53.64(c) (6) Each §1307(f) Utility shall file with the Commission a statement of its current fuel procurement practices...a discussion of its methodology for obtaining a least cost and reliable source of gas supply, including a discussion of any methodologies, assumptions, models or rules of thumb employed in selecting its gas supply, transportation and storage mix... and any plan of its strategy for improving its fuel procurement practices in the future and timetables for implementing such changes.

Response:

OVERVIEW

Columbia Gas of Pennsylvania, Inc.'s (“CPA”) supply objective is to secure and deliver competitively priced, reliable gas supplies to meet its customers’ demand at least cost. CPA utilizes its portfolio of firm transportation and storage capacities on interstate pipelines and its portfolio of term and spot market supplies to achieve this objective.

As both a merchant provider of gas and a distributor of customer-owned gas, CPA has the responsibility to balance the supply and demand for all customers at the city gate on all days, including both design cold days when demand is at peak high levels and warm days when demand is at minimal levels. CPA incorporates this daily balancing requirement into its planning process, relying upon the injection and withdrawal capabilities of its contracted storage services and the negotiated flexibility in some supply contracts to provide for the daily swings in customer demand.

Within its Commercial Operations (“CO”) Department, CPA determines what supply and capacity contracts and contract volumes are necessary for the long term to minimize gas supply and capacity costs, giving consideration to such factors as reliability, flexibility, diversification and the likelihood of various price and demand forecasts. CO’s Planning
section is responsible for determining the appropriate components of CPA's capacity portfolio and performing strategic supply planning functions. Planning utilizes the SENDOUT® Gas Planning System as its primary planning tool.

SENDOUT® is used to determine the volumes of flowing supplies and storage withdrawals/injections which will minimize gas supply commodity costs while preserving reliability. Results of CPA’s SENDOUT® driven planning efforts are provided to CPA’s Supply and Optimization ("S&O") Department to guide in the purchasing of gas supplies and contracting for the necessary pipeline capacity.

On a day to day basis, CO determines CPA’s expected system-wide demand and the supply required from all supply contracts and storage to meet customer demand. Further, CO is responsible for ensuring that deliveries to Pipeline Scheduling Points ("PSPs") are within applicable contract entitlement levels and pressure limitations. Collectively, the CO and S&O Departments determine when actions are required of CPA’s transportation and CHOICESM customers to maintain system integrity. CPA may order such actions by issuing Operational Flow Orders ("OFOs"), Operational Matching Orders ("OMOs") and/or Seasonal Flow Orders ("SFOs"). CPA attempts to precede any such order with an Operational Alert ("OA") or Emergency Alert ("EA").

Information generated within CO is used to guide CPA’s term contracting and spot market purchasing practices, the release and recall of capacity, and the determination of operational storage targets, storage management and off-system sales. S&O works with CO to manage CPA’s term, spot market and peaking supplies. S&O is also responsible
for CPA’s off-system sales transactions and the management of CPA’s Gas Price Hedging Program. CO nominates and schedules all volumes on upstream interstate pipelines, manages CPA’s capacity release program, including releases to Natural Gas Suppliers (“NGSs”) under CPA’s CHOICE℠ program and uses its transactional information to reconcile all supply and capacity invoices from suppliers, and to generate off system sales invoices.

The Scheduling and Nominations section within CO manages General Distribution Service (“GDS”) customer and CHOICE℠ supplier daily nominations, confirming supplies and allocating volumes to customers for billing and operations. CPA utilizes the daily GDS and CHOICE℠ volume information as an input in planning and managing its own supply and storage activity.

The remainder of this exhibit is comprised of the following sections:

- Demand, which includes discussions on annual, seasonal and peak day demands;
- SENDOUT® Optimization Model;
- Capacity;
- Operation of TCO Storage;
- Supply Contracts and Daily Balancing;
- Services for CHOICE℠ Customers;
- Federal Regulatory Activities;
- Off-system Sales and Capacity Release Incentive Program; and
DEMAND

Monthly and Seasonal Demand: Three Weather Scenarios

The first step in CPA’s gas supply process is the determination of customers’ energy needs. Projected customer demand is based upon weather-normalized historical consumption adjusted to reflect factors such as conservation, appliance efficiency improvements and customer additions and deletions. The net result is a projection of monthly demand that CPA uses for planning purposes. CPA projects demand and supply purchase requirements for its remaining Sales Service customers, provides daily balancing for the demands of its Customer CHOICE℠ customers, and makes contingency plans for a range of firm customer demand driven by varying weather conditions and the possible failure of a CHOICE℠ NGS’s supply. Finally, CPA provides Standby Service under Rate SS to those GDS customers that contract for it, and Elective Balancing Services (“EBS”) for all GDS customers. Under EBS, GDS customers choose one of two options: Option 1 - Full Balancing Service (ability to carry a positive bank from month to month); or Option 2 - Monthly Cashout (Intra-month Banking Service). EBS gives GDS customers flexibility in managing their supply and demand. The demand of CPA’s Sales Service and CHOICE℠ Service customers is highly weather sensitive with approximately 75% of normal weather annual demand occurring during the winter. CPA defines the winter season as the months of November through March and the summer season as the months of April through October.
CPA considers three design weather scenarios in the development of its least cost supply plan: 1 in 10 colder, normal and 1 in 10 warmer. These scenarios are developed to capture the uncertainties related to winter demand. For the summer, CPA develops only a normal weather and demand scenario. CPA combines the three winter scenarios with the summer scenario to determine three contract year scenarios.

The normal weather scenario provides a forecast based upon the 20-year National Oceanographic and Atmospheric Administration ("NOAA") average of degree days for the full year. The 20-year NOAA history is also used to develop colder and warmer weather scenarios.

The colder weather scenario reflects an increase in total winter season degree days based on a 1 in 10 or 10% risk level for winter season degree days. The 10% risk level for the colder weather scenario means that there is a 10% probability that the winter will have more degree days than the planned colder scenario.

The warmer weather scenario is based upon a 1 in 10 or 10% risk level. The 10% risk level for the warmer weather scenario means there is a 10% probability that the winter season will have fewer degree days than the planned warmer scenario. Table 1 presents the demand forecasts for the three weather scenarios. For purposes of the requirements projection in this filing, CPA utilizes the normal weather demand forecast.
### TABLE 1
Projected Customer Demand*

Normal, Colder, and Warmer Weather Scenarios
October, 2013 Through September 2014
MDth

<table>
<thead>
<tr>
<th></th>
<th>Colder</th>
<th>Normal</th>
<th>Warmer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales Excluding CHOICE</strong>&lt;sup&gt;SM&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>24,197</td>
<td>22,650</td>
<td>21,100</td>
</tr>
<tr>
<td>Commercial</td>
<td>9,617</td>
<td>9,002</td>
<td>8,386</td>
</tr>
<tr>
<td>Industrial</td>
<td>233</td>
<td>229</td>
<td>225</td>
</tr>
<tr>
<td>Other</td>
<td>624</td>
<td>624</td>
<td>624</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>34,671</td>
<td>32,505</td>
<td>30,335</td>
</tr>
<tr>
<td><strong>CHOICE</strong>&lt;sup&gt;SM&lt;/sup&gt;</td>
<td>12,486</td>
<td>11,733</td>
<td>10,982</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>47,157</td>
<td>44,238</td>
<td>41,317</td>
</tr>
</tbody>
</table>

* Excludes standby volumes.

As noted from Table 1, CPA's projected Sales and CHOICE<sup>SM</sup> customer demand varies by about 6 MMDth between the Colder and Warmer weather scenarios. CPA's supply portfolio is designed to enable CPA to deliver supplies reliably to its customers while minimizing the cost to serve this uncertain demand.

**Design Weather Conditions.**

On all days, including days of peak demand, CPA must be ready to serve the demand of Sales Service customers and to provide balancing for CHOICE<sup>SM</sup> Service customers. Therefore, to ensure reliability, CPA has established design parameters for estimating Sales Service and CHOICE<sup>SM</sup> Service customer demand under extreme
weather conditions. CPA's Design Day Forecast is based on Design Day conditions consisting of:

- Current Day Design Temperature;
- Prior Day Design Temperature;
- Current Day Design Wind Speed; and
- Occurrence on a Weekday.

CPA updates the design conditions approximately every five years. The most recent update was in 2008 and the 2012 Peak Day Forecast incorporates the results. CPA determines the design conditions by weather station, and then determines pipeline scheduling point and company-wide design conditions by weighting.

To determine the Current Day Design Temperature for a weather station, CPA fits a Gumbel probability distribution to the collection of minimum daily temperatures for each winter season, one daily temperature per season, for all available years of history ending with the winter 2007/08. The Gumbel probability distribution is used because the distribution of historical temperatures is skewed. CPA fits a probability distribution to the historical daily temperatures so that it can estimate the future risk of the occurrence of any temperature. With CPA’s design day risk criteria of 1 in 15, the probability is 6.67% that any winter will have one or more days with an average daily temperature equal to or colder than the current day Design Temperature. The associated company-wide current day Design temperature of -5°F Fahrenheit has occurred or been exceeded on five occasions since the winter of 1949/50. The latest was January 19, 1994 when the average
The temperature was -6°F Fahrenheit. Within this time period, CPA's coldest average daily temperature of -8 degrees Fahrenheit was recorded on two occasions; January 17, 1982 and January 18, 1994.

The Prior Day Design Temperature is determined from the mean temperature difference between historical cold days and their associated prior days. Cold days, for the purpose of determining the Prior Day Design Temperature, are defined as those which are no warmer than the Current Day Design Temperature plus 5°F Fahrenheit.

Current Day Design Wind Speed is based on an analysis of wind activity for the 1990/91 through 2007/08 winters. This analysis determines the average wind speed on cold days, where cold days are defined as days that are no warmer than the Current Day Design Temperature plus 15°F Fahrenheit.

Peak Day Demand and Date

CPA utilizes a multivariate linear regression analysis of historic demand versus Current Day Design Temperature and Prior Day Design Temperature and Current Day Design Wind speed to determine the Design Day Demand. Table 2 shows the 2012 Design Day Demand Forecast for the 2013-2014 winter season. As shown, a large majority, approximately 79% or 621 MDth/day, of CPA's Design Day throughput requirements are for Sales Service and CHOICESM Service customers. CPA contracts for firm capacity for these customers.
<table>
<thead>
<tr>
<th></th>
<th>Sales and CHOICE&lt;sup&gt;SM&lt;/sup&gt;</th>
<th>GDS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>447.1</td>
<td>0</td>
<td>447.1</td>
</tr>
<tr>
<td>Commercial</td>
<td>171.5</td>
<td>76.7</td>
<td>248.2</td>
</tr>
<tr>
<td>Industrial</td>
<td>0.6</td>
<td>88.8</td>
<td>89.4</td>
</tr>
<tr>
<td>Other</td>
<td>1.8</td>
<td>0</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>621.0</strong></td>
<td><strong>165.5</strong></td>
<td><strong>786.5</strong></td>
</tr>
<tr>
<td>Volume</td>
<td>79.0%</td>
<td>21.0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

* Excludes standby and EBS volumes.

For capacity planning purposes CPA forecasts Design Day Demand for five years into the future. This projection incorporates the projected purchased gas cost ("PGC") rate and associated retail rates in November, and the customers' sensitivity to price. Analysis indicates that high retail gas rates at the beginning of the winter correlate with increased customer conservation. Table 3 presents CPA's Design Day Demand forecasted for the winters 2013-2014 and 2014-2015.

<table>
<thead>
<tr>
<th></th>
<th>Sales and CHOICE&lt;sup&gt;SM&lt;/sup&gt;</th>
<th>GDS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-2014</td>
<td>621.0</td>
<td>165.5</td>
<td>786.5</td>
</tr>
<tr>
<td>2014-2015</td>
<td>624.4</td>
<td>164.5</td>
<td>788.9</td>
</tr>
</tbody>
</table>

* Excludes standby and EBS volumes.
Daily deliverability from CPA's contracted pipeline storage services declines during the winter season as storage inventory is withdrawn. To help ensure reliability on late winter days, CPA determines a Design Date of Occurrence for the Design Day. For its portfolio design, CPA determines, with 10% risk, the latest date within a winter season of a design temperature or colder occurring for the CPA service area. Since there are only a few historical observations in this analysis, CPA uses a “t - distribution” to calculate the Design Date, January 25.

**Maximum and Minimum Daily Demands by Month**

In addition to the Winter Design Day Design Conditions, CPA has established Winter Monthly Cold Conditions for Long Range Planning, a period of five years into the future. A capacity portfolio must enable CPA to serve customer demand throughout the winter, including the monthly design days.

For each month, CPA analyzed temperatures since 1950 to determine the coldest daily temperature with 1 in 10, or 10% risk level. That is, for each month, the probability is 10% that the month will have one or more days with an average temperature equal to or colder than the Winter Monthly Cold Design Temperature.

Winter Monthly Cold Design Conditions enable CPA to plan for extreme demands that may occur within any winter month. CPA utilizes coefficients developed from monthly multivariate linear regression models to estimate the firm and total customer demand for the Winter Monthly Cold Design Temperatures.
The estimates of monthly maximum demands help CPA to develop its least cost supply plan by providing adequate supply in the event of late winter cold temperatures while concurrently helping to establish levels of recallable and non-recallable capacity release volumes.

CPA also estimates the minimum daily demand for each month that would occur under warm conditions. The minimum daily demand for each month is based on an analysis of the approximately 150 daily demands that have occurred during that month over the most recent five years of history. The estimated minimum daily demand for each month is calculated based on a normal distribution fit to the 150 daily demands, and a 10% probability of occurrence.

**SENDOUT® OPTIMIZATION MODEL**

To reflect the constraints in pipelines' tariffs and to ensure optimum use of its supply contracts and pipeline entitlements, CPA uses the SENDOUT® Gas Planning System, provided by Ventyx of Atlanta, Georgia, as its primary tool for supply planning. CPA purchased the SENDOUT® Gas Planning System in conjunction with its affiliated Columbia Distribution companies. Through this association CPA is permitted full use of the SENDOUT® model while incurring only a fraction of the maintenance fee.

SENDOUT® is a PC based decision support modeling system, which uses linear programming, a mathematical “global optimization” method, to determine the least cost gas supply. SENDOUT® provides a solution to the problem of choosing and scheduling
gas supply quantities to flow time-dependently through a gas supply and transportation/storage network. CPA uses SENDOUT® to model geographic demand regions and their operational gas flow limitations. SENDOUT® measures CPA's ability to balance supply and demand under colder, normal, and warmer weather scenarios. Priorities for flows when demand increases and/or supply becomes "tight" are also recognized.

CPA utilizes the SENDOUT® model for two primary purposes: (1) Long-Term Planning and (2) Operational Planning.

**Long-Term Planning** generally covers a time horizon of five years. Long-term planning includes analysis of capacity portfolio options, and projections of gas supply costs. The goal of the SENDOUT® analysis is to minimize total costs including the capacity costs and the variable operating costs while maintaining reliability.

**Operational Planning** incorporates existing market conditions to determine an optimum plan for utilization of available supplies and capacity over the short term, up to 12 months. CPA develops a short-term supply plan on a monthly basis utilizing SENDOUT®, with more frequent updates as needed. These plans incorporate all of the storage constraints discussed later in this exhibit and are used to determine purchases, capacity use and storage utilization. In the short term, both capacity and the capacity costs are generally fixed, so the goal of this SENDOUT® analysis is to minimize the variable operating (commodity) costs. Costs taken into account in this process include:

- supply contract commodity costs;
transportation commodity costs to the city gate;
- storage injection costs;
- storage withdrawal costs; and
- fuel.

Total system variable operating cost is minimized subject to various physical and contractual constraints, including:

- the daily flow restrictions on system components;
- pipeline transportation capacities; maximum storage injection and withdrawal rates;
- storage inventory limits and ending target levels.

**CAPACITY**

Capacity Portfolio

As stated at the outset of this exhibit, CPA's supply objective is to secure and deliver competitively priced, reliable gas supplies. To assure reliability, CPA uses firm capacity in its gas supply plan to serve firm Design Day Demand.

Table 4 lists CPA's projected Design Day Demand and capacity for the next four winter seasons based upon a design day having CPA's aforementioned Design Day Conditions.
TABLE 4
Columbia Gas of Pennsylvania
Firm Peak Day Capacity and Demand (MDth/Day)

<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demand of Sales and Choice\textsuperscript{SM} Customers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>447.1</td>
<td>448.2</td>
<td>450.5</td>
<td>452.4</td>
</tr>
<tr>
<td>Commercial</td>
<td>171.5</td>
<td>173.8</td>
<td>176</td>
<td>178.6</td>
</tr>
<tr>
<td>Industrial</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Other</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Total</td>
<td>621.0</td>
<td>624.4</td>
<td>628.9</td>
<td>633.4</td>
</tr>
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</table>

**Capacity**

**Firm Transportation**

<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCO</td>
<td>137.6</td>
<td>137.6</td>
<td>137.6</td>
<td>137.6</td>
</tr>
<tr>
<td>Less Marketed Capacity Releases</td>
<td>(5.2)</td>
<td>(5.2)</td>
<td>(5.2)</td>
<td>(5.2)</td>
</tr>
<tr>
<td>Net TCO</td>
<td>132.4</td>
<td>132.4</td>
<td>132.4</td>
<td>132.4</td>
</tr>
<tr>
<td>Tennessee</td>
<td>19.3</td>
<td>19.3</td>
<td>19.3</td>
<td>19.3</td>
</tr>
<tr>
<td>Texas Eastern</td>
<td>19.3</td>
<td>19.3</td>
<td>19.3</td>
<td>19.3</td>
</tr>
<tr>
<td>National Fuel</td>
<td>4.3</td>
<td>4.3</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Subtotal, net of releases and assignments</td>
<td>175.3</td>
<td>175.3</td>
<td>175.3</td>
<td>175.3</td>
</tr>
</tbody>
</table>

**Firm Storage**

<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>DTI GSS</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>TCO FSS</td>
<td>456.9</td>
<td>456.9</td>
<td>456.9</td>
<td>456.9</td>
</tr>
<tr>
<td>Equitrans</td>
<td>19.1</td>
<td>19.1</td>
<td>19.1</td>
<td>19.1</td>
</tr>
<tr>
<td>Total</td>
<td>485.0</td>
<td>485.0</td>
<td>485.0</td>
<td>485.0</td>
</tr>
</tbody>
</table>

| Local Direct         | 0.7     | 0.7     | 0.7     | 0.7     |

**Peaking**

<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blackhawk Storage</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
</tr>
</tbody>
</table>

**Total Firm Capacity**

<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross</td>
<td>670.9</td>
<td>670.9</td>
<td>670.9</td>
<td>670.9</td>
</tr>
<tr>
<td>Less capacity to provide Standby</td>
<td>(7.0)</td>
<td>(7.0)</td>
<td>(7.0)</td>
<td>(7.0)</td>
</tr>
<tr>
<td>Less capacity to provide EBS</td>
<td>(11.1)</td>
<td>(11.1)</td>
<td>(11.1)</td>
<td>(11.1)</td>
</tr>
<tr>
<td>Net Capacity</td>
<td>652.8</td>
<td>652.8</td>
<td>652.8</td>
<td>652.8</td>
</tr>
</tbody>
</table>

| Difference: Capacity less Demand | 31.9   | 28.5   | 24.0   | 19.5   |

Note: Totals may not add exactly, due to rounding.
Modest growth in CPA's firm demand is expected over the term of this forecast such that CPA's available capacity exceeds projected firm demand for contract year 2016-17 by 19.4 MDth, or 3%. This variance is within the bounds contained in CPA's Portfolio Design policy which provides guidance to CPA in contracting for the proper level and mix of supply, pipeline transportation, storage and peaking assets to ensure safe and reliable service at the best possible cost.

CPA's capacity portfolio presented in Table 4 shows that CPA's capacity portfolio contains a substantial amount of storage. Storage capacity enables CPA to purchase a majority of its annual customer requirements during the seven summer months, using some of the summer purchase volume to serve current customer demand but storing most of the volume to serve customer demand the following winter. Since CPA uses FTS to fill storage in the summer and to serve current demand in the winter, the annual FTS capacity utilization factor is relatively high.

Columbia Gas Transmission ("TCO") provides over 70% of CPA's winter season and about 88% of CPA’s Design Day capacity. CPA’s service territory lies in eight TCO PSPs, contained within two TCO Operating Areas. Each PSP is synonymous with a single or group of geographically-related delivery points to CPA’s distribution system otherwise known as a Master List of Interconnections ("MLI").

CPA’s capacity on TCO has relatively low cost as compared to other pipeline providers. The TCO capacity also has grandfathered Maximum Daily Delivery Obligation ("MDDO") rights. These grandfathered MDDO rights provide CPA the necessary flexibility
to receive varying volumes at individual delivery points day to day. This flexibility is critical to the efficient operation of CPA’s transportation services, both GDS and CHOICE®SM, and the efficient management of CPA’s capacity portfolio (See Balancing Among Geographic Regions, below).

CPA will need to notify TCO by April 30, 2013 of its intention regarding renewal of its firm transportation contract for 13,332 Dth per day of capacity. This capacity has a primary termination date of October 31, 2013. Because it is used by CPA to serve specific markets in Eastern Pennsylvania it is deemed to be “operationally required” capacity. For this reason CPA anticipates no change to this contract.

CPA’s firm transportation contract with TCO for 90,788 Dth per day of capacity was designed using a tiered approach, whereby portions of capacity are scheduled to terminate at different dates. This tiered approach provides contracting flexibility. The first tier of capacity equal to 21,055 Dth per day had a primary termination date is October 31, 2012. CPA renewed this capacity through October 31, 2022. The second tier of the 90,788 Dth total equals 30,237 Dth per day and has a primary termination date of October 31, 2014. CPA will need to notify TCO by April 30, 2014 regarding renewal of this capacity. CPA has not yet made a decision regarding renewal of this capacity. The third tier of the 90,788 Dth total equals 39,496 Dth per day and has a primary termination date of October 31, 2019. CPA will need to notify TCO by April 30, 2019 regarding renewal of this capacity. CPA has not yet made a decision regarding renewal of this capacity.
CPA’s contract with Columbia Gulf provides a low cost link between TCO’s transmission system, located in Appalachia, and the supply areas of the Gulf Coast. This upstream capacity totals 43,632 Dth per day.

CPA contracts for storage service from Equitrans under Rate Schedule 115SS. The contracted capacity is 19,130 Dth of MDQ and associated seasonal storage capacity of 2,000,000 Dth. This contract has an annual evergreen provision and a primary termination date of March 31, 2014. It would roll over for an additional year unless CPA notifies Equitrans that it does not wish to do so, by the notice date of March 31, 2013. Most of the capacity under this contract is used to provide service to GDS customers under Columbia’s Elective Balancing Service with the balance of its use limited to specific geographic areas. At this time, CPA does not anticipate any changes to this contract.

CPA also contracts for Equitrans FTS service to match the MDQ of the storage contract. The FTS contract also has an annual evergreen provision and a primary termination date of March 31, 2014. The required notification date if CPA decides not to extend the contract for an additional year is September 30, 2013. Given the linkage of this contract to the aforementioned storage contract, CPA does not currently anticipate any changes to this contract.

CPA contracts for storage and related firm transportation service from Dominion Transmission Inc. (“DTI”) under Rate Schedule GSS, FTNN-GSS and FT. The contracted storage capacity is 9,000 Dth of MDQ and associated seasonal storage capacity of 941,176 Dth. This contract has a primary termination date of March 31, 2018. CPA also
contracts for DTI FTNN service of 6,000 Dth per day and for DTI FT service of 3,000 Dth per day to match the MDQ of the storage contract. The FT service from DTI reduces to 2,000 Dth per day in the summer. The DTI FT service, which became effective August 1, 2009, is used primarily to transport a portion of the withdrawals from CPA’s DTI storage to Warrendale. The FTNN contract has a primary termination date of March 31, 2018 while the FT contract has a primary termination date of October 31, 2019.

Adding or Replacing Capacity

Before CPA contracts for interstate pipeline capacity, it reviews both open season offerings of new capacity and bulletin board postings of existing capacity. CPA also considers any viable capacity offered by pipelines that currently serve CPA or could do so in the future. Exhibit 2 summarizes proposed capacity services which CPA became aware of, and evaluated in the 12 month period ending January 31, 2013.

CPA may also obtain capacity as follows:

- Natural Gas Suppliers ("NGSs") operating in Pennsylvania, CPA customers and other third parties are given the opportunity to provide capacity comparable to capacity that CPA has under contract and that is approaching expiration.
- If CPA does not have sufficient capacity to meet its Design Day requirements CHOICE℠ NGSs are given the opportunity to provide FTS capacity for one-year periods.
In more detail, the procedures for obtaining capacity from NGSs are as follows.

**Expiration of an Existing Contract and Request for Proposal (RFP) to Natural Gas Suppliers (NGSs)**

When the expiration date of an existing capacity contract approaches, CPA gives NGSs licensed to operate in CPA’s service territory, CPA customers and other third parties the opportunity to provide comparable capacity. Certain capacities that meet one or more of the following conditions may be excluded:

- operationally necessary to serve CPA’s customers,
- required to provide Supplier of Last Resort (“SOLR”) services,
- required to provide system balancing.

Considering these conditions, CPA issues RFPs to the NGSs, CPA customers and other third parties offering them the opportunity to provide replacement capacity. The RFP specifies the delivery points required by CPA to receive gas supplies and outlines the daily delivery volumes for each delivery point. CPA will consider any viable offers it receives. If CPA determines that an offer complies with its RFP and is the best option available, it will enter into an agreement with the offering party. This process of seeking and accepting an offer from an NGS, CPA customer or other third party must be completed in time to allow CPA to terminate the existing capacity that was the subject of the RFP. If acceptable offers
are not received, CPA will either extend the existing contract under its own terms and rollover rights, or renegotiate the contract.

An example of this procedure is CPA’s RFP related to its National Fuel capacity. CPA’s contract with National Fuel is currently operating on a month to month rollover basis and is reviewed annually. On May 4, 2012 CPA issued an RFP for capacity to replace the National Fuel capacity, effective November 1, 2013. CPA did not receive any responses to its RFP. CPA anticipates that it will continue operating under the existing agreement since this capacity is needed to serve the Warren market area.

Additional Capacity Resource Requirement (“ACRR”)

Under the CPA CHOICE℠ Program, NGSs serving CHOICE℠ customers provide a constant volume of daily supply, equal to the expected annual demand of their customers divided by 365 days.

Effective November 1, 2004, CPA implemented a procedure that gives CHOICE℠ NGSs the opportunity to provide FTS capacity, for one-year periods beginning each November 1, if CPA does not have sufficient capacity to meet its Design Day Demand. The process works as follows:

♦ CPA determines the Additional Capacity Resource Requirement (“ACRR”), if any, needed to meet its Design Day Demand.

♦ CPA notifies NGSs of the ACRR by April 1 of each year.
♦ The NGSs have the opportunity, until June 1, to offer to provide capacity. The volume of any capacity offered by a CHOICE\textsuperscript{SM} NGS may not exceed the daily supply volume of the NGS’s aggregation group.

♦ Should CPA receive offers that in total exceed the ACRR, CPA will accept the offers on a first-come basis until the ACRR is eliminated.

As reflected in Table 4, CPA projects it will have a capacity excess for the winter of 2013-14 and therefore will not seek additional capacity from NGSs serving CHOICE\textsuperscript{SM} customers through the ACRR process for contract year 2013–14. CPA will review its Design Day supply balance again before the 2014-15 winter season to determine if capacity will be sought through the ACRR process for the 2014-15 contract year.

Other Recent or Anticipated Capacity Renewals, Replacements, or Other Changes

In September 2007, CPA executed a letter agreement with Equitable Gas Company (“Equitable”), providing for the release to CPA of Texas Eastern Transmission, LP (“TETCO”) capacity for the term of November 1, 2007 through October 31, 2012 replacing CPA’s existing Market Area 2 (M2) capacity on TETCO. Initially, CPA acquired the capacity from Equitable through October 31, 2008. In October 2008, Equitable released the capacity to CPA for the remainder of the term of the letter agreement, November 1, 2008 through October 31, 2012. A March 1, 2011 RFP by CPA to replace this capacity yielded one offer that once evaluated, was determined not to have met the long term capacity requirement sought by CPA. In recognition that this has been deemed
operationally required capacity, CPA negotiated with TETCO for a replacement contract which became effective November 1, 2012.

**OPERATION OF TCO STORAGE**

**Operation Guidelines**

As noted on Table 4, approximately 72% of CPA's Design Day capacity is provided by storage. In addition, CPA relies upon storage to provide approximately 50% of its normal weather, winter season supply to meet the needs of its firm customers and balance system requirements.

CPA follows six guidelines in using its major storage service, TCO FSS:

- to preserve maximum daily storage deliverability on the Design Day and to delay storage ratchets until the design ratchet dates, as presented in Table 5;
- to protect the ability to serve customer requirements during a design cold winter season or month;
- to reserve sufficient TCO storage volumes, at least two percent of contracted seasonal storage quantity, as of April 1 to protect against potential cold temperatures in April;
- to spread TCO FSS storage injections over the months April through October so that no month has a planned injection exceeding 95% of the contractual limit for the month;
• to fill TCO storage to 98-99% of Seasonal Contract Quantity (“SCQ”) on November 1, leaving flexibility to allow for injections on warm days in early November; and
• to use this storage capacity consistent with least cost planning.

CPA’s strategy for TCO storage is sufficiently flexible to match customer requirements, under all planning scenarios, while:
• providing the economic benefit from storage utilization, and
• adhering to the operating conditions of TCO storage tariffs.

Using the above storage guidelines, CPA develops a supply plan consisting of seasonal and contract year supply/demand balances. The plan identifies total monthly sources of supply to be used for the colder, normal, and warmer contract year weather scenarios. The scenario incorporating the colder winter weather constitutes the Design Conditions for which the supply plan is developed.

Tariff Restrictions

Under TCO’s tariff, CPA must plan the use of storage such that no more than 65% of its TCO FSS seasonal storage quantity remains in inventory after February 1st, and no more than 25% after April 1st. In warmer weather winters, this limit may require downward swings in the volume of flowing gas, the gas that CPA has purchased and is transporting to its service territory using its firm transportation service (“FTS”) capacity. Downward
swings in flowing volumes must be carefully implemented given the potential occurrence of Design Day or extreme cold conditions at any time during the colder winter months. Since CPA requires all flowing supplies to meet firm Design Day Demand, CPA must be able to recall or replace any flowing volumes reduced to comply with storage delivery limits.

If CPA does not reduce its volume in storage to meet the February 1 and April 1 limits, CPA may be subject to pipeline actions ranging from Operational Flow Orders ("OFOs") mandating storage withdrawals, to the potential confiscation by the pipeline of volumes exceeding tariff limits. CPA is also subject to maximum volumes in storage of 60% on July 1 and 85% on September 1, requiring close monitoring of summer injection activity.

**Storage Ratchets**

CPA’s primary storage contract, provided by TCO under the Firm Storage Service ("FSS") Rate Schedule, is subject to deliverability reductions, or ratchets, over the course of a winter season as withdrawals reduce storage inventory. CPA manages volumes in storage in the winter to assure that full deliverability is retained late enough into the winter season to cover the Design Date of the Design Day. Furthermore, in Long Range Planning of its capacity portfolio, CPA uses the Monthly Design Days, mentioned earlier in the section titled "Demand," to assure that CPA can serve firm demand on cold days in late winter, after storage withdrawal capacity has ratcheted.
For Operational Planning, which applies to the current winter season, CPA determines ratchet temperature dates based on the capacity currently under contract and 1 in 10 risk criteria. Table 5 summarizes the three pairs of ratchet temperatures and dates for winter 2013-14. The first ratchet, for example, occurs when the inventory falls below 30% of the Storage Contract Quantity (“SCQ”). It decreases the Maximum Daily Withdrawal Quantity (“MDWQ”) to 80% of the Maximum Daily Storage Quantity (“MDSQ”).

### TABLE 5
Design Temperature and Dates of the TCO Storage Ratchets

<table>
<thead>
<tr>
<th>Ratchet</th>
<th>Before the Ratchet</th>
<th>After the Ratchet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Storage inventory, as a portion of SCQ</td>
<td>Withdrawal capacity MDWQ, as a portion of MDSQ</td>
</tr>
<tr>
<td>First</td>
<td>&gt;= 30%</td>
<td>100%</td>
</tr>
<tr>
<td>Second</td>
<td>&gt;= 20%</td>
<td>80%</td>
</tr>
<tr>
<td>Third</td>
<td>&gt;= 10%</td>
<td>65%</td>
</tr>
</tbody>
</table>

**Determination of Design Temperatures and Dates for Storage Ratchets**

On the date of the first ratchet, CPA loses daily storage withdrawal capacity equal to 20% of its Maximum Daily Storage Quantity (“MDSQ”). After this first ratchet, CPA has enough remaining withdrawal capacity to serve firm demand if daily average temperatures are 6° Fahrenheit or warmer. CPA manages storage activity to delay the first ratchet until days with average daily temperatures of 5° Fahrenheit and colder have less than a 10%
probability of occurrence. Based on historical temperature data since 1949, the latest occurrence of a 5°F Fahrenheit or colder average day temperature, with a 1 in 10 risk of a later occurrence, is February 16. CPA plans to maintain storage inventory above 30% of the Storage Contract Quantity ("SCQ") until February 16, the design date for the first ratchet. The second and third ratchet dates are developed in a similar manner. Under all weather conditions, CPA will target inventory levels at, or above, levels shown on Table 5 until the ratchet dates shown.

The temperatures and dates associated with storage ratchets may change annually, since:

- the temperature sensitivity coefficients and Design Day Demand are based on CPA’s Peak Day Forecast, which is updated each year, and
- CPA’s supply and capacity contracts may change.

The storage ratchet temperatures and dates are updated prior to the start of the winter heating season.

**SUPPLY CONTRACTS AND DAILY BALANCING**

*Supply Contracts*

CPA’s supply objective is to secure and deliver competitively priced, reliable gas supplies for its Sales Service Customers. Given current market conditions, CPA contracts for winter season firm supply under several contracts with terms from three months to twelve months. Having a relatively short term duration portfolio of gas supply contracts
enables CPA to adjust its portfolio to changing market conditions, and allows CPA to respond effectively to customer election of alternate suppliers under CPA’s Customer CHOICE℠ program.

CPA’s purchases of firm gas supplies are primarily made under contracts priced at a published market index price. However, for a portion of winter supply, the effective price is determined by financial hedges, described below in the section titled “Gas Price Hedging Program.” Spot gas supplies may be purchased at either a published index price or at a negotiated rate.

CPA’s supply contracts must meet its reliability criteria. In the months of December through February, CPA assures the reliability of service to its firm customers by contracting for sufficient term supply to fill its FTS capacity. Together with storage, CPA’s winter purchases are sufficient to meet the human needs requirements of its Sales Service customers.

Daily Balancing

Pipeline tariffs require CPA to balance supply and demand daily at each city gate. CPA’s sales and CHOICE℠ customer demand is highly temperature sensitive and varies, or “swings,” with changes in temperatures and other factors from day to day. CPA uses TCO’s no-notice firm storage service to provide balancing for most of the daily differences between scheduled, flowing supply and demand for all of its customers (Sales, CHOICE℠
and GDS). As previously noted, CPA provides GDS customers daily balancing under EBS. EBS has established operating conditions under which GDS customers or their suppliers must function. Two of those conditions relate to circumstances when a GDS customer or supplier may desire to deliver more gas or consume more gas than permitted under EBS. Such conditions are required to reduce the uncertainty for CPA in regard to the practices of GDS customers, or their suppliers, as associated with CPA’s daily balancing functions for its system and in the interest of reducing the risk of incurring higher costs for its sales and Choice service customers related to such uncertainty.

The TCO storage provides year-round injection and withdrawal capability. CPA will inject excess gas supply into its storage accounts on days when customer demand is less than the volume of gas supplies scheduled to CPA’s city gates. On days when customer demand exceeds the total gas supply volumes scheduled to CPA’s city gates, CPA will withdraw gas from its storage accounts. While storage provides the majority of CPA's daily balancing needs, it has daily and monthly limits on both injection and withdrawal. At certain times the daily injection/withdrawal capability of storage is insufficient to meet the potential demand swings of CPA’s customers, requiring CPA to increase or decrease its flowing supplies.

CPA’s strategy in purchasing gas supplies is to remain as flexible as possible consistent with providing reliable service in response to changing market conditions. This strategy holds true in the negotiation of swing provisions within those firm supply contracts. CPA’s philosophy with regard to negotiating swing contracts is that CPA will pay for the
right to swing on a daily basis only to the extent that the right is exercised. This provides CPA with required flexibility, consistent with its gas purchase strategy, without incurring additional fixed costs.

Scheduling and Nominations

Along with CPA’s purchase and management responsibility comes the requirement to schedule and nominate these supplies on several upstream pipelines with differing nomination requirements and penalty provisions. The operating provisions contained in the pipelines’ transportation tariffs require CPA to monitor the flow of gas at its city gate delivery points. Intra-day scheduling changes to nominations can be required to avoid overrun and imbalance charges/penalties contained in the pipelines tariffs. CPA purchases and nominates all system supply quantities. CPA monitors the supply and demand of its customers, and balances any difference. To perform a portion of these responsibilities, CPA utilizes its Supervisory Control and Data Acquisition (“SCADA”) system to provide constant monitoring of volumes delivered at its largest city gate delivery points.

Balancing Among Geographic Regions
CPA has a widespread service territory. CPA’s service territory currently lies in eight TCO Pipeline Scheduling Points. CPA’s service territory includes numerous discrete distribution systems, which are not connected by CPA transmission pipelines. Each distribution system is served by one or more city gate delivery points from interstate pipelines. In total CPA manages more than 370 such city gate delivery points. CPA is able to aggregate the various supplies and demands at all TCO delivery points for billing and balancing purposes.

Supplies received directly from Equitrans are balanced with CPA’s Equitrans storage service. CPA has limited ability to balance supply at Tennessee and TETCO interconnects using Operational Balancing Agreements with the pipelines involved. Similarly, receipts from National Fuel are balanced using a rolling day to day communication and adjustments between the pipeline and CPA.

SERVICES FOR CHOICE℠ CUSTOMERS

CPA’s CHOICE℠ Service provides customers with the alternative to access gas commodity supplies from NGSs while maintaining the reliability these customers require.

Consistent with the Commission’s December 1999 Order on CPA’s restructuring, CPA functions as the Supplier of Last resort (“SOLR”) as specified under Section 2207 of the Natural Gas Choice and Competition Act. Included in the SOLR function is service to:

(1) Sales customers that have not chosen an alternative supplier;

(2) customers who have been refused service by natural gas suppliers; and
(3) customers whose CHOICE\textsuperscript{SM} marketers fail to deliver their requirements.

To meet its SOLR obligations, CPA will utilize the capacity assets it has available under contract, including the potential recall of capacity assigned to suppliers under CPA's Customer CHOICE\textsuperscript{SM} Program. That is, if a CHOICE\textsuperscript{SM} marketer assigned capacity exits the Customer CHOICE\textsuperscript{SM} Program or fails to deliver supplies to CPA as provided in its tariff, the capacity will be recalled by CPA, as needed, and utilized to maintain service to the affected customers.

CPA serves low-income customers in its Customer Assistance Program ("CAP") through an aggregation process under which licensed Natural Gas Suppliers competitively bid for the right to supply commodity to CAP customers. There are approximately 20,000 customers enrolled in the CAP Program. CPA utilizes an RFP process in an effort to secure the most competitively-priced gas commodity for the CAP customers. The most recent RFP was sent out on May 13, 2011. The successful bidder began serving CAP customers on July 1, 2011 for a two year term. CPA anticipates that it will send out a new RFP in May, 2013, for service effective July 1, 2013. In the event that an annual RFP process does not yield a successful bidder CPA may increase the bid frequency in an effort to secure commodities for CAP Program participants.

**FEDERAL REGULATORY ACTIVITIES**

CPA is actively involved on behalf of its customers in all pertinent interstate pipeline matters, regulatory and otherwise, that are addressed by the Federal Energy Regulatory
Commission ("FERC"), the American Gas Association ("AGA") and / or the North American Energy Standards Board ("NAESB"). These matters range from specific pipeline tariff filings to those affecting natural gas distribution entities at large. Examples include pipeline rate cases, certificate applications, proposed rulemakings and policy statements. CPA’s involvement in these matters includes review, analysis, intervention, comment and collaboration.

CPA was an active participant in the settlement talks with Columbia Gas Transmission ("TCO"), which then led to TCO filing its Capital Cost Recovery Mechanism ("CCRM") in September, 2012. The settlement, which the FERC approved on January 24, 2013, provides several benefits to CPA’s customers such as enhanced reliability of service, a rate reduction effective in 2012, and minimization of uncertainties associated with potential annual regulatory rate proceedings by TCO.

Since the production of natural gas has increased in the Marcellus and Utica shale regions, transportation of natural gas from the Gulf region has been experiencing a decline. This trend is forcing some interstate pipelines to evaluate and realign their resources. CPA has been active in filings by two pipelines that are an indicator of this trend; these are Operational Transactions Rate Adjustment ("OTRA") filing made by TCO and the Rich Gas Transportation Service filing made by Tennessee Gas Pipeline.

CPA has been monitoring several FERC activities that could potentially have indirect impact on CPA’s service areas. In many of these instances, CPA participates at the FERC through the American Gas Association ("AGA"), the industry’s trade group. In
2012 these activities included, but are not limited to Gas-Electric Coordination, Gas Market Transparency and Reservation Charge Credits. A complete listing of CPA’s active involvement in 2012 is provided as part of Exhibit 3.

**OFF-SYSTEM SALES AND CAPACITY RELEASE INCENTIVE PROGRAM**

A market exists for NGDCs, such as CPA, to market unbundled and rebundled gas and capacity products to non-traditional customers. CPA’s off-system sales and capacity release program provides CPA and its customers an opportunity to benefit from the unbundling of interstate pipeline services implemented by FERC Order 636.

CPA’s off system sales incentives began in January 1995 and capacity release incentives began in February 1996. Several methods of sharing the revenue have been agreed to and utilized over the life of the off-system sales and capacity release programs. Sharing mechanisms have included fixed percentage sharing levels, fixed credits to the unit price of the PGC, and fixed minimum dollar credits to the PGC on an annual basis with a sharing percentage above that level. The results of these programs have been positive for both the customer and CPA because the parties and the Commission have recognized the importance of a balanced incentive in these programs.

As a result of the Commission’s Order in the 2009 1307(f) case, a revised three-year Off-System Sales and Capacity Release program was initiated for the period October 1, 2009 to September 30, 2012. In this Unified Sharing Mechanism (“USM”) program, PGC customers received 75% of the combined net proceeds generated from
Off-System Sales and Capacity Release during each of the three annual program periods while CPA retained the remaining 25%.

As a result of the Commission’s Order in the 2012 1307(f) case which in part addressed the expiration of CPA’s USM, it was resolved that CPA’s USM, as structured with the 75% customers/25% CPA split, should continue indefinitely, absent Commission directive to the contrary. This order provided that if in a future proceeding any party proposes in direct testimony to change the mechanism, their own contrary proposals could be submitted in such case, and it also provided parties’ rights to review the actual implementation of the USM.

**GAS PRICE HEDGING PLAN**

In the 1997 1307(f) case, CPA filed a proposal to begin setting future gas purchase prices using the natural gas futures market and related tools in order to mitigate the impact that volatile gas prices might have on gas costs charged to its customers. CPA proposed that these tools be recognized and accepted as appropriate for CPA to use when purchasing gas for its system supply, where the resulting costs would be considered part of the normal flow-through process for gas costs. In that case, it was agreed that CPA could utilize such tools as part of its gas-purchasing program and that the costs associated with such gas procurement techniques would be recoverable as gas costs. CPA accomplished that approved hedging under the process defined by CPA’s Gas Price
Portfolio Guideline (later called the Gas Price Hedging Plan).

Through the years, a number of modifications to Columbia’s Gas Price Hedging Plan have been recommended, stipulated to, and approved by the Commission. Currently, the plan is implemented through the purchase and sale of NYMEX natural gas futures contract to hedge the price on 50% of the expected flowing gas supplies during each month of a future winter period (November-March). Columbia purchases the gas futures contracts on a ratable basis throughout the twenty four month period ending in August, just prior to the winter being hedged. The most recent version of the plan was implemented in September 2006 following the Commission’s Order, and has been used to place hedges beginning with the winter period of 2007-2008.

In the 2009 1307(f) case, the OCA recommended changes be made to the hedging plan. Those changes were not approved by the Commission in its Order. Columbia was instructed however, as part of that Order, to conduct another study of its hedging program. That study was completed and filed on schedule at the beginning of February 2010.

In Columbia Gas of Pennsylvania, Inc.’s (“Columbia” or the “Company”) 2012 Rate Investigation Pursuant to 66 Pa.C.S. § 1307(f), Columbia filed a Joint Petition for Settlement (“Settlement”) which was executed by Columbia, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”). On August 16, 2012, the ALJ issued a Recommended Decision recommending the approval of the Settlement. On September 13, 2012, the Commission adopted the
Recommended Decision approving the Settlement ("Final Order"). As part of the Settlement, Columbia agreed to undertake a study of its hedging program. The relevant Settlement Terms as delineated in the Recommended Decision and approved in the Final Order are as follows:

1. Columbia will prepare an analysis of historic data, wherein the company will compare the historic price of the hedge to current market prices at the time Columbia entered into the hedge contract and to the current price of gas at the effective date of the hedge. Columbia also will analyze current market prices in comparison to the prices of NYMEX futures contracts purchased for future winter periods.

2. Columbia will analyze the data with particular focus on whether the current percentage of gas supplies hedged and the current 24-month period used to purchase hedges should continue.

3. Columbia will provide the results of its analysis as part of its 2013 Section 1307(f) prefiling on March 1, 2013. Further, if appropriate adjustments to Columbia’s hedging program are identified by the analysis, Columbia will propose to implement such adjustments in its 2013 Section 1307(f) filing.

Recommended Decision at pp. 6-7.

The requested hedging study will be filed for review on February 28, 2013.
53.64(c) (6) Each Section 1307(f) utility shall file with the Commission a statement of its current fuel procurement practices, detailed information concerning... its participation in capacity and release programs...

Response:

CAPACITY RELEASE

During CPA’s pre-month strategy meetings, assumptions are finalized that lead to the determination of the level of capacity that can be released on a recallable and on a non-recallable basis, by pipeline.

Once it has been determined that capacity is available for release, CPA provides widespread notice of the availability of such capacity to CPA’s capacity customer list via facsimile, telephone, email, or such other method as may be available and deemed appropriate. Included in the notice is a deadline date and time to respond. Once the bids are received, they are reviewed and awarded on a prearranged basis.

The capacity is then posted on the respective Electronic Bulletin Boards (EBB) for each pipeline as applicable. The posted releases establish the requirements for each individual release relating to the term of the release, quantities, receipt and delivery points, minimal acceptable bid, the bid criteria utilized by the pipeline in choosing the best bid, and the right to recall the capacity. The bidding and awarding procedures then follow the procedures of the pipeline’s tariff with a contract being submitted to the assignee by the pipeline prior to the nomination
CPA has rights to firm transportation and/or storage capacity on Dominion Transmission, Equitrans, National Fuel, Texas Eastern, Tennessee, Columbia Gas Transmission, and Columbia Gulf Transmission.
53.64(c) (6) Each Section 1307(f) utility shall file with the Commission a statement of its current fuel procurement practices, detailed information concerning the staffing and expertise of its fuel procurement personnel...

Response:

CPA’s fuel procurement activities are conducted by its Supply and Optimization (SO) and Commercial Operations (CO) Departments. Both departments are located in Columbus, Ohio and are dedicated to serving the gas supply management needs of CPA and its affiliated LDCs as part of the NiSource Corporate Services Company.

Michael D. Watson is the Vice President of Supply and Optimization while Heather Bauer is Vice President of Commercial Operations. The positions under their supervision have been actively involved in the direct acquisition of gas supplies and the development and management of end user transportation programs since the beginning of open access transportation in 1993. Summaries of the job descriptions for those Manager, Director and Gas Trader positions in the Columbus office associated with CPA’s fuel procurement activities are provided below.

Director – Gas Control and Planning

To direct the planning, development, and implementation of Strategic Gas Supply Plans for the distribution companies; to direct economic feasibility studies to formulate the optimal gas supply and capacity mix; to recommend solutions to peak day and seasonal gas supply deficiencies; to negotiate for pipeline capacity; to enable each distribution company to achieve the company goals of reliability balanced with the least cost objective; to consult with marketers and other stakeholders in designing Customer CHOICE, to ensure that the distribution companies are properly evaluating and selecting their "least-cost" gas supply utilization options within the scope of each distribution company of Columbia's established business objectives; to direct the implementation of
daily operations within the terms of each distribution companies contractual arrangements; and to plan, develop and direct the forecasting of daily and seasonal market requirements (core and non-core) under various gas operations planning scenarios, inclusive of the design peak day(s).

Manager - Planning
To plan, develop and oversee the preparation of Strategic Gas Supply Plans for the distribution companies and the economic feasibility studies to formulate the optimal gas supply and capacity mix for each distribution company in order to achieve the goals and objectives of the Strategic Gas Supply Plan; to evaluate, and recommend as appropriate, alternative gas supply sources and projects to achieve the company goals of reliability balanced with the least cost objective; to analyze the impact of Customer CHOICE programs on the Company’s gas supply portfolio; to design and implement Customer CHOICE programs: to monitor and evaluate the potential impact of changing federal and state regulations, as well as supply availability and deliverability; to recommend gas supply strategies that enable each distribution company to continue to achieve its "least-cost" purchasing policy by securing and delivering competitively priced, reliable gas supplies.

Manager - Gas Control
To plan, manage, and implement the daily gas supply operations of each of the distribution companies of Columbia to ensure implementation of the "least-cost" purchasing and operations strategies within the applicable contract limitations and supply delivery constraints for each company while ensuring safe, reliable service.

Manager - Engineering Services
To plan, develop and oversee engineering activities supporting development of a least cost supply portfolio; to initiate and evaluate distribution systems supply absorption capabilities; to coordinate city gate capacity requirements with upstream pipelines and District operational personnel; to recommend capacity changes to meet customer requirements; and to determine operational requirements for Customer CHOICE marketers in specific market areas.

Director – Transportation and Supplier Services
To ensure that the distribution companies of Columbia schedule and transport acquired gas supply on related capacity entitlements required to meet customer demand in a reliable cost effective manner by directing; (1) the administration of the transportation and storage capacity contracts necessary to facilitate delivery of the supplies, (2) the reconciliation and approval of all supply and capacity invoices, and (3)
the development of information systems and processes designed to facilitate the Procurement functions, (4) to manage the administration, processing, approval, and filing of gas supply contracts, (5) to manage the scheduling and nomination of transported gas supplies from suppliers on applicable pipelines, and (6) to manage the release of firm pipeline capacity.

**Manager – Supplier Services**

To manage the reconciliation and approval for payment of gas supply, pipeline transportation, and storage invoices from numerous pipelines and suppliers; to manage the reconciliation, negotiation, and resolution of pipeline and supplier imbalances to minimize financial exposure; to provide General Accounting, Financial Planning, and Regulatory Services with information and advice necessary for proper accounting, cash forecasting and recovery of costs associated with these gas supplies; and to develop and maintain computer systems which track purchasing, movement and accounting of gas activity.

**Gas Trader**

To negotiate long and short term gas purchase agreements required to meet customer demand in a reliable, cost effective manner and to negotiate the purchase of spot gas supplies from natural gas producers and marketers.