 A. This Panel will address Staff’s Electric Generation testimony first and
16 the Transportation and Balancing Procedures and Charges testimony
17 second. While the Company either agrees with or does not oppose
18 most of Staff’s proposals in concept, the Company proposes a more
19 effective means to implement a number of these proposals.

20 Q. With respect to Electric Generation, what does Staff propose and
21 does the Panel agree with such proposal?

1 A. Staff proposes that the Company revise tariff leaf 291, which currently
2 provides that a daily deficiency imbalance from 10% to 15% of usage
3 is cashed-out at 110% of the Index Price of gas to state that any daily
4 deficiency imbalance from 2% to 15% be cashed out at 110% of the
5 Index Price of gas. The Panel agrees with Staff's position and points
6 out that it did, in fact, already propose this tariff revision as a part of
7 the tariff reorganization ("P.S.C. No. 9") as an "errata" because the
8 intent of the prior revisions to leaf 291 was to have the Daily
9 Deficiency Imbalance tiers consistent and symmetrical with the Daily
10 Surplus Imbalance tiers, as Staff proposes in its testimony.

11 Q. Where can this tariff revision be found in P.S.C. No. 9?

12 A. In Distribution's currently effective tariff ("P.S.C. No. 8"), leaf 291 is
13 part of Service Classification SC-21 - Basic Gas-For-Electric-
14 Generation Service Tariff ("SC-21"). By referencing Exhibit ____ (TRP-
15 1) filed with the Panel's Direct Testimony ("Initial Testimony"), it can
16 be observed that SC-21 was relocated to SC-17 in "P.S.C. No. 9".
17 Further, in the Description of Changes Column for P.S.C. No. 8 – leaf
18 291 of Initial Testimony Exhibit ____ (TRP-4), an "errata" change is
19 referenced. Finally, in the PSC No. 9 Section-Leaf #'s column of
20 Initial Testimony Exhibit ____ (TRP-3), P.S.C. No. 8. Leaves 287 to
21 293 for Service Classification No.21 are shown as reorganized within

1 P.S.C. No. 9 as Section-Leaf #'s 17-1 to 17-7. Specifically, P.S.C.
2 No. 9 Section-Leaf 17-5 shows the Daily Deficiency Imbalance tiers
3 consistent and symmetrical with the Daily Surplus Imbalance tiers (on
4 P.S.C. No. 9 – Section-Leaf 17-4), as Staff proposes in its testimony.

5 Q. Does the Company agree with Staff's testimony that imbalance tiers
6 listed on tariff leaves 290 and 291 should be properly labeled as
7 penalty tiers since these tiers and the daily balancing tier levels
8 applied to power generators or any daily balanced customers should
9 be clearly identified as to what is a penalty and what is a gas cost?

10 A. While the Company agrees with the intent of Staff's proposal, it
11 believes that it would be more efficient to add language expressing
12 this intent in P.S.C. No. 9 - General Information Section 29 – Cash
13 Out Index for Imbalance Resolution which corresponds to currently
14 effective P.S.C. No. 8 - General Information Section 51. Distribution
15 would take an analogous generalized approach in developing the
16 corresponding changes to its GTO.

17 Q. Why does the Company believe this is a more efficient approach?

18 A. Under Distribution's currently effective tariff, electric generators are
19 not restricted to service solely under SC-21. For example, electric
20 generators may also receive service under P.S.C. No. 8 – Service
21 Classification Nos. 13D (SC-13D or P.S.C. No. 9 SC-13) and 13M

1 (SC-13M or P.S.C. No. 9 SC-18). Like SC-21, these service
2 classifications reference currently effective General Information
3 Section 51. If the proposed change was limited to SC-21, it could
4 create an unintended incentive for electric generators to receive
5 service under other service classifications.

6 Q. Does the Company's agree with Staff's recommendation that the
7 additional charge in SC-21 tariff leaf 293 (Special Provisions Item 7)
8 be raised to \$25 per Mcf during non- Operational Flow Order (OFO)
9 periods and \$50 per Mcf during an OFO period?

10 A. Yes, but the Company believes corresponding special provisions
11 applicable to electric generators should be added to SC-13D and SC-
12 13M to avoid creating an unintended incentive for electric generators
13 to receive service under these other service classifications.

14 Q. What is the Company's position with Staff's testimony that current
15 tariffs also should require that new generators, and existing ones that
16 fail to comply with an interruption, install and pay for remotely
17 operated valves?

18 A. The Company agrees in principle but proposes that its tariff language
19 would 1) allow for the installation of other equipment that is
20 functionally equivalent to a remotely operated valve and 2) clarify that

1 installation and payment would include the cost of installing telemetric
2 equipment for monitoring purposes.

3 Q. Moving on to Staff's testimony regarding Transportation and
4 Balancing, does the Company agree with the recommendation that to
5 provide a sufficient incentive for the protection of system integrity,
6 Distribution's Service Classification No. 11 – Deficiency Imbalance
7 Gas Sales Service for Transportation Customers (SC-11) be revised
8 to provide that the penalty for under delivery during non-OFO events
9 be increased from \$10 to \$25 per mcf and for OFO events be
10 increased from \$25 to \$50 per mcf?

11 A. The Company does not object to Staff's proposal but believes that
12 additional language is needed in SC-11 to clarify that for rate
13 calculation purposes, Unauthorized Periods would be functionally
14 equivalent to an OFO event. Further, the Company does not intend to
15 remove currently effective language that permits use of the Daily
16 Index Rate under P.S.C. No. 8 - General Information Section 51
17 (P.S.C. No. 9 - General Information Section 29) when such rate
18 exceeds the otherwise applicable rate. In addition, in this instance the
19 Company agrees to add language to SC-11 providing that portion of
20 the rate charged that exceeds the Total Gas Cost Rate be identified
21 as penalty charges, as recommended by Staff.

1 Q. Does the Company accept Staff's recommendation that daily
2 balancing tier levels applied to daily balanced customers should also
3 be clearly identified as to what is a penalty and what is a gas cost in
4 its tariff and GTOP?

5 A. Yes, but for the reason stated above, the Company proposes to
6 address this in language added to P.S.C. No. 9 - General Information
7 Section 29 and generalized GTOP language.

8 Q. Please describe the language that the Company would propose
9 adding to P.S.C. No. 9 - General Information Section 29 and GTOP?

10 A. The proposed language would generally state that 1) with daily
11 balancing, the Daily Index Purchase Price is the actual gas cost for
12 purchases or sales, and 2) Surcharges to the price applied for sale of
13 gas to a customer by a Company due to an under-delivery and
14 discounts applied to the price credited to a customer for sale of gas to
15 a Company due to an over-delivery are classified as penalties.

16 Q. Would there be any other tariff changes in response to the
17 recommendations in Staff's testimony?

18 A. The Company reserves the right to revise other language in its tariff to
19 conform or otherwise remove any inconsistencies or ambiguities
20 resulting from the changes proposed herein.

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- 1 Q. Does that conclude your rebuttal to the testimony prepared by Staff
- 2 Gas Policy & Supply Panel?
- 3 A. Yes, at this time.